

Report to Audit Committee

2022/23 Internal Audit and Counter Fraud Progress Report

Portfolio Holder: Councillor Abdul Jabbar MBE, Cabinet Member for Finance and Corporate Resources

Officer Contact: John Miller – Head of Audit & Counter Fraud

Report Author: John Miller – Head of Audit & Counter Fraud

8 June 2023

Reason for Decision

To provide Members with a report outlining the work of the Internal Audit and Counter Fraud team for the 2022/23 financial year.

Executive Summary

The report summarises the work carried out by the team from 1 April 2022 to 31 March 2023.

During the year the team prioritised the Council's Fundamental Financial Systems (FFS) reviews to support both the 2021/22 and 2022/23 assurance process to the support the production of the financial accounts, assurance to be provided by the Chair of the Audit Committee and Director of Finance, plus the Annual Opinion set out in the Report of the Head of Audit and Counter Fraud.

In addition, other Audit and Counter Fraud Team activity included:

- Continued support in respect of COVID-19 grant funding regimes, including responding to Central Government requests for supporting information and Assurance Statements in respect of grants received;
 - Continued support in providing assurance in respect of other non-COVID Central Government Grant regimes;
 - Compilation of the 2021/22 Annual Audit Report and Opinion and reports detailing key issues for this Committee;
-

- Completion of a variety of other planned Audit reviews and reports on Local Authority Maintained Schools, Miocare CIC's Fundamental Financial Systems, Alexandra Park Eco-Centre, the Council's Let Estate Function and Home to School Transport;
- Issuing briefing notes and reports on Postal Voting during the election in May 2022 and the Hollinwood by-election;
- Issuing briefing notes on ad hoc reviews of Foster Care Aids & Adaptations, Payroll Leavers procedures, Tax Compliance and Controls, Children's Social Services Cash Imprest Accounts, Duplicate Payments and Children's Services Recruitment;
- Commencement of audit reviews of Semi-Independence Units, Housing Strategy implementation, Out of Borough Education and Land Sales, and in connection with the pre-contract phases of the North Chadderton High School Extension, the Spindles redevelopment, Diggle Clock Tower, The Old Library and Egyptian Room projects;
- Corporate Counter Fraud activities have identified £312,061 of fraud errors and overpayments. The Direct Payments Audit Team (Children and Adults) have continued to deliver significant recovery outcomes which have generated £188,976 and £2,865,466 (respectively) for the period 1 April 2022 to 31 March 2023; and
- Having an independent inspection undertaken for Public Sector Internal Audit Standards.

Recommendation

Members are requested to note the 2022/23 Audit and Counter Fraud Progress Report.

2022/23 Internal Audit and Counter Fraud Progress Report

1. Background

- 1.1 This report summarises the work of the Audit and Counter Fraud Team between 1 April 2022 and 31 March 2023.
- 1.2 The main content of the report is structured as follows:
 - Section 2: 2022/23 Audit and Counter Fraud Plan: Progress Update;
 - Section 3: Corporate Counter Fraud; and
 - Section 4: Audit of Direct Payments.

2. 2022/23 Audit and Counter Fraud Plan: Progress Update

- 2.1 Priorities for the 2022/23 Audit and Counter Fraud Plan included:
 - Fundamental Financial Systems (FFS) reviews to provide assurance in support of the Authority's annual financial statements;
 - 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;
 - Delivery of 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 is summarised below:

Completion of 2021/22 Fundamental Financial Systems (FFS) reports

- 2.2 Work commenced on the reviews agreed in the Internal Audit Plan for the previous financial year 2021/22, in October 2021. Interim FFS reports were issued by the 31 March 2022 resulting in final reports been issued during Quarters 1 and 2 of 2022/23. Members received reports on the findings and opinions of the 2021/22 FFS reports throughout 2021/22, and as part of the Audit and Counter Fraud Team's reporting throughout the Municipal Year 2022/23. There are no further significant updates to report upon at this time in respect of our FFS work for the previous financial year 2021/22. Further details of the audits, including the opinions, can be found at Appendix 1.

2022/23 Fundamental Financial Systems (FFS) reports

- 2.3 Work in connection with the 2022/23 FFS reviews commenced in October 2022. This reflected the revised approach agreed within the 2022/23 Plan whereby one audit report per annum would be issued. Interim Action Plans were issued to Services in the final quarter of the year detailing the results of our testing and recommendations for improvement. At the time of writing final reports are being compiled and will be issued as normal in Quarters 1 and 2 of the new 2023/24 financial year. This work has informed the production of the 2022/23 draft Annual Governance Statement.

Other Planned Reports Issued

- 2.4 In addition to the FFS related reports the team has also issued:
 - School Audit Reports to the Local Authority Maintained Schools of St Joseph's Primary School and Glodwick Infant and Nursery School;
-

- A briefing note and report on Postal Voting during the election in May 2022 and a further report on this topic for the Hollinwood by-election;
- The annual report on MioCare CIC's Fundamental Financial Systems;
- A review of the Council's Let Estate function;
- A review of the Council's arrangements to provide Home to School Transport; and
- A report on the pre and current contract phases of the Alexandra Park Eco Centre.

2.5 A number of other ad-hoc pieces of work have also been undertaken in response to issues identified during the year, and at the request of the Director of Finance and/or Assistant Director of Finance (Corporate Governance and Strategic Financial Management). As a result of this work, we have issued Audit Briefing Notes with recommendations for improvement in the following areas:

- Foster Care Aids & Adaptations;
- Payroll leavers;
- Tax compliance and Controls;
- Children's Social Care Recruitment – Agency Staff Invoicing;
- Social Care Cash Imprest Accounts; and
- Duplicate Payments.

Grant Assurance Reviews

2.6 Further work was also undertaken in connection with grant funding schemes in response to the COVID-19 pandemic, primarily responding to Central Government requests for supporting information and/or assurance statements to ensure grant funding has been utilised as intended. Requests for this type of work have been both frequent and received at relatively short notice.

2.7 The team completed 19 separate pieces of grant assurance work during 2022/23 in connection with both COVID-19 related and non COVID-19 related grants, with an expectation that further requests for this type of assurance work will continue. Each piece of assurance work requires verification of significant expenditure and, as such, each represents a small, targeted audit in itself.

Other Work Undertaken

2.8 In addition to our annual FFS work on Adult Social Services in connection with Direct Payments and Residential Care the Team continues to contribute to Adult Social Care Service working groups to address the concerns raised in the FFS audit reports in these areas. As a result of these discussions, the Team now assist the Service by the Direct Payment (DP) Auditors invoicing for DP overpayments as soon as the DP audit is concluded. We commenced this invoicing in January 2023. This change had an immediate impact on the time taken to raise an invoice which fell from approximately 65 days to approximately 1.5 days, with consequent increases in the levels of recovery and reduction in outstanding unused DP balances in client accounts. Average days to recover unspent funds is now 5 days following the raising of the invoice.

2.9 Other work underway at 31 March 2023 included reviews of:

- Housing Strategy implementation;
 - Land Sales Programme;
 - North Chadderton High School Extension pre-contract procurement review;
 - Semi Independence Units (follow-up review);
 - Out of Borough Education;
 - Spindles pre-contract procurement review;
 - Diggle Clock Tower pre-contract procurement review;
 - Old Museum / Library pre-contract procurement review; and
 - Egyptian Room pre-contract procurement review.
-

As at the date of this report, the North Chadderton High School Extension Draft Report has been issued. The majority of the remainder of these reviews are expected to reach draft report stage by the end of June 2023. The findings from these reviews will be reported to Members in due course.

- 2.10 The team has also supported both the Director of Finance and other colleagues within the Finance Service, and in other service areas, with ad hoc requests for support and assistance throughout the period.

3. Corporate Counter Fraud

- 3.1 The Corporate Counter Fraud Team continues to perform well. Appendix 2 sets out the key outcomes from the work conducted.

- 3.2 Highlights include the identification of:

- 114 cases of non-CTR fraud/misuse of funds including Business Support Grants, Council Tax Single Person Discount fraud (SPD), Blue Badge misuse and Direct Payment misuse;
- £153,096 of non-CTR fraud/misuse;
- 62 cases of ineligible claims for Council Tax Reduction (CTR);
- £95,016 of Housing Benefit ineligibility and overpayments (identified as part of the CTR investigations); and
- £63,948 of ineligible claims for Council Tax Reduction (CTR).

- 3.3 In addition to the above the Counter Fraud Team has supported as required with internal staff investigations during the year.

- 3.4 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 2022/23.

4. Audit of Direct Payments

- 4.1 The Direct Payments Audit team has a dual role, as a compensating control, of:

- Ensuring client spending is in line with their agreed Support Plan; and
- Identifying overpayments made / or client contributions outstanding for recovery.

- 4.2 Appendix 3 shows the monthly Direct Payments Audit volumes and financial outcomes arising for both Adults and Children's Services, which are £2,865,466 and £188,976 (respectively). In total the team carried out 1,483 Adults and Children's Direct Payment Audits.

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 **Co-operative Agenda**
 - 10.1 N/A.
 - 11 **Human Resources Comments**
 - 11.1 N/A.
 - 12 **Risk Assessments**
 - 12.1 The 2022/23 Audit and Counter Fraud Plan was 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. (John Miller)
 - 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 & 3
Officer Name: John Miller
Contact: john.miller@oldham.gov.uk

22 **Appendices**

22.1 The following Appendices are available to support this Report:

- **Appendix 1:** Summary of Audit Reports/Outcomes – 1 April 2022 to 31 March 2023
 - **Appendix 2:** Counter Fraud Results – 1 April 2022 to 31 March 2023
 - **Appendix 3:** Direct Payments Results – 1 April 2022 to 31 March 2023
-

Audit and Counter Fraud 2022/23 - Summary of Audit Reports/Outcomes - 1 April 2022 to 31 March 2023

Report Ref	Directorate	Audit Review/Counter Fraud Report	Report/Briefing Note	Quarter	Opinion
1	Chief Executive	2021/22 Final Report – Council Tax	Report	Q1	Inadequate
2	Chief Executive	2021/22 Final Report – Business Rates (NDR)	Report	Q1	Adequate
3	Chief Executive	2021/22 Final Report – Treasury Management	Report	Q1	Good
4	Chief Executive	2021/22 Final Report – Bank Reconciliations	Report	Q1	Good
5	Chief Executive	2021/22 Final Report – Payroll	Report	Q1	Adequate
6	Chief Executive	2021/22 Final Report – Housing Benefit	Report	Q1	Adequate
7	Chief Executive	2021/22 Final Report – Council Tax Reduction	Report	Q1	Adequate
8	Chief Executive	2021/22 Final Report – Accounts Payable	Report	Q1	Adequate
9	Chief Executive	2021/22 Final Report – Accounts Receivable	Report	Q1	Adequate
10	Chief Executive	2021/22 Final Report – Direct Payments	Report	Q1	Inadequate
11	Chief Executive	2021/22 Final Report – Residential Care	Report	Q1	Inadequate
12	Chief Executive	2021/22 Final Report – Fixed Assets	Report	Q1	Adequate
13	Chief Executive	Prevention and Promotion for Better Mental Health	Grant Assurance	Q1	Assurance
14	Chief Executive	Universal Drug Treatment Grant	Grant Assurance	Q1	Assurance
15	Chief Executive	Public Sector Decarbonisation Grant (AGMA) – Low Voltage Lighting	Grant Assurance	Q1	Assurance
16	Chief Executive	Public Sector Decarbonisation Grant (OMBC) – Alexandra Park	Grant Assurance	Q1	Assurance
17	Chief Executive	RED WoLF - Rethink Electricity Distribution Without Load Following	Grant Assurance	Q1	Assurance
18	Chief Executive	Omicron Hospitality and Leisure Grant Pre & Post Payment Assurance (PPAS)	Grant Assurance	Q1	Assurance
19	Chief Executive	Additional Restrictions Grant Pre & Post Payment Assurance (PPAS)	Grant Assurance	Q1	Assurance
20	Chief Executive	COVID-19 Business Grants Fraud and Error Assurance	Grant Assurance	Q1	Assurance
21	Chief Executive	Local/Mayoral Election - Post Votes Review	Report	Q1	Advisory

Report Ref	Directorate	Audit Review/Counter Fraud Report	Report/Briefing Note	Quarter	Opinion
22	Chief Executive	Local Elections Postal Vote Checks	Briefing note	Q1	Advisory
23	Place & Economic Growth	2021/22 Draft Final Report – Cash Income (Building Control)	Report	Q2	Adequate
24	Place & Economic Growth	2021/22 Draft Final Report – Cash Income (Fleet Management)	Report	Q2	Adequate
25	Children & Young People	St Joseph's Primary	Report	Q2	Inadequate
26	Chief Executive	Contain Outbreak Management Fund	Grant Assurance	Q2	Assurance
27	Chief Executive	Test and Trace Support Payments	Grant Assurance	Q2	Assurance
28	Children & Young People	Glodwick Infant and Nursery School	Report	Q2	Adequate
29	Chief Executive	Local Restrictions Support Grant (Closed) Addendum 5 Pre & Post Payment Assurance (PPAS)	Grant Assurance	Q3	Assurance
30	Children & Young People	Foster Care Aids & Adaptations	Briefing note	Q3	Advisory
31	Chief Executive	Payroll Leavers Query	Briefing note	Q3	Advisory
32	Chief Executive	IR35 Procedures and Controls	Briefing note	Q3	Advisory
33	Miocare CIC	Fundamental Financial Systems Review	Report	Q3	Assurance
34	Chief Executive	Local Transport Capital Block Funding Grant (Pothole Fund) 31/5506	Grant Assurance	Q3	Assurance
35	Chief Executive	RED WoLF - Rethink Electricity Distribution Without Load Following	Grant Assurance	Q3	Assurance
36	Chief Executive	Reduces – Developing sustainable business models / structures.	Grant Assurance	Q3	Assurance
37	Chief Executive	Foundations - Building regional resilience to industrial structural change.	Grant Assurance	Q3	Assurance
38	Chief Executive	Coalesce - Community Owned and Led Energy for Security Climate Change and Energy	Grant Assurance	Q3	Assurance
39	Chief Executive	Restart Grant Pre & Post Payment Assurance (PPAS)	Grant Assurance	Q3	Assurance
40	Chief Executive	Postal Vote Integrity Review - Hollinwood By-Election	Report	Q3	Advisory
41	Adult Social Care	2022/23 Draft Action Plan – Direct Payments	Action Plan	Q4	Advisory

Report Ref	Directorate	Audit Review/Counter Fraud Report	Report/Briefing Note	Quarter	Opinion
42	Adult Social Care	2022/23 Draft Action Plan – Residential Care	Action Plan	Q4	Advisory
43	Children & Young People	Children’s Social Care Recruitment – Agency Staff Invoicing	Briefing note	Q4	Advisory
44	Public Health	Adult Weight Management Grant	Grant Assurance	Q4	Assurance
45	Children & Young People	Social Care Cash Imprest Accounts	Briefing note	Q4	Advisory
46	Chief Executive	Duplicate Payments	Briefing note	Q4	Advisory
47	Place and Economic Growth	Let Estate	Report	Q4	Inadequate
48	Chief Executive	2022/23 Draft Action Plan – Accounts Payable	Action Plan	Q4	Advisory
49	Place and Economic Growth	Alexandra Park Eco Centre	Report	Q4	Adequate
50	Chief Executive	2022/23 Draft Action Plan – Council Tax Reduction Scheme	Action Plan	Q4	Advisory
51	Chief Executive	2022/23 Draft Action Plan – Housing Benefit	Action Plan	Q4	Advisory
52	Chief Executive	2022/23 Draft Action Plan – Payroll	Action Plan	Q4	Advisory
53	Chief Executive	2022/23 Draft Action Plan – Treasury Management	Action Plan	Q4	Advisory
54	Chief Executive	2022/23 Draft Action Plan – Fixed Assets	Action Plan	Q4	Advisory
55	Chief Executive	2022/23 Draft Action Plan – Bank Reconciliations	Action Plan	Q4	Advisory
56	Children & Young People	Home to School Transport	Report	Q4	Inadequate
57	Chief Executive	2022/23 Draft Action Plan – Business Rates	Action Plan	Q4	Advisory
58	Chief Executive	2022/23 Draft Action Plan – Council Tax	Action Plan	Q4	Advisory
59	Chief Executive	2022/23 Draft Action Plan – Accounts Receivable	Action Plan	Q4	Advisory
60	Children & Young People	Supporting Families Assurance Statement	Grant Assurance	Q4	Assurance

Key:

Opinion	Description
Advisory	The work in this area is either not audit work in nature, such as provision of advice and consultancy, and/or is undertaken on behalf of third parties.
Assurance	The work in this area has been undertaken in order to provide assurance that, e.g. funding has been spent as intended and/or procedures and controls have operated effectively
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.

Audit and Counter Fraud 2022/23

Counter Fraud Results 1 April 2022 to 31 March 2023

Counter Fraud Team Performance Monitoring 2022/23	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
Corporate Cases - Positive Results	58	10	18	28	114
Fraud and Error Overpayments identified as part of Corporate Cases (£)	£70,487.46	£53,591.92	£15,380.40	£13,636.34	£153,096.12
CTR cases amended as a result of an investigation	12	8	10	32	62
HB Fraud and Error Overpayments identified as part of a CTR investigation (£)	£32,179.15	£22,000.14	£26,914.19	£13,923.28	£95,016.76
CTR Fraud and Error Overpayments identified (£)	£10,462.14	£18,676.11	£29,308.22	£5,502.42	£63,948.89
Financial Outcomes	£113,128.75	£94,268.17	£71,602.81	£33,062.04	£312,061.77

Audit and Counter Fraud 2022/23

Direct Payments Results 1 April 2022 to 31 March 2023

Adults Social Care

Financial Year 2022/23	Number of Audit Reviews	Total Direct Payment and Financial Contribution for Recovery
April	129	£372,125.60
May	83	£188,483.36
June	91	£237,602.47
July	153	£392,376.24
August	98	£251,587.73
September	85	£263,925.00
October	128	£287,061.97
November	86	£191,315.25
December	55	£98,473.79
January	87	£214,406.04
February	127	£442,646.17
March	109	£212,525.22
Total	1,231	£2,865,466.87

Children and Young People

Financial Year 2022/23	Number of Audit Reviews	Total Direct Payment for Recovery
April	20	£10,846.10
May	10	£8,805.31
June	7	£10,707.09
July	17	£9,205.66
August	18	£10,943.14
September	20	£10,849.51
October	10	£5,052.47
November	44	£55,796.92
December	29	£16,477.98
January	24	£11,912.94
February	4	£4,673.60
March	49	£33,705.68
Total	252	£188,976.40