

Report to Audit Committee

2020/21 Audit and Counter Fraud Progress Report

Portfolio Holder: Councillor Abdul Jabbar MBE, Deputy Leader and Cabinet Member Finance and Low Carbon

Officer Contact: Mark Stenson – Assistant Director of Corporate Governance and Strategic Financial Management

Report Author: Mark Stenson – Assistant Director of Corporate Governance and Strategic Financial Management

Ext. 4783

10 June 2021

Reason for Decision

To provide Members with a high-level progress report on the work of the Audit and Counter Fraud team for the 2020/21 financial year.

Executive Summary

The report summarises the work carried out by the Audit and Counter Fraud Team from 1 April 2020 to 31 March 2021. Due to the pandemic a revised eight-month plan was drafted in order to consider the risks and changes to the working practices.

The team prioritised 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 have been completed, with work commencing on 8 February. All the fieldwork as part of the review of 13 systems with throughput value of over £10m has been completed. Reports are in the draft stage.

Due to the ongoing pandemic, Internal Audit continued to provide non-audit related administration support to Revenues and Benefits services in relation to the Covid related grants; and continued to provide advice and support to the Council around Covid Related processes and issues until 31 March 2021.

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 reviews and queries.
- 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, which now has been completed.
- Business Grant Assurance review around the Small Business Grant Fund (SBGF), the Retail, Hospitality and Leisure Grant Fund (RHLGF), Local Authority Discretionary Grant Fund (LADGF) and Local Restrictions Support Grants administered by the Council.
- Review and certification around European grants.
- The Counter Fraud and Direct Payments Audit Teams (Adults and Children) have continued to deliver outcomes which have generated £244,814 and £2,161,075 (respectively) during the 2020/21 financial year.
- The Team are in the process of implementing a cost-effective solution to the Audit Management System, to ensure an appropriate mix of external and internal resources to achieve value for money. Training has been provided and system is being implemented in partnership through Unity ICT and Pentana Software.

Recommendations

Members are requested to note the 2020/21 Audit and Counter Fraud Progress Report.

Audit and Counter Fraud Progress Report

1. Background

- 1.1 This report summarises the work carried out for the period 1 April 2020 to 31 March 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

- 2.1 The priorities for the 2020/21 Audit and Counter Fraud Plan was 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 the final stage 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 generally well given the challenges faced around working in a different way. A total of 13 systems with throughput value of over £10m were reviewed assessing key controls within each system.
 - The FFS audits were undertaken in two stages to provide earlier assurance:
 - Interim (Stage 1) Audits which commenced in October 2020; and
 - Final (Stage 2) Audits which commenced in February 2021
 - As part of supporting the final accounts close down, the team are liaising closely with the organisation's external audit Mazars, around reviewing key controls and system reviews.
 - Work continued to progress on two external clients which are due for completion, around internal controls and financial system reviews.
 - Internal Audit and Counter fraud worked through the 2020/21 plan and carried 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 Payroll Assurance, iTrent implementation. 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 has been completed with the all payrolls associated with the Council processed through the iTrent payroll system:
- Schools Payroll was processed in February 2021 through the iTrent System, which was transferred from the previous payroll platform Selima.
-

- Council officer's payroll was transferred from the A1 system to iTrent and payroll was processed through the new system in January 2021.

Internal Audit will continue to monitor the processes and control due to the inherent risks around it being a new system and regular reports will be provided in order to give assurance on the controls and stability of the system.

- 2.3 The Audit team also carry work around EU funded grant schemes and this report includes work carried out on a number of grants, a number of which relate to low carbon initiatives, which supports the Council's corporate plans.

Innova Foster:

This 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 and 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.

Coalescse:

The terms stand for 'Community Owned and Led Energy for Security Climate Change and Energy'. 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'.

- 2.4 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 this report, the FFS final draft reports 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 Assistant Director of Corporate Governance and Strategic Financial Management.
- 2.5 A new Audit Management System has been selected in accordance with the Council's Contract Procedure Rules and this is progressing well. Training has been carried out, and the supplier is working with Unity ICT to implement the web-based system, and it is in the last stage of implementation.
- 2.6 The software selected is called Pentana Audit System which 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, as this is due to be completed shortly. 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 Assistant Director of Corporate Governance and Strategic Financial Management.

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:

- 117 positive cases of Council Tax Reduction (CTR) Fraud and Error identified;
- £108k of Council Tax Reduction (CTR) misuse and savings has been uncovered;
- 114 Warning Letters and 3 Administration Penalty Letters have been issued to Council Tax customers;
- £74k of Housing Benefit Fraud and Error Overpayments identified as part of the CTR investigations;
- 130 positive cases of non-CTR fraud/misuse including Direct Payment Misuse, Employee Abuse of Position, Council Tax Discount Fraud (SPD); and
- £62k 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 £2,029,164 and £131,910 (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, the team carried out 1,125 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) choose 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:	0161 770 4783

22 **Appendices**

22.1 The following Appendices are available to support this Report:

- **Appendix 1:** Summary of Reports – 1 April to 31 March 2021
 - **Appendix 2:** Counter Fraud Results – 1 April to 31 March 2021
 - **Appendix 3:** Direct Payments Results – 1 April to 31 March 2021
-

Audit and Counter Fraud 2020/21

Summary of Reports 1 April to 31 March 2021

Report Ref	Directorate	Audit Review/CF Report	Report/Briefing Note	Quarter	Opinion
1	People and Place	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	(iTrent Project Implementation) Payroll Assurance Highlight Report	Report	Q1-2	Assurance
14	External Client	Follow up AW High Complex Case	Report	Q2	Adequate
15	Commissioning Services	Inova Foster Grant	Grant Assurance	Q3	Assurance
16	Commissioning Services	(iTrent Project Implementation) Payroll Assurance Highlight Report	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	Commissioning Services	Draft NDR	Report	Q3	Adequate
21	Commissioning Services	Draft Council Tax Reduction	Report	Q3	Adequate
22	Commissioning Services	Draft Fixed Asset	Report	Q3	Adequate
23	Commissioning Services	Draft Treasury Management	Report	Q3	Good
24	Commissioning Services	Draft Business Grant	Report	Q3	Adequate
25	Commissioning Services	Draft Adult Social Care – PB & Homecare	Report	Q3	Inadequate
26	Commissioning Services	Draft Adult Social Care – Residential Homes	Report	Q3	Inadequate
27	Commissioning Services	IT Laptop Windows 10 Inventory	Briefing Note	Q1	Advisory
28	Commissioning Services	COVID-19 Small Business Grants	Briefing Note	Q2	Assurance
29	Commissioning Services	CC Suppler Payments	Briefing Note	Q2	Advisory
30	Commissioning Services	Free School Meals Vouchers - Advisory Role	Briefing Note	Q4	Advisory
31	Commissioning Services	Primary School – Accounts Payable - overdue invoices controls	Briefing Note	Q4	Advisory
32	Commissioning Services	Local Growth Fund	Grant Assurance	Q3	Assurance
33	Commissioning Services	Coalescse	Grant Assurance	Q1	Assurance
34	Commissioning Services	Foundations	Grant Assurance	Q2	Assurance
35	Commissioning Services	BEIS - Post Payment Assurance Report	Grant Assurance	Q4	Assurance
36	Commissioning Services	BEIS - Business Grant Assurance Assessment 1	Grant Assurance	Q2	Assurance
37	Commissioning Services	BEIS - Business Grant Assurance Assessment 2	Grant Assurance	Q3	Assurance
38	Commissioning Services	BEIS - Business Grant Assurance Assessment 3	Grant Assurance	Q3	Assurance
39	Commissioning Services	BEIS - Business Grant Assurance Assessment 4	Grant Assurance	Q3	Assurance
40	Commissioning Services	BEIS - Business Grant Assurance Assessment 5	Grant Assurance	Q3	Assurance
41	Commissioning Services	BEIS - Business Grant Assurance Assessment 6	Grant Assurance	Q4	Assurance
42	Commissioning Services	Report on Allegation of Business Rate Fraud - 31617741	Briefing Note	Q2	Advisory

43	Commissioning Services	Report on Allegation of Business Rate Fraud - 31593289	Briefing Note	Q2	Advisory
44	Commissioning Services	Report on Allegation of Business Rate Fraud - 31648453	Briefing Note	Q1	Advisory
45	Commissioning Services	NFI 2020/21- Council Tax Single Person Discount Review Arrangements	Briefing Note	Q3	Advisory
47	Commissioning Services	(iTrent Project Implementation) Payroll Assurance Highlight Report	Report	Q4	Advisory
48	Commissioning Services	Final Draft Accounts Payable	Report	Q4	Adequate
49	Commissioning Services	Final Draft Bank Reconciliations	Report	Q4	Good
50	Commissioning Services	Final Draft Council Tax	Report	Q4	Adequate
51	Commissioning Services	Final Draft NDR	Report	Q4	Adequate
52	Commissioning Services	Final Draft Council Tax Reduction	Report	Q4	Adequate
53	Commissioning Services	Final Draft Fixed Asset	Report	Q4	Adequate
54	Commissioning Services	Final Draft Treasury Management	Report	Q4	Good
56	Commissioning Services	Final Draft Adult Social Care – PB & Homecare	Report	Q4	Inadequate
57	Commissioning Services	Final Draft Adult Social Care – Residential Homes	Report	Q4	Inadequate

Audit and Counter Fraud 2020/21

Counter Fraud Results 1 April 2020 to 31 March 2021

Counter Fraud Team - Performance Monitoring 2020/21	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
Corporate Cases - Positive Results	25	53	25	27	130
Fraud and Error Overpayments identified as part of Corporate Cases (£)	£18,705.39	£18,672.15	£15,518.45	£9,693.24	£62,589.23
CTR cases amended as a result of an investigation	26	32	20	39	117
HB Fraud and Error Overpayments identified as part of a CTR investigation (£)	£8,743.58	£17,495.99	£35,569.89	£12,342.12	£74,151.58
CTR Fraud and Error Overpayments identified (£)	£34,551.00	£31,316.48	£18,072.27	£24,134.09	£108,073.84
Financial Outcomes	£61,999.97	£67,484.62	£69,160.61	£46,169.45	£244,814.65

Audit and Counter Fraud 2020/21

Direct Payments Results 1 April 2020 to 31 March 2021

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
January	65	£83,313.55	£6,532.68	£89,846.23
February	104	£269,468.28	£16,566.45	£286,034.73
March	111	£277,476.46	£11,384.84	£288,861.30
Total	941	£1,887,468.61	£141,696.02	£2,029,164.63

Audit and Counter Fraud 2020/21

Direct Payments Results 1 April 2020 to 31 March 2021

Children 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
March	37	£22,473.37
Total	184	£131,910.51

NB: There are no financial contributions paid by the recipients of Children and Young People Direct Payments.