

## Report to Audit Committee

# 2021/22 Internal 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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### Reason for Decision

To provide Members with a high-level progress report on the work of the Internal Audit and Counter Fraud team for the 2021/22 financial year.

### Executive Summary

The report summarises the work carried out by the team from 1 April 2021 to 31 December 2021.

The team has continued to prioritise work on the Fundamental Financial Systems (FFS) reviews to support the 2021/22 audit of the financial accounts.

A number of Interim FFS reviews have now reached draft report stage, with the balance to follow in the final quarter of the year.

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

- Continued support in respect of COVID-19 grant funding regimes, including the Homelessness Prevention Grant and Business Grants.
  - Resumption of audit reviews outside of FFS including Children's Services imprest accounts; capital project procurement and contract management, and ongoing support and review of maintained schools.
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- The Counter Fraud and Direct Payments Audit Teams (Adults and Children) have continued to deliver significant recovery outcomes which have generated £341,253 and £2,069,044 (respectively) in the first three quarters of the current financial year.

### **Recommendation**

Members are requested to note the 2021/22 Audit and Counter Fraud Progress Report.

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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 2021 to 31 December 2021 by the Audit and Counter Fraud Team.

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 Priorities for the 2021/22 Audit and Counter Fraud Plan are:**

- Twice yearly Fundamental Financial Systems (FFS) reviews. 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.
- Audits which are classed as “high priority” in the Annual Audit Needs Assessment.
- Counter Fraud work to identify fraud risks within the corporate systems.
- Specific fraud investigations on Council Tax Reduction and Corporate Fraud.
- Deliver the financial audits of Direct Payments in line with service plans and targets.
- Support and provide assurance in connection with postal votes for local, regional and parliamentary elections.

Progress against these priorities since our previous update to Members is summarised below:

#### **2.2 Fundamental Financial Systems (FFS) reports issued since last update to Members.**

Work commenced on these reviews in October 2021. Progress as at 31 December 2021 is as follows:

- Four draft interim reports have been issued.
- Two draft interim reports are awaiting formal management responses to our recommendations prior to issue.
- The remaining interim reviews are in progress and reports will be issued in the final quarter of the year.

Further details can be found at **Appendix 1**

#### **2.3 Non-FFS related reports issued since last update to Members.**

- Imprest Accounts and Cash Handling in Children’s services – review of the controls surrounding a number of imprest accounts held by the service.
- Alexandra Park Junior School - review of financial processes and procedures in place at the request of the school.
- The Oldham Academy North – review of the contract award and monitoring processes.

Members will be pleased to note that Alexandra Park Junior School has responded very positively to our work in this area.

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Further details can be found at **Appendix 1**

#### 2.4 **Other work undertaken since our previous update to Members includes:**

- MioCare CIC – ongoing provision of internal audit services for the Council’s wholly owned subsidiary company.
- Further ongoing work in connection with grant funding schemes in response to the COVID-19 pandemic, including Wet Led Pubs, Homelessness Prevention and, most recently, further grants for the Hospitality sector.
- Support, facilitation and liaison provided to SS Aiden and Oswald RC Primary in advance of an upcoming audit review at the request of the school.

Members will be pleased to note that SS Aiden and Oswald Primary has also responded very positively to our work in this area.

#### 2.5 **Implementation of new Audit Management System - Pentana**

Good progress has been made on the implementation of the new Audit Management System since our last update to Members. The team:

- has populated the system with standard audit programmes for all FFS reviews; and
- is in the process of transferring all working papers for current FFS reviews onto the new system.

Pentana provides a common document storage and retrieval system, and a common reference library for all future audit work and programmes. It is accessible to the whole team and enables maintenance of an audit trail in respect of our own internal quality assurance processes.

### 3. **Corporate Counter Fraud**

3.1 In line with the priorities agreed by the Audit Committee, the Counter Fraud Team continues to collaborate with the Internal Audit Team and contribute to the delivery of the Internal Audit and Counter Fraud Plan.

3.2 The team continues to perform well. **Appendix 2** sets out the key outcomes by Quarter, which are summarised below for the nine months to 31 December 2021.

<b><u>Counter Fraud team 2021/22</u></b>	<b>Total</b>
Corporate Cases – No. of Positive Results	<b>111</b>
Fraud and Error Overpayments identified as part of Corporate Cases	<b>£78,048</b>
Warning letters issued	<b>54</b>
Housing Benefit (HB) Fraud and Error Overpayments identified as part of a Council Tax Reduction (CTR) investigation	<b>£151,029</b>
CTR Fraud and Error Overpayments identified	<b>£112,176</b>
<b>Total Financial Outcomes from Counter Fraud Team</b>	<b>£341,253</b>

### 4. **Audit of Direct Payments**

4.1 The Direct Payments (DP) Audit team undertakes a dual role of:

- ensuring client spending is in line with their agreed Support Plan; and
  - identifying overpayments made / or client contributions outstanding for recovery.
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- 4.2 The team continues to perform well. **Appendix 2** sets out the key outcomes by Quarter, which are summarised below for the nine months to 31 December 2021.

<b><u>Direct Payments team 2021/22</u></b>	<b>Total</b>
Number of Children's DP audits undertaken	<b>95</b>
Funds requested during Children's PB Audit	<b>£101,974</b>
Number of Adults DP audits undertaken	<b>775</b>
Funds requested during Adults PB Audit	<b>£1,967,070</b>
<b>Total Financial Outcomes from Direct Payment Audit Team</b>	<b>£2,069,044</b>

- 4.3 Following a successful pilot exercise, the Direct Payment Audit Team will also continue to conduct audits of Personal Health Budgets with colleagues from NHS England 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; or
- 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 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)
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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 & 2
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 December 2021
  - **Appendix 2:** Counter Fraud and Direct Payments Results – 1 April to 31 December 2021
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## Audit and Counter Fraud 2021/22 - Summary of Audit Reports 1 April to 31 December 2021

Report Ref	Directorate	Audit Review/Counter Fraud 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	Children's Services	Draft report - Review of Imprest Accounts and Cash Handling	Report	Q3	TBC
4	Children's Services	Final report - Alexandra Park Junior School	Report	Q3	Inadequate
5	Chief Executive	Coalescse	Grant Assurance	Q1	Assurance
6	Chief Executive	Redwolf	Grant Assurance	Q2	Assurance
7	Chief Executive	Foundations	Grant Assurance	Q2	Assurance
8	Chief Executive	Reduces	Grant Assurance	Q2	Assurance
9	Chief Executive	2020/21 Final - Accounts Payable	Report	Q1	Adequate
10	Chief Executive	2020/21 Final - Accounts Receivable	Report	Q1	Adequate
11	Chief Executive	2020/21 Final - Bank Recs	Report	Q1	Good
12	Chief Executive	2020/21 Final - Cash Income	Report	Q1	Adequate
13	Chief Executive	2020/21 Final - Council Tax	Report	Q1	Adequate
14	Chief Executive	2020/21 Final - Council Tax Reduction	Report	Q1	Adequate
15	Chief Executive	2020/21 Final - Fixed Assets	Report	Q1	Adequate
16	Chief Executive	2020/21 Final - Housing Benefits	Report	Q1	Adequate
17	Chief Executive	2020/21 Final - Housing Rents	Report	Q1	Adequate
18	Chief Executive	2020/21 Final - NDR (Business Rates)	Report	Q1	Adequate
19	Chief Executive	2020/21 Final – Payroll	Report	Q1	Inadequate
20	Chief Executive	2020/21 Final - Treasury Management	Report	Q1	Good
21	Chief Executive	2020/21 Final - Personal Budgets	Report	Q1	Inadequate
22	Chief Executive	2020/21 Final - Residential Care	Report	Q1	Inadequate

23	Chief Executive	2021/22 Draft Interim report– Council Tax	Report	Q3	TBC
24	Chief Executive	2021/22 Draft Interim report – Business Rates (NDR)	Report	Q3	TBC
25	Chief Executive	2021/22 Draft Interim report – Treasury Management	Report	Q3	TBC
26	Chief Executive	2021/22 Draft Interim report – Bank Reconciliations	Report	Q3	TBC
27	Chief Executive	Draft report - The Oldham Academy North	Report	Q3	TBC
28	Chief Executive	Local Growth Fund	Report	Q2	Assurance
29	Chief Executive	BEIS - Business Grant Assurance Assessment - April 2021	Grant Assurance	Q1	Assurance
30	Chief Executive	Local Election and Greater Manchester Mayoral Election - Post Votes Integrity/Verification Review	Report	Q2	Advisory
31	Chief Executive	Local Elections Postal Vote Checks	Briefing note	Q1	Advisory
32	MioCare Group CIC	MioCare – Financial System Review	MioCare – Audit Opinion Withheld	Q1	Advisory
33	External	Shaw and Crompton Parish Council Internal Control	Report	Q2	Advisory

**Key:**

Opinion	Description
Advisory	The work in this area is either not audit work in nature and/or is undertaken on behalf of 3 <sup>rd</sup> parties.
Assurance	The work in this area has been undertaken in order to provide assurance that monies have been spent as intended.
Poor	Action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and/or control is inadequate to effectively manage risks to the achievement of objectives in the area audited.
Inadequate	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and/or control to effectively manage risks to the achievement of objectives in the area audited.
Adequate	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance and/or scope for improvement were identified which could put at risk the achievement of objectives in the area audited.
Good	A sound system of governance, risk management and/or control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
TBC	Opinion awaiting confirmation following further discussion with management.



Appendix 2

<u>Corporate Counter Fraud Team 2020/21</u>	Qtr 1	Qtr 2	Qtr 3	Total
Corporate Cases - Positive Results	16	1	94	111
Fraud and Error Overpayments identified as part of Corporate Cases	£22,254	£843	£54,951	£78,048
CTR cases amended as a result of an investigation	18	8	28	54
HB Fraud and Error Overpayments identified as part of a CTR investigation	£10,272	£89,383	£51,374	£151,029
CTR Fraud and Error Overpayments identified (£)	£28,332	£28,163	£55,681	£112,176
<b>Total Financial Outcomes from Counter Fraud Team</b>	<b>£60,858</b>	<b>£118,389</b>	<b>£162,006</b>	<b>£341,253</b>

<u>Direct Payments Audit Team 2020/21</u>	Qtr 1	Qtr 2	Qtr 3	Total
Number of Children's DP audits undertaken	15	36	44	95
Funds requested during Children's PB Audit including Financial Assessment	£17,601	£37,713	£46,660	£101,974
Number of Adults DP audits undertaken	257	230	288	775
Funds requested during Adults PB Audit including Financial Assessment	£519,208	£574,871	£872,991	£1,967,070
<b>Total Financial Outcomes from Direct Payment Audit Team</b>	<b>£536,809</b>	<b>£612,584</b>	<b>£919,651</b>	<b>£2,069,044</b>