

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

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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 31 December 2020.

Executive Summary

The report summarises the work carried out by the Audit and Counter Fraud Team to 31 December 2020.

The team have continued to prioritise work on the Fundamental Financial Systems (FFS) reviews related to 2020/21 transactions and work to support the 2020/21 audit of the financial accounts. The FFS audits are well underway, and the initial stage is near completion in reviewing total of 14 systems with throughput value of over £10m.

Due to the ongoing pandemic, Internal Audit continue to provide non-audit related administration support to Revenues and Benefits services in the processing Business Grants; and continued advice to support the Council in considering its response to managing Supplier Relief.

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

- Contribution to reviewing and controls around processing Winter Grants, and continued support around Business Grants and discretionary Business Grants.
 - Carrying out investigations around potential fraud and error on Business Grants.
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- 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.
- Business Grant Assurance review around the Small Business Grant Fund (SBGF), the Retail, Hospitality and Leisure Grant Fund (RHLGF) and Discretionary Grant Fund (DFG) administered by the Council.
- The Counter Fraud and Direct Payments Audit Teams (Adults and Children) have continued to deliver outcomes which have generated £198,645 and £1,421,626 (respectively) during the first 9 months of the year to 31 December 2020.
- 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 Audit and Counter Fraud Progress Report up to 31 December 2020.

Audit and Counter Fraud Progress Report

1. Background

- 1.1 This report summarises the work carried out for the period 1 April to 31 December 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 team continues to work on the Fundamental Financial Systems (FFS) reviews related to 2020/21 transactions and work to support the 2020/21 audit of the financial accounts. A different approach has been applied as all audits have been completed remotely. This in the main has worked well given the challenges faced around working in a different way. The Stage 1 FFS audits are well underway, and is near completion, in reviewing total of 14 systems with throughput value of over £10m
 - 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.

Internal Audit and Counter fraud will continue work through the plan and carry out unplanned worked in order to:

- Provide assurance that the systems and procedures in place within Oldham Council are financially sound and in line with best practice.
 - A process of "Continuous Audit" for several key financial systems. This includes Payroll and Adults Financial Systems.
 - 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.
- 2.2 The Audit team also carry work around EU funded grant scheme and this report includes work carried out on Innova Foster. The grant is related to local stakeholders' engagement and joint research into improvement of regional and local policies and programmes to support the growth of high-potential SMEs assist them in growth. All partners identify, analyse, exchange knowledge, good practices about regional situation of start-ups. For example, to strengthen the productivity of enterprises, boost research and innovation, enable the shift towards a more low-carbon and environmentally friendly economy.
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2.3 The team has issued several 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, with seven reports at its draft stage which are also included for completeness, with draft opinions subject to review by the Director of Finance and Head of Corporate Governance.

2.4 A new Audit Management System has been selected accordance with the Council's Contract Procedure Rules.

2.5 The software selected is called Pentana Audit System which is, a is a fully configurable Audit Management System that provides comprehensive functionality with a range of components such as Annual Planning including Risk Assessment, Audit Management and working paper platform. Further updates will be reported to the Audit Committee around the progress of implementation. 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 Support 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:

- 78 positive cases of Council Tax Reduction (CTR) Fraud and Error identified;
- £83k of Council Tax Reduction (CTR) misuse and savings has been uncovered;
- 77 Warning Letters and 1 Administration Penalty have been issued to Council Tax customers;
- £61k of Housing Benefit Fraud and Error Overpayments identified as part of the CTR investigations;
- 103 positive cases of non-CTR fraud/misuse including Direct Payment Misuse, Employee Abuse of Position, Council Tax Discount Fraud (SPD) and:
- £52k 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 £1,364,422 and £57,203 (respectively). Following the Direct Payment Audit, in approximately 66% of cases, an invoice

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

4.3 In summary, by 31 December 2020, the team had carried out 733 Adults and Children's Direct Payment Audits.

4.4 The Direct Payment Audit Team continue to conduct audits of Personal Health Budgets (24) 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**

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
Officer Name:	Mark Stenson
Contact No:	4783

22 **Appendices**

22.1 The following Appendices are available to support this Report:

- **Appendix 1:** Summary of Reports – 1 April to 31 December 2020
 - **Appendix 2:** Counter Fraud Results – 1 April to 31 December 2020
 - **Appendix 3:** Direct Payments Results – 1 April to 31 December 2020
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Audit and Counter Fraud 2020/21

Summary of Reports 1 April to 31 December 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	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	Q1-2	Assurance
14	External MioCare	Follow up AW High Complex Case	Report	Q2	Adequate
15	Commissioning Services	Inova Foster Grant	Grant Assurance	Q3	Advisory
16	Commissioning Services	Payroll Assurance Highlight Report	Report	Q3	Assurance
17	Commissioning Services	Draft Accounts Payable	Report	Q3	Adequate
18	Commissioning Services	Draft Bank Reconciliations	Report	Q3	Good
19	Commissioning Services	Draft Council Tax	Report	Q3	Adequate
20	Commissioning Services	Draft NDR	Report	Q3	Adequate
21	Commissioning Services	Draft Fixed Asset	Report	Q3	Adequate

Report Ref	Directorate	Audit Review/CF Report	Report/Briefing Note	Quarter	Opinion
22	Commissioning Services	Draft Treasury Management	Report	Q3	Good
23	Commissioning Services	Draft Business Grant	Report	Q3	Adequate

Audit and Counter Fraud 2020/21

Counter Fraud Results 1 April to 31 December 2020

Counter Fraud Team - Performance Monitoring 2020/21	Quarter 1	Quarter 2	Quarter 3	Total
Corporate Cases - Positive Results	25	53	25	103
Fraud and Error Overpayments identified as part of Corporate Cases (£)	£18,705.39	£18,672.15	£15,518.45	£52,895.99
CTR cases amended as a result of an investigation	26	32	20	78
HB Fraud and Error Overpayments identified as part of a CTR investigation (£)	£8,743.58	£17,495.99	£35,569.89	£61,809.46
CTR Fraud and Error Overpayments identified (£)	£34,551.00	£31,316.48	£18,072.27	£83,939.75
Financial Outcomes	£61,999.97	£67,484.62	£69,160.61	£198,645.20

Audit and Counter Fraud 2020/21

Direct Payments Results 1 April to 31 December 2020

Adults Social Care

Financial Year 2020/21	Number of Audits Reviewed	Amount of Underspend for Recovery (£)	Financial Contribution (FC) for Recovery (£)	Total Direct Payment and FC for 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	£155,437.33	£18,768.74	£174,206.07
October	104	£233,745.24	£35,462.65	£269,207.89
November	92	£277,742.37	£4,438.67	£282,181.04
December	48	£80,050.94	£13,305.67	£93,356.61
Total	661	£1,257,210.32	£107,212.05	£1,364,422.37

Audit and Counter Fraud 2020/21

Direct Payments Results 1 April to 31 December 2020

Children's and Young People

Financial Year 2020/21	Number of Audits Reviewed	Total Direct Payment for Recovery (£)
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
October	8	£4,924.46
November	0	£0.00
December	0	£0.00
Total	72	£57,203.87

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