

## **Report to Audit Committee**

### **Audit and Counter Fraud Progress Report**

**Portfolio Holder:** Cllr Abdul Jabbar MBE, Deputy Leader and Cabinet Member for Finance and Green

**Officer Contact:** Mark Stenson – Head of Corporate Governance

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### **Reason for Decision**

To provide Members with a high-level progress report on the work of the Audit and Counter Fraud team up to the 30 September 2020.

### **Executive Summary**

The report summarises the work carried out by the Audit and Counter Fraud Team to 30 September 2020.

Due to the pandemic, during the period 1 April to 31 July, Internal Audit has provided significant non-audit related administration support to Revenues and Benefits services in the processing of Business Grants; and advice to support the Council in considering its response to managing Supplier Relief. As such a revised Internal Audit Plan was presented to the Audit Committee on 10 September 2020 which covered eight-month period 1 August 2020 to 31 March 2021.

In addition, other Audit and Counter Fraud Team highlights include:

- Contribution to reviewing the controls around processing Business Grants and discretionary Business Grants in quarter one and two.
  - Carrying out investigations around potential fraud and error on Business Grants.
  - Advisory work has been delivered by the Internal Audit Team to colleagues, including those managing the People Programme and the implementation of the ICT solution to reflect the potential issues with the system.
  - Preliminary Business Grant Assurance review around the Small Business Grant Fund (SBGF) and the Retail, Hospitality and Leisure Grant Fund (RHLGF) administered by the Council.
  - The Counter Fraud and Direct Payments Audit Teams (Adults and Children) have continued to deliver outcomes which have generated £129,484 and £771,974 (respectively) during the first 6 months of the year to 30 September 2020.
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- The Team continues to collaborate with colleagues to procure and implement a cost-effective solution to the Audit Management System, to ensure an appropriate mix of external and internal resources to achieve value for money.

## **Recommendations**

Members are requested to note the 2020/21 High Level Progress Report up to 30 September 2020 prepared by the Head of Corporate Governance.

## **Audit and Counter Fraud Progress Report**

### **1. Background**

- 1.1 This report summarises the work carried out for the period 1 April to 30 September 2020 by the Audit and Counter Fraud Team and the team's key performance against agreed performance indicators.
- 1.2 The main content of the report is structured as follows:
- Section 2: 2020/21 Audit and Counter Fraud Plan: Progress Update.
  - Section 3: Corporate Counter Fraud.
  - Section 4: Audit of Direct Payments.

### **2 2020/21 Audit and Counter Fraud Plan: Progress Update**

- 2.1 The priorities for the 2020/21 Audit and Counter Fraud Plan are to:
- Complete the Fundamental Financial Systems (FFS) work on 2020/21 transactions and work to support the 2020/21 audit of the financial accounts. The FFS audits are being undertaken in two stages to provide earlier assurance:
    - Interim (Stage 1) Audits which commenced in October 2020; and
    - Final (Stage 2) Audits to commence in February 2021 and to be completed by 31 March 2021.
  - Provide assurance that the systems and procedures in place within Oldham Council are financially sound and in line with best practice.
  - Complete audits which are classed as "high" in the Annual Audit Needs Assessment.
  - Undertake a programme of Counter Fraud work to identify fraud risks within the corporate systems.
  - Undertake specific fraud investigations on Council Tax Reduction and Corporate Fraud.
  - Deliver the financial audits of Direct Payments in line with service plans and targets.
- 2.5 The Team has allocated greater resource than planned and has used contingency to provide:
- a) Non-audit related support to Revenues and Benefits services in the processing of Business Grants;
- This required processing grant applications and ensuring robust controls were in place prior to making payment to eligible businesses. The Internal Audit Team assisted in the administration as well as contributing to the continuous improvement around process and control.
- b) Advice and a review to the Procurement Service in considering its response to managing Supplier Relief, towards a particular contract commissioned by the Council;
- Under procurement policy notes (PPN) 02/20 and 04/20 in order to ensure service continuity during and after the coronavirus (COVID-19) outbreak, all public sector contracting authorities have been advised by the government to support their at risk suppliers in a range of ways to ensure business and service continuity and to protect jobs.
  - The review carried out by Internal Audit related to a supplier, where it was alleged that funds received by the company was not passed on to employees in order to support
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business continuity. Part of the agreement was for the Council to continue to award the contract amount with a condition attached to ensure employees continued to be paid.

- It was concluded that the Company Director pay a number of employees accurately and as such the review facilitated a number of discussions between the Procurement Team and Company Director which resulted in a positive outcome.

2.6 The team has issued a number of draft Reports and Briefing Papers since 1 April 2020, including those issued to the Council's Group Companies Reports are listed in **Appendix 1** together with the audit "opinion". At the time of drafting the report the Internal Audit Team continues to perform the Interim Stage 1 financial system reviews, which will contribute to a further 13 reports finalised in Q3 and Q4.

2.7 The transition to a replacement Audit Management System has been delayed, in order to ensure that value for money is achieved from the agreed solution. However, plans are now in place with Procurement and ICT colleagues to progress the Audit Management System. In the meantime, the data to support this report has been prepared using manual spreadsheets, which have been subject to quality assurance and some performance indicators will be measured and fully reported as part of the 2020/21 Year End Report by the Head of Corporate Governance.

### 3. Corporate Counter Fraud

3.1 The Corporate Counter Fraud Team continues to perform well. In addition to carrying out investigations around potential fraud and error on Business Rates Grants, **Appendix 2** sets out the key outcomes from other work conducted. The location by Ward of the results obtained can be made available.

3.2 The key highlights are set out in **Appendix 2** and include:

- 58 positive cases of Council Tax Reduction (CTR) Fraud and Error identified;
- £66k of Council Tax Reduction (CTR) misuse and savings has been uncovered;
- 58 Warning Letters have been issued to Council Tax customers reminding them of their duties to report changes in their circumstances;
- £26k of Housing Benefit Fraud and Error Overpayments identified as part of the CTR investigations;
- 78 positive cases of non-CTR fraud/misuse including Direct Payment Misuse, Employee Abuse of Position, Council Tax Discount Fraud (SPD) and;
- £37k of non-CTR/misuse and savings uncovered.

3.3 In line with the priorities agreed by the Audit Committee, the Counter Fraud Team will continue to:

- collaborate with the Internal Audit Team and;
- ensure the delivery of the Internal Audit and Counter Fraud Plan 2020/21.

### 4. Audit of Direct Payments

4.1 The Direct Payments Audit team verifies that spending of the Direct Payment is in line with the agreed Support Plan and that client contributions to their care have been made. This team has a dual role as a compensating control, tasked with the responsibility to recover overpayments/unrecovered client contributions and also to ensure the client is spending the agreed funds in accordance with the agreed Support Plan.

4.2 **Appendix 3** sets the monthly Direct Payments Audit volumes and financial outcomes arising from Adults Services and Children's Services, which are £719,694 and £52,279 (respectively). Following the Direct Payment Audit, in approximately 67% of cases, an invoice is raised to

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recover an under spend, expenditure not in line with the support plan, or misuse of the Direct Payments.

4.3 In summary, by the 30 September 2020, the team had carried out 481 Adults and Children's Direct Payment Audits.

4.4 The Direct Payment Audit Team continue to conduct audits of Personal Health Budgets with colleagues from the NHS England (Clinical Commissioning Groups (CCGs) and Oldham Cares.

## **5 Options/Alternatives**

5.1 The Audit Committee can either:

- a) chose to accept and note the progress achieved and performance by the Audit and Counter Fraud Team
- b) decline to accept and note the progress achieved and performance by the Audit and Counter Fraud Team and suggest an alternative approach

## **6 Preferred Option**

6.1 The preferred option is that the Audit Committee accepts and notes the progress achieved and performance by the Audit and Counter Fraud Team.

## **7 Consultation**

7.1 N/A.

## **8 Financial Implications**

8.1 N/A.

## **9 Legal Services Comments**

9.1 N/A.

## **10 Cooperative Agenda**

10.1 N/A.

## **11 Human Resources Comments**

11.1 N/A.

## **12 Risk Assessments**

12.1 The 2020/21 Audit and Counter Fraud Plan is prepared, reviewed and updated using a risk-based approach. The Terms of Reference for each agreed project are also determined using a risk-based methodology. (Mark Stenson)

## **13 IT Implications**

13.1 N/A.

## **14 Property Implications**

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14.1 N/A.

## 15 **Procurement Implications**

15.1 N/A.

## 16 **Environmental and Health & Safety Implications**

16.1 N/A.

## 17 **Equity, Community Cohesion and Crime Implication**

17.1 N/A.

## 18 **Equality Impact Assessment Completed**

18.1 No.

## 19 **Forward Plan Reference**

19.1 N/A.

## 20 **Key Decision**

20.1 No.

## 21 **Background Papers**

21.1 The following is a list of background papers on which this report is based in accordance with the requirements of Section 100(1) of the Local Government Act 1972. It does not include documents which would disclose exempt or confidential information as defined by the Act

File Ref: Background papers are included as Appendices 1 to 3

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## 22 **Appendices**

22.1 The following Appendices are available to support this Report:

- **Appendix 1:** Summary of Reports – 1 April to 30 September 2020
  - **Appendix 2:** Counter Fraud Results – 1 April to 30 September 2020
  - **Appendix 3:** Direct Payments Results – 1 April to 30 September 2020
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## Audit and Counter Fraud 2020/21: List of Reports 1 April to 30 September 2020

Report Ref	Directorate	Audit Review/CF Report	Report/Briefing Note	Quarter	Opinion
1	People and Places	Homelessness Review	Report	Q2	Inadequate
2	Commissioning Services	Supplier Review	Briefing Note	Q2	Advisory
3	Commissioning Services	Reconciliation - Cash Grants Duplications	Briefing Note	Q1	Advisory
4	Commissioning Services	Purchase Order Review Analysis	Briefing Note	Q2	Advisory
5	Commissioning Services	Accounts Payable – Covid 19 Assurance Check	Briefing Note	Q2	Advisory
6	Commissioning Services	Self-isolation payments control review	Briefing Note	Q2	Advisory
7	Commissioning Services	Interim Business Grant Assurance Review	Report	Q2	Adequate
8	Commissioning Services	REDWOLF Grant (1)	Grant Assurance	Q1	Assurance
9	Commissioning Services	Reduces Grant (EU Grant)	Grant Assurance	Q1	Assurance
10	Commissioning Services	Safer Roads Grant	Grant Assurance	Q2	Assurance
11	Commissioning Services	Local Growth Fund Grant	Grant Assurance	Q3	Assurance
12	Commissioning Services	REDWOLF Grant (2)	Report Submission	Q3	Assurance
13	Commissioning Services	Payroll Assurance Highlight Report	Report	Q1-3	Assurance
14	External MioCare	Follow up AW High Complex Case	Report	Q2	Adequate

## Appendix 2

### Counter Fraud Results - 1 April to 30 September 2020

Performance Indicator/Output Measure	2020/21 Actuals						Cumulative Total
	Apr	May	June	July	Aug	Sept	
Corporate Cases - Positive Results	11	10	4	9	24	20	<b>78</b>
Fraud and Error Overpayments identified as part of Corporate Cases (£)	£7,862.61	£8,775.90	£2,066.88	£4,378.19	£7,000.19	£7,293.78	<b>£37,377.54</b>
CTR cases amended as a result of an investigation	5	12	9	17	5	10	<b>58</b>
HB Fraud and Error Overpayments identified as part of a CTR investigation (£)	£0.00	£812.21	£7,931.37	£0.00	£2,243.24	£15,252.75	<b>£26,239.57</b>
CTR Fraud and Error Overpayments identified (£)	£5,629.95	£15,293.46	£13,627.59	£19,306.59	£5,596.42	£6,413.47	<b>£65,867.48</b>
<b>Financial Outcomes from Counter Fraud Team</b>	<b>£13,492.56</b>	<b>£24,881.57</b>	<b>£23,625.84</b>	<b>£23,684.78</b>	<b>£14,839.85</b>	<b>£28,960.00</b>	<b>£129,484.59</b>



## Direct Payments Results - 1 April to 30 September 2020

## Adults Social Care:

2020/21	Audits Completed	Amount of monies Requested/Recovered following Audit	Non-Payment of Financial Contribution	Total Direct Payment Recovery
April	77	£99,275.24	£10,521.53	£109,796.77
May	84	£125,105.89	£6,387.33	£131,493.22
June	44	£89,524.41	£7,628.96	£97,153.37
July	82	£68,008.95	£5,986.14	£73,995.09
August	60	£128,319.95	£4,712.36	£133,032.31
September	70	£155,455.30	£18,768.74	£174,224.04
<b>Total</b>	<b>417</b>	<b>£665,689.74</b>	<b>£54,005.06</b>	<b>£719,694.80</b>

## Children's and Young People:

2020/21	Audits Completed	Amount of monies Requested/Recovered following Audit
April	17	£11,528.04
May	14	£6,692.31
June	19	£19,809.68
July	6	£7,659.43
August	7	£6,325.47
September	1	£264.48
<b>Total</b>	<b>64</b>	<b>£52,279.41</b>

**NB:** There are no financial contributions paid by the recipients of Children's Direct Payments.