

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

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

30 January 2025

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 Q3 of the 2024/25 financial year which alongside:

- A further progress report on Q4 to be provided to the Committee.
- 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 15 January 2025.

Work on the Council's Fundamental Financial Systems (FFS) reviews for 2024/25 has continued into Q3. One FFS report in connection with the Council's Payroll Service has been issued and the remainder will be reported in due course.

In addition, other Audit and Counter Fraud Team activity in Q3 included:

- Completion of six opinion reports in connection with a Recruitment, selection and disciplinary processes review, a review of the Council's Risk Management Processes, a review of the Council's decision recording systems; a review of Miocare financial systems; a review of Public Health Commissioning, and; a review of Horton Mill Community School.
- Ongoing work in connection with a review of the Council's Housing Options Service, a review of Children's to Adults transitions in Social care, a Standards of Conduct review, and a review of In-Borough SEND Placements,
- Corporate Counter Fraud activities have identified £349,033 of fraud, errors and overpayments.

Recommendation

Members are requested to consider the 2024/25 Q3 Audit and Counter Fraud Progress Report.

2024/25 Q3 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 15 January 2025.

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.

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.
- 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 continued on the 2024/25 FFS reviews, with one draft report in respect of the Council's Payroll Service issued in Q3. The outcomes of the remaining 2024/25 FFS reviews will be reported to the Committee in due course.

Other work completed

2.3 Six other pieces of planned work were completed and reported in Q3 in connection with:

- Recruitment, selection and disciplinary procedures.
- The Council's Risk Management Processes
- The Council's decision recording systems.
- Miocare FFS
- Public Health Commissioning.
- Horton Mill Community School

The outcomes of these reviews are shown at Appendix 1.

2.4 Other planned audit review work commencing and underway as at 15 January 2025 included reviews of:

- The Council's Housing Options Service
 - Children's to Adults transitions in Social care.
 - In-Borough SEND Placements.
 - Standards of Conduct
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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	11
Not Agreed / No Response	0	0	0	0
Revised / Ongoing	0	4	1	5
Total	8	5	3	16

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:
- 142 cases of non-CTR fraud/misuse of funds including Council Tax Single Person Discount fraud (SPD), Blue Badge misuse and theft.
 - £73,781.61 of non-CTR fraud/misuse.
 - 77 cases of ineligible claims for Council Tax Reduction (CTR).
 - £113,455.37 of Housing Benefit ineligibility and overpayments (identified as part of the CTR investigations).
 - £161,796.17 of ineligible claims for Council Tax Reduction (CTR).
- 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 were released during December, and the results of the annual Council Tax Single Person Discount Exercise will be available in January 2025. 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 Options/Alternatives

- 4.1 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.
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5 Preferred Option

5.1 The preferred option is that the Audit Committee accepts and notes the progress achieved and performance by the Audit and Counter Fraud Team.

6 Consultation

6.1 N/A.

7 Financial Implications

7.1 N/A.

8 Legal Services Comments

8.1 N/A.

9 Co-operative Agenda

9.1 N/A.

10 Human Resources Comments

10.1 N/A.

11 Risk Assessments

11.1 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)

12 IT Implications

12.1 N/A.

13 Property Implications

13.1 N/A.

14 Procurement Implications

14.1 N/A.

15 Environmental and Health & Safety Implications

15.1 N/A.

16 Equity, Community Cohesion and Crime Implication

16.1 N/A.

17 Equality Impact Assessment Completed

17.1 No.

18 Forward Plan Reference

18.1 N/A.

19 **Key Decision**

19.1 No.

20 **Background Papers**

20.1 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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21 **Appendices**

21.1 The following Appendices are available to support this Report:

- **Appendix 1:** Summary of Audit Reports/Outcomes – 1 April 2024 to 15 January 2025
 - **Appendix 2:** Counter Fraud Results – 1 April 2024 to 31 December 2024
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Audit and Counter Fraud 2024/25 - Summary of Audit Reports/Outcomes - 1 April 2024 to 15 January 2025

Report Ref	Directorate	Audit Review/Counter Fraud Report	Report/Briefing Note	Quarter	Opinion
1	Chief Executive	2023/24 Draft Final Report – Council Tax & Council Tax Reduction	Report	Q1	Adequate
2	Chief Executive	2023/24 Draft Final Report – Business Rates (NDR)	Report	Q1	Adequate
3	Chief Executive	2023/24 Draft Final Report – Treasury Management	Report	Q1	Good
4	Chief Executive	2023/24 Draft Final Report – Bank Reconciliations	Report	Q1	Good
5	Chief Executive	2023/24 Draft Final Report – Payroll	Report	Q1	Inadequate
6	Chief Executive	2023/24 Draft Final Report – Accounts Payable	Report	Q1	Adequate
7	Chief Executive	2023/24 Draft Final Report – Accounts Receivable	Report	Q1	Adequate
8	Adult Social Care	2023/24 Draft Final Report – Direct Payments	Report	Q1	Inadequate
9	Adult Social Care	2023/24 Draft Final Report – Residential Care	Report	Q1	Inadequate
10	Chief Executive	2023/24 Draft Final Report – Fixed Assets	Report	Q1	Adequate
11	Children & Young People	2023/24 Draft Final Report – Children’s Social Care	Report	Q1	Inadequate
12	Chief Executive	2023/24 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
24	Chief Executive	2024/25 Draft Final Report – Payroll	Report	Q3	Inadequate
25	Chief Executive	Recruitment, Selection, and Disciplinary Policies and Procedures Review	Report	Q3	Inadequate
26	Chief Executive	Corporate Risk Register	Report	Q3	Adequate
27	Chief Executive	Delegated Decision Reports	Report	Q3	Inadequate
28	People	Miocare	Report	Q3	Adequate
29	People	Public Health Grant Commissioning	Report	Q3	Adequate
30	People	Horton Mill Community School	Report	Q3	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.
TBC	Opinion awaiting confirmation following further discussion with management.

Audit and Counter Fraud 2024/25

Counter Fraud Results 1 April 2024 to 31 December 2024

Counter Fraud Team 2024/2025	Quarter 1 April - June	Quarter 2 July - Sept	Quarter 3 - Oct - Dec	Total
Corporate Cases - Positive Results	39	55	48	142
Fraud and Error Overpayments identified as part of Corporate Cases (£)	£31,486.47	£20,709.20	£21,585.94	£73,781.61
CTR cases amended as a result of an investigation	26	23	28	77
HB Fraud and Error Overpayments identified as part of a CTR investigation (£)	£26,589.12	£58,158.31	£28,707.94	£113,455.37
CTR Fraud and Error Overpayments identified (£)	£49,820.21	£58,792.98	£53,182.98	£161,796.17
Financial Outcomes	£107,895.80	£137,660.49	£103,476.86	£349,033.15