

## 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 28 February 2022.

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 activity includes:

- Continued support in respect of COVID-19 grant funding regimes, including the Homelessness Prevention Grant and Business Grants.
  - Compilation of the Annual Audit and Counter Fraud Plan for this Committee.
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- The Counter Fraud and Direct Payments Audit Teams (Children and Adults) have continued to deliver significant recovery outcomes which have generated £393,969 and £2,809,216 (respectively) in the first eleven months of the current financial year.

### **Recommendation**

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

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## 2021/22 Internal Audit and Counter Fraud Progress Report

### 1. Background

- 1.1 This report summarises the work carried out for the period 1 April 2021 to 28 February 2022 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 have been:
- Twice yearly Fundamental Financial Systems (FFS) reviews. FFS audits are undertaken in two stages to provide earlier assurance. Interim (Stage 1) Audits which commenced in 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:

#### **Fundamental Financial Systems (FFS) reports**

- 2.2 Work commenced on these reviews in October 2021. Progress to date is as follows:
- Ten draft interim reports have been issued.
  - Two remaining draft interim reports, which have been discussed and agreed with the Service, will be issued in Quarter 4 pending final quality assurance checks.

The two pending reports are in relation to Adult Social Care Direct Payments and Residential Care. We have also now commenced further fieldwork to inform our reports and opinion at the final report stage for 2021/22.

Members will receive a separate update report as part of the agenda for this meeting on the outcome of the latest review of the Payroll Service. It is pleasing to report that the latest review found systems and controls around payroll processes and procedures to be adequate. Members will recall that the opinion in respect of Payroll controls has been inadequate or weak for some time, and this latest adequate opinion represents a significant improvement in this area.

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

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### **Non-FFS related work**

- 2.3 A Non-FFS related report has been prepared for MioCare CIC. This report is on the adequacy of the Company's systems to record and monitor Health and Safety related incidents.

### **Other work undertaken**

- 2.4 In addition to ongoing FFS work on Adult Social Services in connection with Direct Payments and Residential Care, we have also established, alongside the service, two working groups to examine potential improvements to the systems and processes in place within Adult Social Care to address the concerns raised in the audit reports in this area. One group will examine how the work of the Direct Payment Auditors might be utilised more effectively by the service. The other will examine the internal procedures within the Adult Social Care Income and Payments Function.
- 2.5 Further ongoing work is also underway in connection with grant funding schemes in response to the COVID-19 pandemic, including Homelessness Prevention and further grants for the Hospitality sector.

### **Ongoing Development of new Audit Management System - Pentana**

- 2.6 Good progress has been made on the ongoing development of the new Audit Management System. The team:
- has populated the system with standard audit programmes for all FFS reviews;
  - has transferred the majority of working papers for current FFS reviews onto the new system; and
  - will continue to explore the capabilities within the system to further streamline and standardise the work of the section.

## **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 eleven months to 28 February 2022.

<b><u>Counter Fraud team 2021/22</u></b>	<b>Total</b>
Corporate Cases – No. of Positive Results	114
Fraud and Error Overpayments identified as part of Corporate Cases	£78,052
Warning letters issued	70
Housing Benefit (HB) Fraud and Error Overpayments identified as part of a Council Tax Reduction (CTR) investigation	£203,205
CTR Fraud and Error Overpayments identified	£112,712
<b>Total Financial Outcomes from Counter Fraud Team</b>	<b>£393,969</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 eleven months to 28 February 2022.

<b><u>Direct Payments team 2021/22</u></b>	<b>Total</b>
Number of Children's DP audits undertaken	136
Funds requested during Children's Personal Budget (PB) Audit	£128,693
Number of Adults DP audits undertaken	1,000
Funds requested during Adults PB Audit	£2,680,523
<b>Total Financial Outcomes from Direct Payment Audit Team</b>	<b>£2,809,216</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.
- 4.4 As noted at 2.4 above, the DP audit team will also contribute to the working group established to review how the Adult Social Care Service might utilise the outcomes of this work more effectively.

## 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.
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## 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.

## 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  
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## 22 Appendices

22.1 The following Appendices are available to support this Report:

- **Appendix 1:** Summary of Reports – Quarters 1 to 4
  - **Appendix 2:** Counter Fraud and Direct Payments Results – 1 April 2021 to 28 February 2022
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## Audit and Counter Fraud 2021/22 - Summary of Audit Reports Quarters 1 to 4

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 - Imprest Accounts and Cash Handling	Report	Q3	Adequate
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 - NDR (Business Rates)	Report	Q1	Adequate
18	Chief Executive	2020/21 Final - Payroll	Report	Q1	Inadequate
19	Chief Executive	2020/21 Final - Treasury Management	Report	Q1	Good
20	Chief Executive	2020/21 Final - Personal Budgets	Report	Q1	Inadequate
21	Chief Executive	2020/21 Final - Residential Care	Report	Q1	Inadequate
22	Chief Executive	2021/22 Draft Interim report- Council Tax	Report	Q3	Inadequate

23	Chief Executive	2021/22 Draft Interim report – Business Rates (NDR)	Report	Q3	Good
24	Chief Executive	2021/22 Draft Interim report – Treasury Management	Report	Q3	Good
25	Chief Executive	2021/22 Draft Interim report – Bank Reconciliations	Report	Q3	Good
26	Chief Executive	2021/22 Draft Interim report – Payroll	Report	Q4	Adequate
27	Chief Executive	2021/22 Draft Interim report – Housing Benefit	Report	Q4	Opinion withheld
28	Chief Executive	2021/22 Draft Interim report – Council Tax Reduction	Report	Q4	Opinion withheld
29	Chief Executive	2021/22 Draft Interim report – Accounts Payable	Report	Q4	Adequate
30	Chief Executive	2021/22 Draft Interim report – Accounts Receivable	Report	Q4	Adequate
31	Chief Executive	2021/22 Draft Interim report – Direct Payments	Report	Q4 Pending	Inadequate
32	Chief Executive	2021/22 Draft Interim report – Residential Care	Report	Q4 Pending	Inadequate
33	Chief Executive	2021/22 Draft Interim report – Fixed Assets	Report	Q4	Adequate
34	Chief Executive	Draft report - The Oldham Academy North	Report	Q3	Inadequate
35	Chief Executive	Local Growth Fund	Report	Q2	Assurance
36	Chief Executive	Business Grant Assurance Assessment - April 21	Grant Assurance	Q1	Assurance
37	Chief Executive	Local/Mayoral Election - Post Votes Review	Report	Q2	Advisory
38	Chief Executive	Local Elections Postal Vote Checks	Briefing note	Q1	Advisory
39	MioCare Group CIC	MioCare – Financial System Review	Report	Q1	Advisory
40	MioCare Group CIC	MioCare – Performance Review	Report	Q3	Advisory
41	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 third 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.
Opinion withheld	Opinion has been withheld at interim stage pending further fieldwork required at final report stage in order to arrive at an opinion on the systems and controls in place.
TBC	Opinion awaiting confirmation following further discussion with management.

Appendix 2

<u>Corporate Counter Fraud Team 2021/22</u>	Qtr 1	Qtr 2	Qtr 3	Jan & Feb 2022	Total
Corporate Cases - Positive Results	16	1	94	3	114
Fraud and Error Overpayments identified as part of Corporate Cases	£22,254	£843	£54,955	£0	£78,052
CTR cases amended as a result of an investigation	18	8	28	16	70
HB Fraud and Error Overpayments identified as part of a CTR investigation	£10,272	£89,383	£66,071	£37,479	£203,205
CTR Fraud and Error Overpayments identified (£)	£28,332	£28,163	£40,984	£15,233	£112,712
<b>Total Financial Outcomes from Counter Fraud Team</b>	<b>£60,858</b>	<b>£118,389</b>	<b>£162,010</b>	<b>£52,712</b>	<b>£393,969</b>

<u>Direct Payments Audit Team 2021/22</u>	Qtr 1	Qtr 2	Qtr 3	Jan & Feb 2022	Total
Number of Children's DP audits undertaken	15	36	44	41	136
Funds requested during Children's PB Audit including Financial Assessment	£17,601	£37,713	£46,660	£26,719	£128,693
Number of Adults DP audits undertaken	257	230	288	225	1,000
Funds requested during Adults PB Audit including Financial Assessment	£519,208	£574,871	£872,991	£713,453	£2,680,523
<b>Total Financial Outcomes from Direct Payment Audit Team</b>	<b>£536,809</b>	<b>£612,584</b>	<b>£919,651</b>	<b>£740,172</b>	<b>£2,809,216</b>

