

Report to Audit Committee

2024/25 Internal Audit and Counter Fraud Progress Report

Portfolio Holder: Councillor Abdul Jabbar MBE, Deputy Leader and Cabinet Member for Value for Money and Sustainability

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

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

25 July 2024

Reason for Decision

The Audit Committee's Terms of Reference state that:

4.4.2 The Audit Committee shall:

a) be responsible for oversight of the Council's Internal Audit arrangements and will;
(ii) review summary findings and the main issues arising from internal audit reports and seek assurance that management action has been taken where necessary;

This report provides Members with a high-level progress report on the work of the Internal Audit and Counter Fraud team for Q1 of the 2024/25 financial year which alongside:

- Further progress reports on Q2 – Q4 to be provided to the Committee during the year.
- The Head of Audit and Counter Fraud's Annual Report and Opinion for the year 2024/25.

Assists the Committee in discharging its responsibilities as set out in the Audit Committee's Terms of Reference, which form part of the Council's Constitution.

Executive Summary

The report summarises the work carried out by the team from 1 April 2024 to 30 June 2024.

During Q1 the team finalised work on the Council's Fundamental Financial Systems (FFS) reviews to provide assurance in respect of the 2023/24 Financial Statements, and the Annual Opinion Report of the Head of Audit and Counter Fraud for 2023/24. These reports have been issued in Q1 2024/25.

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

- Completion of six other pieces of planned work in connection with the Spindles pre-contract procurement review, the Supporting Families Programme Assurance Statement, IT Vulnerability Management (SCAS), Local Elections - Postal Vote Packs check and briefing note, Local Elections Postal Vote Integrity Review Report, and Parliamentary Elections - Postal Vote Packs check and briefing note
- Commencement and ongoing work in connection with the Council's Building Control Function; a Standards of Conduct review; a Recruitment processes review; a review of the Council's Risk Management Processes; a review of the Council's decision recording systems; a review of the Council's Housing Options Service; and, a review of Children's to Adults transitions in Social care.
- Corporate Counter Fraud activities have identified £107,895.80 of fraud, errors and overpayments. The Direct Payments Audit Team (Adults and Children) have continued to deliver significant recovery outcomes which have generated £624,056 and £86,961 (respectively) for the period 1 April 2024 to 30 June 2024.

Recommendation

Members are requested to consider the 2024/25 Q1 Audit and Counter Fraud Progress Report.

2024/25 Q1 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 2024 and 30 June 2024.
- 1.2 The main content of the report is structured as follows:
- Section 2: 2024/25 Audit and Counter Fraud Service: Progress Update.
 - Section 3: Corporate Counter Fraud.
 - Section 4: Audit of Direct Payments.

2. 2024/25 Audit and Counter Fraud Service: Progress Update

- 2.1 Priorities for the 2024/25 Audit and Counter Fraud Plan include:
- Fundamental Financial Systems (FFS) reviews to provide assurance in support of the Authority's Annual Financial Statements.
 - Audits which are considered high priority and included in the Annual Internal Audit Plan.
 - Counter Fraud work to prevent and detect fraud, theft and corruption.
 - Investigations of both internal and external fraud.
 - Direct Payments Audit to ensure expenditure is in line with support plans.
 - Support in connection with postal votes for local, regional, and parliamentary elections.

Progress against these priorities is summarised below:

2023/24 Fundamental Financial Systems (FFS) reports

- 2.2 Work commenced on these reviews during 2023/24 and draft final reports have been issued during Quarter 1 of 2024/25. The outcomes of the 2023/24 FFS reviews are shown in Appendix 1 and discussed in detail in the Head of Internal Audit's Annual Report and Opinion for 2023/24 presented to the Committee on 27 June 2024.

Other planned work

- 2.3 Six other pieces of planned work were completed and reported in Q1 in connection with:
- The Spindles pre-contract procurement review.
 - The Supporting Families Programme Assurance Statement.
 - IT Vulnerability Management Report (SCAS)
 - Local Elections - Postal Vote Packs check and briefing note
 - Local Elections Postal Vote Integrity Review Report
 - Parliamentary Elections - Postal Vote Packs check and briefing note

The outcomes of these reviews are shown at Appendix 1.

- 2.4 Other planned audit review work commencing and underway as at the 30 June included reviews of:
- The Council's Building Control Function.
-

- Standards of Conduct
- Recruitment processes
- The Council's Risk Management Processes
- The Council's decision recording systems.
- The Council's Housing Options Service
- Children's to Adults transitions in Social care.

Other Work Undertaken

- 2.5 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 as required.
- 2.6 The Head of Audit and Counter Fraud continues to support the Committee, with a number of reports produced for review and consideration at both June and July meetings of the Committee.

Follow up of Audit Recommendations

- 2.7 During Q1 2024/25, as in previous years, the Audit Service has focussed on completion of the 2023/24 FFS reviews in support of the Authority's Annual Accounts, the Annual Governance Statement, and the Head of Audit's Annual Report and Opinion.
- 2.8 Building on the streamlining and smoothing of the annual workload of the team during 2023/24, the secondary area of focus during Q1 has been to commence and continue ongoing audit review work in other areas.
- 2.9 Reporting on follow up of audit recommendations excludes FFS reviews as these recommendations are routinely followed up as part of our annual FFS reviews. Since FFS work forms the majority of the Team's output in Q1 there is a natural reduction in the number of audit reports due for follow up in Q1. Follow up work will re-commence in Q2.

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:
- 39 cases of non-CTR fraud/misuse of funds including Council Tax Single Person Discount fraud (SPD), Blue Badge misuse and theft.
 - £31,486.47 of non-CTR fraud/misuse.
 - 26 cases of ineligible claims for Council Tax Reduction (CTR).
 - £26,589.12 of Housing Benefit ineligibility and overpayments (identified as part of the CTR investigations).
 - £49,820.21 of ineligible claims for Council Tax Reduction (CTR).
- 3.3 The Counter Fraud Team will continue to collaborate with the Internal Audit Team to ensure the delivery of the Internal Audit and Counter Fraud Plan 2024/25.
-

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.
- Identifying overpayments made / or client contributions outstanding for recovery.

4.2 Appendix 3 shows the Direct Payments Audit volumes and financial outcomes arising for both Adults and Children's Services, which are £624,056 and £86,961 (respectively). In total the team carried out 443 Adults and Children's Direct Payment Audits.

4.3 The team also continues to assist the Adult Social Care Service by way of the Direct Payment (DP) Auditors invoicing for DP overpayments as soon as the DP audit is concluded.

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 2024/25 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 2024 to 30 June 2024
 - **Appendix 2:** Counter Fraud Results – 1 April 2024 to 30 June 2024
 - **Appendix 3:** Direct Payments Results – 1 April 2024 to 30 June 2024
-

Audit and Counter Fraud 2024/25 - Summary of Audit Reports/Outcomes - 1 April 2024 to 30 June 2024

Report Ref	Directorate	Audit Review/Counter Fraud Report	Report/Briefing Note	Quarter	Opinion
1	Chief Executive	2022/23 Draft Final Report – Council Tax & Council Tax Reduction	Report	Q1	Adequate
2	Chief Executive	2022/23 Draft Final Report – Business Rates (NDR)	Report	Q1	Adequate
3	Chief Executive	2022/23 Draft Final Report – Treasury Management	Report	Q1	Good
4	Chief Executive	2022/23 Draft Final Report – Bank Reconciliations	Report	Q1	Good
5	Chief Executive	2022/23 Draft Final Report – Payroll	Report	Q1	Inadequate
6	Chief Executive	2022/23 Draft Final Report – Accounts Payable	Report	Q1	Adequate
7	Chief Executive	2022/23 Draft Final Report – Accounts Receivable	Report	Q1	Adequate
8	Adult Social Care	2022/23 Draft Final Report – Direct Payments	Report	Q1	Inadequate
9	Adult Social Care	2022/23 Draft Final Report – Residential Care	Report	Q1	Inadequate
10	Chief Executive	2022/23 Draft Final Report – Fixed Assets	Report	Q1	Adequate
11	Children & Young People	2022/23 Draft Final Report – Children’s Social Care	Report	Q1	Inadequate
12	Chief Executive	2022/23 Final Report – Debt Recovery	Report	Q1	Inadequate
13	Place and Economic Growth	Spindles Pre-Contract Procurement Review	Report	Q1	Adequate
14	Chief Executive	IT Vulnerability Management (SCAS)	Report	Q1	Adequate
15	Chief Executive	Local Elections - Postal Vote Packs	Briefing note	Q1	Assurance

16	Chief Executive	Local Elections Postal Vote Integrity Review	Report	Q1	Assurance
17	Chief Executive	Parliamentary Elections - Postal Vote Packs	Briefing note	Q1	Assurance
18	Children & Young People	Supporting Families Assurance Statement	Grant Assurance	Q1	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
Weak	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 2024/25

Counter Fraud Results 1 April 2024 to 30 June 2024

Counter Fraud Team 2024/25	Quarter 1
Corporate Cases - Positive Results	39
Fraud and Error Overpayments identified as part of Corporate Cases (£)	£31,486.47
CTR cases amended as a result of an investigation	26
HB Fraud and Error Overpayments identified as part of a CTR investigation (£)	£26,589.12
CTR Fraud and Error Overpayments identified (£)	£49,820.21
Financial Outcomes	£107,895.80

Audit and Counter Fraud 2024/25

Direct Payments Results 1 April 2024 to 30 June 2024

Direct Payments Team 2024/25	Quarter 1
Number of Children's Direct Payment audits undertaken	155
Funds requested during Children's Direct Payment Audit	£86,961.89
Number of Adults Direct Payment Audit undertaken	288
Funds requested during Adults Direct Payment Audit	£624,056.68
Total Financial Outcomes from Direct Payment Audit Team	£711,018.57