

## 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

**28 November 2024**

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### 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 Q2 of the 2024/25 financial year which alongside:

- Further progress reports on Q3 and 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.

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## **Executive Summary**

The report summarises the work carried out by the team from 1 April 2024 to 1 November 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 were issued in Q1 2024/25.

During Q2 the team commenced work on the Council's FFS reviews for 2024/25, to be reported later in the year.

In addition, other Audit and Counter Fraud Team activity in Q2 included:

- Completion of four opinion reports in connection with Christchurch School, Building Control, VAT and Highways Grant Administration, and a grant assurance review of the Council's Pothole Fund Assurance Statement.
- Commencement and ongoing work in connection with 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, a review of Children's to Adults transitions in Social care, a review of In-Borough SEND Placements, a review of Miocare financial systems, and a review of Public Health Commissioning.
- Work was also commenced on 2 further reviews which, following initial background work have been halted pending further developments. Work in connection with the Council's Speech and language Therapy Services was halted in agreement with the Service. The Service is aware of the challenges both locally and nationally in this area and is forming its own plans to address these. The value which would be added by an audit review at this stage is likely to be low. This work may re-commence at a future date and we will maintain contact with the Service to agree an appropriate time for this to take place. In the meantime this review has been replaced with a review of In-Borough SEND Placements noted above. Work in connection with the Council's "Don't Trash Oldham" initiative was also halted following an internal Service led review of this initiative. Again, the potential to add value by undertaking further audit work in this area is deemed to be low.
- Corporate Counter Fraud activities have identified £269,487 of fraud, errors and overpayments.
- Line management of the Direct Payments Audit Team (Adults and Children) has transferred out of the Audit and Counter Fraud Service and into the Central Finance Service. As a result the outcomes of this work will no longer be reported as part of these regular update reports to this Committee.

## **Recommendation**

Members are requested to consider the 2024/25 Q2 Audit and Counter Fraud Progress Report.

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**2024/25 Q2 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 1 November 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:

**2024/25 Fundamental Financial Systems (FFS) reports**

2.2 Work has commenced on the 2024/25 FFS reviews. The outcomes of the 2024/25 FFS reviews will be reported to the Committee in due course.

**Other work completed**

2.3 Four pieces of planned work were completed and reported in Q2 in connection with:

- Christchurch School
- Building Control
- VAT
- Grant assurance review of the Council's Pothole Fund Assurance Statement.

The grant assurance review of the Council's Pothole resulted in one further unplanned report being issued in the quarter, on Highways Grant Administration, containing recommendations to improve the record keeping in place to support this work going forward.

The outcomes of these reviews are shown at Appendix 1.

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2.4 Other planned audit review work commencing and underway as at 1 November 2024 included reviews of:

- 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.
- In-Borough SEND Placements.
- Miocare financial systems
- Public Health Commissioning.

### **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 this meeting.

### **Follow up of Audit Recommendations**

2.7 A summary of the outcomes of the follow up work undertaken during the year to date to monitor the implementation of audit recommendations during the year is shown in the table below:

Status	Recommendation Priority Level			Total
	High	Medium	Low	
Complete	8	1	2	<b>11</b>
Not Agreed / No Response	0	0	0	<b>0</b>
Revised / Ongoing	0	4	1	<b>5</b>
<b>Total</b>	<b>8</b>	<b>5</b>	<b>3</b>	<b>16</b>

## **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:

- 112 cases of non-CTR fraud/misuse of funds including Council Tax Single Person Discount fraud (SPD), Blue Badge misuse and theft.
  - £59,451.67 of non-CTR fraud/misuse.
  - 59 cases of ineligible claims for Council Tax Reduction (CTR).
  - £89,479.61 of Housing Benefit ineligibility and overpayments (identified as part of the CTR investigations).
  - £120,555.84 of ineligible claims for Council Tax Reduction (CTR).
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3.3 In addition the latest Bi-annual National Fraud Initiative commenced during Q2 with the Counter Fraud team co-ordinating the collation, and undertaking the data quality checks and submission, of a number of datasets to the Cabinet Office for use in nationwide data matching.

3.4 The first results from this latest exercise are expected to be released during December, and the results of the annual Council Tax Single Person Discount Exercise will be available in the new year. The Counter Fraud team will again co-ordinate the Council's response to the potential matches received and also undertake investigation of selected categories of matched data. The outcomes of this exercise will be reported to Members in due course.

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

4.1 Line management of the Direct Payments Audit Team (Adults and Children) has transferred out of the Audit and Counter Fraud Service and into the Central Finance Service. As a result the outcomes of this work will no longer be reported as part of these regular update reports to this Committee.

#### **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**

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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: John Miller  
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22 **Appendices**

22.1 The following Appendices are available to support this Report:

- **Appendix 1:** Summary of Audit Reports/Outcomes – 1 April 2024 to 1 November 2024
  - **Appendix 2:** Counter Fraud Results – 1 April 2024 to 31 October 2024
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## Audit and Counter Fraud 2024/25 - Summary of Audit Reports/Outcomes - 1 April 2024 to 1 November 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
19	Children & Young People	Christchurch School	Report	Q2	Adequate
20	Place and Economic Growth	Building Control	Report	Q2	Weak
21	Chief Executive	VAT	Report	Q2	Adequate
22	Place and Economic Growth	Pothole Fund Assurance Statement	Grant Assurance	Q2	Assurance
23	Place and Economic Growth	Highways Grant Administration	Report	Q2	Adequate

**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.



<b>TBC</b>	Opinion awaiting confirmation following further discussion with management.
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Counter Fraud Results 1 April 2024 to 31 October 2024

<b>Counter Fraud Team 2024/2025</b>	<b>Quarter 1 April - June</b>	<b>Quarter 2 July - Sept</b>	<b>Quarter 3 - To 31<sup>st</sup> Oct</b>	<b>Total</b>
Corporate Cases - Positive Results	39	55	18	<b>112</b>
Fraud and Error Overpayments identified as part of Corporate Cases (£)	£31,486.47	£20,709.20	£7,256.00	<b>£59,451.67</b>
CTR cases amended as a result of an investigation	26	23	10	<b>59</b>
HB Fraud and Error Overpayments identified as part of a CTR investigation (£)	£26,589.12	£58,158.31	£4,732.18	<b>£89,479.61</b>
CTR Fraud and Error Overpayments identified (£)	£49,820.21	£58,792.98	£11,942.65	<b>£120,555.84</b>
<b>Financial Outcomes</b>	<b>£107,895.80</b>	<b>£137,660.49</b>	<b>£23,930.83</b>	<b>£269,487.12</b>