

## 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 28 February 2021.

### Executive Summary

The report summarises the work carried out by the Audit and Counter Fraud Team to 28 February 2021.

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 second stage FFS audits are well underway, which commenced on 8 February, with all the field work completed around the first stage testing as part of the review 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 for the Covid related business grants; and continued advice to support the Council around Covid Related processes and issues.

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

- Contribution to reviewing and controls around processing the Government's Covid Winter Grants initiative, 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 (RHLCGF) and Discretionary Grant Fund (DFG) administered by the Council.
- Additional review and certification around European grants.
- The Counter Fraud Team and Direct Payments Audit Teams (Children and Adults) have continued to deliver outcomes which have generated £234,880 and £1,849,740 (respectively) during the first 11 months of the year to 28 February 2021.
- 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 Audit and Counter Fraud Progress Report up to 28 February 2021.

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## Audit and Counter Fraud Progress Report

### 1. Background

- 1.1 This report summarises the work carried out for the period 1 April 2020 to the 28 February 2021 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

#### Fundamental Financial Systems Review and Support for the 2020/21 Accounts Audit

- 2.1 A key priority for the 2020/21 Audit and Counter Fraud Plan has been to complete the Fundamental Financial Systems (FFS) work on 2020/21 transactions and work to support the 2020/21 audit of the financial accounts. In this regard:
- The team has completed the testing and field work around stage one FFS and continue to work on the second stage Fundamental Financial Systems (FFS) reviews relating 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 are being carried out remotely. This in the main continues to work well given the challenges faced around working in a different way. A total of 14 systems with throughput value of over £10m will be reviewed assessing key controls within each system.
  - 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 commencing in February 2021 and to be completed by 31 March 2021.
  - As part of supporting the final accounts the team are liaising closely with the organisation's external auditor, Mazars, around reviewing key controls and system reviews.
  - Internal Audit and Counter fraud will continue to work through the plan and carry out unplanned work in order to:
    - 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.
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## **Payroll Assurance, iTrent implementation**

2.2 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. This project is near completion with the all payrolls associated with the council processed through iTrent payroll system:

- Schools Payroll was processed in February 2021 through the iTrent System, which was successfully transferred from the previous payroll platform Selima.
- Council officers payroll was transferred from the A1 system to iTrent and payroll was processed through the new system in January 2021. The MioCare payroll as also transferred from the Selima platform in January 2021.

No significant error came to the attention of Internal Audit around both the millstone transfers. Internal Audit will continue to monitor the processes and control due to the inherent risks around it being a new system which the Council has implemented, and regular reports will be provided in order to give assurance on the controls and stability of the system.

## **European Grants Audits**

2.3 The Audit team also carry out work around EU funded grant schemes and this report highlights work carried out on a number of grants. The work carried out is to ensure grants have been spent inline with grant conditions and appropriate supporting documentation is provided to support the scheme. A summary of the schemes which assurance has been provided are noted below.

### 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.

### COALESCCE

The title refers to 'Community Owned and Led Energy for Security Climate Change and Employment'. It attempts to 'increase the capacity for community-based approaches to local renewable energy provision across Europe in order to reduce carbon emissions, increase energy security and tackle fuel poverty whilst driving Green Growth'.

### Foundations

This grant relates to building regional resilience to industrial structural change. To summarise – 'Across Europe, public bodies are pressed by an increasing need to provide preparatory support to the economic ecosystem in advance of the closure of anchor firms in their region which act as significant employers. The impacts of a closure of course go beyond direct employees and ripple, wave like throughout the regional services sector and economy. Management of such anticipated structural change requires proactive renewal of business approaches and policy supports. Regions are encouraged to introduce pilot projects based on their own strengths and to provide appropriate business supports for the re-alignment of the regional industrial base. This proactive approach by regional stakeholders is critical to building the resilience of these regions and enabling them to adapt to change'.

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## RED WoLF (Rethink Electricity Distribution Without Load Following)

Aim of project is to increase renewables' usage and reduce carbon emissions for homes with photovoltaic solar panels that do not have gas. Six pilots in UK, Ireland and France will fit houses with hybrid storage systems merging batteries and storage heaters. The heaters will provide heat on demand and the batteries will store output from the solar panels as well as low-carbon energy (wind/solar) drawn from the national grid at times of low demand using new 'smart' technology.

### **Audit Management System**

- 2.4 A new Audit Management System has been selected accordance with the Council's Contract Procedure Rules. Progress towards implementing the system is progressing well, and training will be carried out once dates are agreed by the supplier.
- 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.

### **Summary of Key Actions**

- 2.6 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, the FFS draft report were all at the quality assurance stage, and are included for completeness, with the associated draft opinions subject to review by the Director of Finance and 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:
    - 96 positive cases of Council Tax Reduction (CTR) Fraud and Error identified;
    - £96k of Council Tax Reduction (CTR) misuse and savings have been uncovered;
    - 93 Warning Letters and 3 Administration Penalty have been issued to Council Tax customers;
    - £76k of Housing Benefit Fraud and Error Overpayments was identified as part of the CTR investigations;
    - 118 positive cases of non-CTR fraud/misuse including Direct Payment Misuse, Employee Abuse of Position, Council Tax Discount Fraud (SPD) and;
    - £61k 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.
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#### 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 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 £1,740,303 and £109,437 (respectively). Following the Direct Payment Audit, in approximately 68% 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 28 February 2021, the team had carried out 977 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.

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## 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:	Sabed Ali/Andrew Bloor
Contact No:	4891/1205

## 22 Appendices

22.1 The following Appendices are available to support this Report:

- **Appendix 1:** Summary of Reports – 1 April 2020 to 28 February 2021
  - **Appendix 2:** Counter Fraud Results – 1 April 2020 to 28 February 2021
  - **Appendix 3:** Direct Payments Results – 1 April 2020 to 28 February 2021
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**Audit and Counter Fraud 2020/21**

Summary of Reports 1 April 2020 to 28 February 2021

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 Client	Follow up AW High Complex Case	Report	Q2	Adequate
15	Commissioning Services	Innova Foster Grant	Grant Assurance	Q3	Assurance
16	Commissioning Services	Payroll Assurance Highlight Report (iTrent Project Implementation)	Report	Q3	Advisory
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	<b>Commissioning Services</b>	Draft NDR	<b>Report</b>	Q3	<b>Adequate</b>
21	<b>Commissioning Services</b>	Draft Council Tax Reduction	<b>Report</b>	Q3	<b>Adequate</b>
22	<b>Commissioning Services</b>	Draft Fixed Asset	<b>Report</b>	Q3	<b>Adequate</b>
23	<b>Commissioning Services</b>	Draft Treasury Management	<b>Report</b>	Q3	<b>Good</b>
24	<b>Commissioning Services</b>	Draft Business Grant	<b>Report</b>	Q3	<b>Adequate</b>
25	<b>Commissioning Services</b>	Draft Adult Social Care – PB & Homecare	<b>Report</b>	Q3	<b>Inadequate</b>
26	<b>Commissioning Services</b>	Draft Adult Social Care – Residential Homes	<b>Report</b>	Q3	<b>Inadequate</b>
27	<b>Commissioning Services</b>	IT Laptop Windows 10 Inventory	<b>Briefing Note</b>	Q1	<b>Advisory</b>
28	<b>Commissioning Services</b>	COVID-19 Small Business Grants	<b>Briefing Note</b>	Q2	<b>Assurance</b>
29	<b>Commissioning Services</b>	Supplier Payments	<b>Briefing Note</b>	Q2	<b>Advisory</b>
30	<b>Commissioning Services</b>	Free School Meals Vouchers - Advisory Role	<b>Briefing Note</b>	Q4	<b>Advisory</b>
31	<b>Commissioning Services</b>	Primary School – Accounts Payable - overdue invoices controls	<b>Briefing Note</b>	Q4	<b>Advisory</b>
32	<b>Commissioning Services</b>	Local Growth Fund	<b>Grant Assurance</b>	Q3	<b>Assurance</b>
33	<b>Commissioning Services</b>	COALESCCE	<b>Grant Assurance</b>	Q1	<b>Assurance</b>
34	<b>Commissioning Services</b>	Foundations	<b>Grant Assurance</b>	Q2	<b>Assurance</b>
35	<b>Commissioning Services</b>	BEIS - Post Payment Assurance Report	<b>Grant Assurance</b>	Q4	<b>Assurance</b>
36	<b>Commissioning Services</b>	BEIS - Business Grant Assurance Assessment 1	<b>Grant Assurance</b>	Q2	<b>Assurance</b>
37	<b>Commissioning Services</b>	BEIS - Business Grant Assurance Assessment 2	<b>Grant Assurance</b>	Q3	<b>Assurance</b>
38	<b>Commissioning Services</b>	BEIS - Business Grant Assurance Assessment 3	<b>Grant Assurance</b>	Q3	<b>Assurance</b>
39	<b>Commissioning Services</b>	BEIS - Business Grant Assurance Assessment 4	<b>Grant Assurance</b>	Q3	<b>Assurance</b>
40	<b>Commissioning Services</b>	BEIS - Business Grant Assurance Assessment 5	<b>Grant Assurance</b>	Q3	<b>Assurance</b>
41	<b>Commissioning Services</b>	BEIS - Business Grant Assurance Assessment 6	<b>Grant Assurance</b>	Q4	<b>Assurance</b>
42	<b>Commissioning Services</b>	Report on Allegation of Business Rate Fraud - 31617741	<b>Briefing Note</b>	Q2	<b>Advisory</b>
43	<b>Commissioning Services</b>	Report on Allegation of Business Rate Fraud - 31593289	<b>Briefing Note</b>	Q2	<b>Advisory</b>
44	<b>Commissioning Services</b>	Report on Allegation of Business Rate Fraud - 31648453	<b>Briefing Note</b>	Q1	<b>Advisory</b>
45	<b>Commissioning Services</b>	NFI 2020/21- Council Tax Single Person Discount Review Arrangements	<b>Briefing Note</b>	Q3	<b>Advisory</b>

**Audit and Counter Fraud 2020/21**

Counter Fraud Results 1 April 2020 to 28 February 2021

<b>Counter Fraud Team - Performance Monitoring</b>	<b>Quarter 1</b>	<b>Quarter 2</b>	<b>Quarter 3</b>	<b>Jan - Feb</b>	<b>Total</b>
Corporate Cases - Positive Results	25	53	25	15	<b>118</b>
Fraud and Error Overpayments identified as part of Corporate Cases (£)	£18,705.39	£18,672.15	£15,518.45	£8,459.00	<b>£61,354.99</b>
CTR cases amended as a result of an investigation	26	32	20	18	<b>96</b>
HB Fraud and Error Overpayments identified as part of a CTR investigation (£)	£8,743.58	£17,495.99	£35,569.89	£14,987.00	<b>£76,796.46</b>
CTR Fraud and Error Overpayments identified (£)	£34,551.00	£31,316.48	£18,072.27	£12,789.00	<b>£96,728.75</b>

**Total Value of Fraud Identified £234,880.02**

**Audit and Counter Fraud 2020/21**

Direct Payments Results 1 April 2020 to 28 February 2021

**Adults Social Care**

<b>Financial Year 2020/21</b>	<b>Number of Audits Reviewed</b>	<b>Amount of Underspend for Recovery (£)</b>	<b>Financial Contribution (FC) for Recovery (£)</b>	<b>Total Direct Payment and FC for Recovery (£)</b>
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
January	65	£83,313.55	£6,532.68	£89,846.23
February	104	£269,468.28	£16,566.45	£286,034.73
<b>Total</b>	<b>830</b>	<b>£1,609,992.15</b>	<b>£130,311.18</b>	<b>£1,740,303.33</b>

## Audit and Counter Fraud 2020/21

Direct Payments Results 1 April 2020 to 28 February 2021

### 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	4	£1,232.53
December	6	£4,190.46
January	2	£1,189.32
February	63	£45,620.96
<b>Total</b>	<b>147</b>	<b>£109,437.14</b>

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

**Children's and Adults Total Payment Recovery £1,849,740.47**