

Report to Audit Committee

2021/22 Audit and Counter Fraud Progress Report

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

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02 November 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 2021/22 financial year.

Executive Summary

The report summarises the work carried out by the Audit and Counter Fraud Team from 1 April 2021 to 30 September 2021.

The team has prioritised work on the Fundamental Financial Systems (FFS) reviews related to 2020/21 transactions and work to support the 2021/22 audit of the financial accounts. Both planning and field work have commenced in a number of areas for the first stage FFS reviews for 2021/22.

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

- Contributing to reviewing controls around processing grants arising from the Government's COVID-19 response, including the Local Support Grant regime, and continued support around Business Grants reviews and queries.
 - Carrying out investigations around potential fraud and error on Business Grants.
 - Reviewing and certification of European grants.
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- The Counter Fraud and Direct Payments Audit Teams (Adults and Children) have continued to deliver outcomes which have generated £1,094,080 and £55,315 (respectively) during the 2021/22 financial year.

Recommendations

Members are requested to note the 2021/22 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 2021 to 30 September 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: 2021/22 Audit and Counter Fraud Plan: Progress Update.
 - Section 3: Corporate Counter Fraud.
 - Section 4: Audit of Direct Payments.

2 2021/22 Audit and Counter Fraud Plan: Progress Update

- 2.1 The priorities for the 2021/22 Audit and Counter Fraud Plan are to:
- Complete the Fundamental Financial Systems (FFS) work on 2021/22 transactions and work to support the 2021/22 audit of the financial accounts, including:
 - Commencement of ongoing testing and field work around the interim stage FFS reviews relating to 2021/22 transactions and work to support the 2021/22 audit of the financial accounts. All audits continue to be carried out remotely. Whilst challenging, this approach has worked generally well. A total of 12 systems with throughput value of over £13m are being reviewed assessing key controls within each system.
 - FFS audits are undertaken in two stages to provide earlier assurance. Interim (Stage 1) Audits which commenced on 4 October 2021, and Final (Stage 2) Audits which will commence in February 2022.
 - As part of supporting the final accounts closedown, the team also liaises closely with the organisation's External Auditors, Mazars LLP, around reviewing key controls and system reviews.
 - Work has been completed on two external client reviews, assessing their internal controls and financial systems.
 - The Internal Audit and Counter Fraud team continued to work through the 2021/22 plan and carried out ongoing work to ensure 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 including Payroll and Adults Social Care Financial Systems.
 - Complete audits which are classed as "high priority" 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.

The team also provided services around postal votes assurance checks for the May 2021 local election and Greater Manchester Mayoral election. The Internal Audit and Counter Fraud team reviewed postal votes around accuracy and controls in place prior to postal votes being delivered.

- 2.2 The Council has now fully implemented a replacement payroll solution, the iTrent system. This implementation formed part of the wider People Programme initiative, approved by Cabinet on 25 March 2019 and combines all payroll processing into a single system.
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- Council officer's payroll was transferred from the A1 system to iTrent, and payroll was processed through the new system in January 2021.
- Schools Payroll was processed in February 2021 through the iTrent System, which was transferred from the previous payroll platform Selima.

Initial indications are that in the longer term the improvements to internal controls following implementation of the iTrent system will be generated as the system develops in the operational environment. Internal Audit will continue to monitor the processes and control environment going forward providing appropriate advice. An indication of the direction of travel around the effectiveness of internal controls will be highlighted following the completion of the Interim FFS Payroll review for 2021/22. This will be incorporated into the report requested by this Committee on the system to follow up issues previously reported.

- 2.3 The Audit team have also carried out work around EU funded grant schemes, a number of which relate to low carbon initiatives. Audit work on these projects involves verification that monies received from external agencies have been spent in accordance with the terms and conditions of the funding agreements.

RED WoLF - Rethink Electricity Distribution Without Load Following:

The RED WoLF project seeks to increase renewable energy usage and reduce carbon emissions for homes with photovoltaic solar panels that do not have gas.

Coalesce - 'Community Owned and Led Energy for Security Climate Change and Energy':

This grant regime 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.

Reduces Project:

The Reduces project is funded by Interreg Europe and aims to identify the best business models in six European regions, and to research and critically assess their climate impacts and sustainability. Great Manchester is one of the six regions.

- 2.4 The team has issued several draft reports and briefing papers since 1 April 2021, including those issued to the Council's Group Companies. Reports are listed in **Appendix 1** together with the audit "opinion".
- 2.5 A new Audit Management System (Pentana) was selected in accordance with the Council's Contract Procedure Rules. Training has been carried out, and the supplier has worked with Unity ICT to implement the web-based system. The audit team are in the process of transitioning their work across to this new system to contribute to the ongoing FFS reviews.

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:

- 25 positive cases of Council Tax Reduction (CTR) Fraud and Error identified.
- £54k of Council Tax Reduction (CTR) misuse and savings have been uncovered.
- 25 Warning Letters have been issued to Council Tax customers.
- £99k of Housing Benefit Fraud and Error Overpayments were identified as part of the CTR investigations.
- 17 positive cases of non-CTR fraud/misuse including Business Support Grants, Council Tax Discount Fraud (Single Person Discount) and Blue Badge Misuse; and
- £23k of non-CTR fraud/misuse and savings was 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 (Fraud and Loss Risk Assessment) 2021/22.

4. **Audit of Direct Payments**

4.1 The Direct Payments Audit team verifies that the spending of Direct Payments 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 allocated 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 £1,094,080 and £55,315 (respectively). Following the Direct Payment Audit, in approximately 72% of cases, an invoice is raised to recover an under spend, any expenditure that is not in line with the support plan, or misuse of the Direct Payments.

4.3 In summary, the team carried out 538 Adults and Children's Direct Payment Audits during the period 1 April 2021 to 30 September 2021.

4.4 The Direct Payment Audit Team continues 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:

- choose to accept and note the progress achieved and performance by the Audit and Counter Fraud Team, or
- 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 2021/22 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.
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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 2021
 - **Appendix 2:** Counter Fraud Results – 1 April to 30 September 2021
 - **Appendix 3:** Direct Payments Results – 1 April to 30 September 2021
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Audit and Counter Fraud 2021/22

Summary of Reports 1 April to 30 September 2021

Report Ref	Directorate	Audit Review/CF Report	Report/Briefing Note	Quarter	Opinion
1	People and Place	People Programme - Assurance Group Highlight Report	Report	Q1	Advisory
2	Children's Services	Troubled Families	Grant Assurance	Q2	Assurance
3	Commissioning Services	Coalescse	Grant Assurance	Q1	Assurance
4	Commissioning Services	Redwolf	Grant Assurance	Q2	Assurance
5	Commissioning Services	Foundations	Grant Assurance	Q2	Assurance
6	Commissioning Services	Reduces	Grant Assurance	Q2	Assurance
7	Commissioning Services	2020/21 Final - Accounts Payable	Report	Q1	Adequate
8	Commissioning Services	2020/21 Final - Accounts Receivable	Report	Q1	Adequate
9	Commissioning Services	2020/21 Final - Bank Recs	Report	Q1	Good
10	Commissioning Services	2020/21 Final - Cash Income	Report	Q1	Adequate
11	Commissioning Services	2020/21 Final - Council Tax	Report	Q1	Adequate
12	Commissioning Services	2020/21 Final - Council Tax Reduction	Report	Q1	Adequate
13	Commissioning Services	2020/21 Final - Fixed Assets	Report	Q1	Adequate
14	Commissioning Services	2020/21 Final - Housing Benefits	Report	Q1	Adequate
15	Commissioning Services	2020/21 Final - Housing Rents	Report	Q1	Adequate
16	Commissioning Services	2020/21 Final - NDR (Business Rates)	Report	Q1	Adequate
17	Commissioning Services	2020/21 Final - Payroll	Report	Q1	Inadequate
18	Commissioning Services	2020/21 Final - Treasury Management	Report	Q1	Good
19	Commissioning Services	2020/21 Final - Personal Budgets	Report	Q1	Inadequate
20	Commissioning Services	2020/21 Final - Residential Care	Report	Q1	Inadequate
21	Commissioning Services	Local Growth Fund	Report	Q2	Assurance
22	Commissioning Services	BEIS - Business Grant Assurance Assessment - April 2021	Grant Assurance	Q1	Assurance

23	Commissioning Services	Local Election and Greater Manchester Mayoral Election - Post Votes Integrity/Verification Review	Report	Q2	Advisory
24	Commissioning Services	Local Elections Postal Vote Checks	Briefing note	Q1	Advisory
25	MioCare Group CIC	MioCare – Financial System Review	MioCare – Audit Opinion Withheld	Q1	Advisory
26	External	Shaw and Parish Council Internal Control	Report	Q2	Advisory

Audit and Counter Fraud 2021/22

Counter Fraud Results 1 April 2021 to 30 September 2021

Appendix 2

Counter Fraud Team Performance Monitoring 2021/22	Quarter 1	Quarter 2	Total
Corporate Cases - Positive Results	16	1	17
Fraud and Error Overpayments identified as part of Corporate Cases (£)	£22,254.46	£843.35	£23,097.81
CTR cases amended as a result of an investigation	18	7	25
HB Fraud and Error Overpayments identified as part of a CTR investigation (£)	£10,272.04	£89,383.41	£99,655.45
CTR Fraud and Error Overpayments identified (£)	£28,332.92	£26,535.69	£54,868.61
Financial Outcomes	£60,859.42	£116,762.45	£177,621.87

Audit and Counter Fraud 2021/22

Direct Payments Results 1 April 2021 to 30 September 2021

Adults Social Care

Financial Year 2021/22	Number of Audits Reviewed	Total Direct Payment and Financial Contribution for Recovery (£)
April	95	£162,111.39
May	74	£79,104.21
June	88	£277,993.27
July	84	£162,430.79
August	74	£224,453.40
September	72	£187,987.22
Total	487	£1,094,080.28

Audit and Counter Fraud 2021/22

Direct Payments Results 1 April 2021 to 30 September 2021

Children's Services

Financial Year 2021/22	Number of Audits Reviewed	Total Direct Payment for Recovery (£)
April	5	£9,234.39
May	4	£1,529.15
June	6	£6,837.93
July	15	£9,328.06
August	13	£21,736.90
September	8	£6,648.63
Total	51	£55,315.06