

AUDIT COMMITTEE Agenda - supplementary

Date Thursday 9 June 2022

Time 6.00 pm

Venue Lees Suite, Civic Centre, Oldham, West Street, Oldham, OL1 1NL

- Notes
1. DECLARATIONS OF INTEREST- If a Member requires any advice on any item involving a possible declaration of interest which could affect his/her ability to speak and/or vote he/she is advised to contact Paul Entwistle or Peter Thompson in advance of the meeting.
 2. CONTACT OFFICER for this Agenda is Peter Thompson Tel. 0161 770 5151 or email constitutional.services@oldham.gov.uk
 3. PUBLIC QUESTIONS – Any member of the public wishing to ask a question at the above meeting can do so only if a written copy of the question is submitted to the Contact officer by 12 Noon on Monday, 6 June 2022.
 4. FILMING - The Council, members of the public and the press may record / film / photograph or broadcast this meeting when the public and the press are not lawfully excluded. Any member of the public who attends a meeting and objects to being filmed should advise the Constitutional Services Officer who will instruct that they are not included in the filming.

Please note that anyone using recording equipment both audio and visual will not be permitted to leave the equipment in the room where a private meeting is held.

Recording and reporting the Council's meetings is subject to the law including the law of defamation, the Human Rights Act, the Data Protection Act and the law on public order offences.

MEMBERSHIP OF THE AUDIT COMMITTEE IS AS FOLLOWS:
Councillors Ahmad, Alyas, C. Gloster, Islam, Salamat, Arnott, Ball, Hulme and Iqbal

Item No

7 SIRO Annual Report 2021/22 (Pages 1 - 8)

8 Audit of Housing Benefit Subsidy 2020/21 (Pages 9 - 16)



- 9 Director of Finance - Charged with Governance Management Processes and Arrangements (Pages 17 - 30)
- 10 Audit Committee Chair - Charged with Governance Management Processes and Arrangements (Pages 31 - 44)
- 11 Local Code of Corporate Governance (Pages 45 - 58)
- 12 Internal Audit Charter 2022/23 (Pages 59 - 70)
- 13 Internal Audit and Counter Fraud Progress Report (Pages 71 - 80)



Report to Audit Committee

Senior Information Risk Owner Review for the Financial Year 2021/22

Portfolio Holder: Councillor Abdul Jabbar MBE – Deputy Leader and Cabinet Member Finance and Low Carbon

Officer Contact: Anne Ryans - Director of Finance

Report Author: Mark Stenson – Assistant Director of Corporate Governance and Strategic Financial Management

9 June 2022

Purpose of Report

To update Members of the Audit Committee on information security breaches, risk issues / actions.

Executive Summary

This is the annual report of the Senior Information Risk Owner (SIRO) to the Audit Committee highlighting Information Security Incidents and related matters which have occurred throughout 2021/22.

Recommendations to the Audit Committee

The Audit Committee is asked to note the content of the report.

Senior Information Risk Owner Review for the Financial Year 2021/22

1 Background

- 1.1 The Cabinet Office Data Handling Review in 2008 led to a requirement for NHS organisations and Local Authorities (as public sector bodies) to assign the role of the Senior Information Risk Owner (SIRO), a board level executive with particular responsibility for information risk.
- 1.2 The SIRO has responsibility for understanding how the strategic business goals of the organisation may be impacted by any information risks and for taking steps to mitigate those risks.
- 1.3 At the same time, there is a clear need to ensure that the Council's Caldicott Guardian works closely with the SIRO and that the Caldicott Guardian is appropriately consulted when information risk reviews are conducted for assets which are / or contain personal information.
- 1.4 A Caldicott Guardian's activity is particularly concerned with the seven Caldicott principles and the common law duty of confidentiality, whilst the SIRO is mainly involved in ensuring compliance with the Data Protection Act and other relevant legislation.
- 1.5 The SIRO is required to register with NHS Digital as Council access is required to national NHS IT systems or services.
- 1.6 The National Cyber Security Centre (NCSC) is an organisation of the United Kingdom Government that provides advice and support for the public and private sector in how to avoid computer security threats. Following international matters, the NCSC continues to call on organisations in the UK to bolster their online defences. While the NCSC is not aware of any current specific threats to UK organisations in relation to events in and around Ukraine, there has been a historical pattern of cyber-attacks against Ukraine with international consequences. The Council is implementing measures in line with NCSC recommended actions to take when the cyber threat is heightened.

2 Role Overview

- 2.1 The SIRO is responsible for owning the overall information risk policy and ensuring its effective use in the organisation, and for leading the cultural change necessary within the organisation to ensure information is valued, protected, and used properly by all members of staff, elected members, contractors / agency staff etc.
- 2.2 Within the Council, the SIRO:
 - has overall ownership of the Council's Information Risk Policy;
 - is required to act as champion for information risk to the Management Board and other leadership boards;
 - is responsible for providing written advice to the Audit Committee on the content of the Council's Statement of Internal Control regarding information risk; and
 - is responsible for decisions in relation to any information issues or incidents.
- 2.3 When security incidents involving personal data occur, the SIRO is a key stakeholder in determining whether the Information Commissioners Office (ICO), who is the regulator of the Data Protection Act, should be informed.

3 Responsibilities

3.1 The SIRO is expected to:

- acquire a knowledge of information risk management and its benefits;
- help develop the information risk management strategy and communicate it to senior management and elected members;
- promote and oversee the implementation of the strategy across the organisation;
- assist in monitoring and reviewing the information risk management strategy;
- agree any inputs and resources necessary to support the implementation of the strategy corporately; and
- assess and agree identified risks that are considered in line with the Council's risk appetite.

4 Information Governance Risk Management Policy

4.1 The Council has an Information Risk Management Policy. The policy identifies the roles and responsibilities at various levels including the SIRO.

4.2 The policy requires for the identification and management of information risks in a consistent, holistic way across the Council and focusses on information risks that, because of their likelihood and impact, make them management priorities.

5 Current Position

5.1 The Council has a SIRO in place.

5.2 The position of SIRO is held by Anne Ryans, Director of Finance with Mark Stenson, Assistant Director of Corporate Governance and Strategic Financial Management acting as Deputy SIRO.

5.3 The SIRO responsibilities extend to cover the MioCare Group Community Interest Community and the Unity Partnership Ltd (during 2021/22) under the service level agreements in place with the Council's Information Management Team.

5.4 Operational day to day responsibilities for the management and reporting of information risk, and information security breaches, rests with the Information Management Team.

6 Information Security Incidents

6.1 There were 80 information security incidents during 2021/22, compared to 68 during 2020/21. It is likely that number of incidents in 2020/21 reduced due to the coronavirus pandemic as during 2019/20 there were 103 incidents. Incidents during 2020/21 and 2021/22 are summarised in the table in Appendix 1.

6.2 The Caldicott Guardian is a senior role in an organisation which processes health and social care personal data. The duty of the Guardian is to ensure that personal data is used legally, ethically and appropriately, and that confidentiality is maintained. The Council has 2 Caldicott Guardians, 1 for Children's Services and 1 for Community Health & Adult Social Care.

6.3 The Information Management Team have worked with both Caldicott Guardian's to raise awareness, provide training, and issue key messages to staff. Furthermore, the Information Management Team and the Children's Caldicott Guardian analysed trends across the

incidents and issued specific guidance to staff relating to how to minimise the risk of information being disclosed in error or shared inappropriately due to redaction issues.

- 6.4 Cyber-criminals continue to be an increased risk particularly around sending 'phishing' emails with the aim of getting users to click on a malicious link. It is important to remember that a single malicious link could lead to a successful attack, which could in turn compromise the IT network and put all information at risk. Reminders have been sent to all employees and Councilors requesting completion of the Council's interactive Mandatory Cyber Security training course. Cyber awareness guidance has also been added to the Council intranet and circulated to all staff. To further reduce risk, further work is being carried out to heighten awareness of phishing emails.
- 6.4 Cyber criminals target employees of organisations in order gain unauthorised access, infiltrate the network and compromise data, Local Authorities are popular targets. To reduce the risk, the Council successfully changed its policy on password complexity to align with the recommendations of the National Cyber Security Centre (NCSC). External independent validation has shown an improvement in the Council's password posture.
- 6.5 All software, including device operating systems, will eventually become out of date. The use of products which no longer receive security updates and where the latest security mitigations are not present make high impact incidents more likely. Work is being undertaken across the Information Management Team and IT to implement a policy and system to reduce the likelihood and impact of compromise of legacy systems In line with NCSC recommendations.

7 Security Standards

Public Services Network (PSN) Accreditation & Compliance

- 7.1 The PSN is a secure network that allows local and national public sector organisations to interact and share data privately and securely. On an annual basis the Council is required to obtain certification for the forthcoming year. The Information Management Team, working with ICT Services, manage the annual PSN certification submission. The current certification runs to the 26 March 2023.

Data Security & Protection Toolkit Accreditation & Compliance

- 7.3 The submission of the Council's Data Security and Protection Toolkit (DSPT) annual mandatory assessment was made by the end of June 2021, with a partial submission, with one outstanding area – training. This was completed within the timescales agreed and a full submission was presented.
- 7.4 The Council is preparing for the 2022 submission which will be completed by the end of June. There remains a risk that a partial submission may need to be submitted due to training requirements, services are working together to reduce this risk prior to the submission deadline.

8 Consultation

- 8.1 Officers of the Council have been consulted in the preparation of this report.

9	Financial Implications
9.1	N/A
10	Legal Services Comments
10.1	N/A
11	Co-operative Agenda
11.1	Committed to the Borough - to visibly demonstrate that the Council is taking steps to ensure legal compliance and manage its risks accordingly.
12	Human Resources Comments
12.1	N/A
13	Risk Assessments
13.1	N/A
14	IT Implications
14.1	N/A
15	Property Implications
15.1	N/A
16	Procurement Implications
16.1	N/A
17	Environmental and Health & Safety Implications
17.1	N/A
18	Equality, community cohesion and crime implications
18.1	N/A
19	Equality Impact Assessment Completed?
19.1	N/A
20	Key Decision
20.1	No
21	Key Decision Reference
21.1	N/A

22 Background Papers

24.1 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
Officer Name: Victoria Gallacher
Contact No: Extension 8488

25 Appendices

25.1 Appendix 1 – Information Security Breaches by Directorate

Appendix 1 - Information Security Breaches by Directorate

Directorate	Quarter 1	Quarter 1	Quarter 2	Quarter 2	Quarter 3	Quarter 3	Quarter 4	Quarter 4	Total by Service
	Apr-Jun 20-21	Apr-Jun 21-22	Jul-Sept 20-21	Jul-Sept 21-22	Oct-Dec 20-21	Oct-Dec 21-22	Jan-Mar 20-21	Jan-Mar 21-22	
Chief Executive & Legal Services	1	0	2	2	2	2	0	1	10
Children's Services	3	9	6	8	9	6	7	6	54
Commissioning	0	4	2	6	2	1	2	4	21
Community Health & Adult Social Care	3	3	4	5	3		1	5	24
People and Place	2	4	1	2	4	1	3	1	18
Communities & Reform	1	1	1	2	1	3	1	2	12
Others	1	0	2	1	2	0	2	1	9
Total (2020-21)	11	-	18	-	23		16		68
Total (2021-22)	-	21	-	26	-	13	-	20	80

*Reported in line with the Management Structure in place for the financial year 2020/21 and the first part of the financial year 2021/22 (for comparison purposes)

Incidents can be categorised as follows:

Incident Type	2020/21	2021/22
Instances of information being disclosed in error	30	47
Instances of stolen / lost / misplaced records or equipment	3	8
Instances of technical failure	3	9
Instances of unauthorised access/disclosure	25	13
Instances of uploading to a website/system in error	2	2
Minor issues	5	1
Total	68	80



Report to Audit Committee

Housing Benefit Subsidy Audit 2020/21

Portfolio Holder: Councillor Abdul Jabbar MBE, Deputy Leader and Cabinet Member Finance and Low Carbon

Officer Contact: Anne Ryans, Director of Finance

Report Author: Mark Stenson, Assistant Director of Corporate Governance and Strategic Financial Management

Ext. 4783

9 June 2022

Reason for Decision

This report is to detail to Members the outcome of the external audit of the Housing Benefit Subsidy claim form for the financial year 2020/21.

Executive Summary

The audit of the Housing Benefit Subsidy Claim is undertaken by KPMG LLP and this report which attaches their detailed report at Annex 1 details the findings of the audit. Overall, the report is positive and does not detail any findings which impact on the subsidy claim. Where there were errors identified as detailed in Appendix A of Annex 1, they were minor and not material.

Recommendation

That Members of the Audit Committee note the outcome of the 2020/21 audit of the Housing Benefit Subsidy claim form.

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KPMG LLP

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St Peters Square
Manchester. M2 3AE
United Kingdom

Private & confidential

Housing Benefit Subsidy Team
House Delivery Division
DWP Business Finance & Housing Delivery
Directorate
Room B120D
Warbreck House
Blackpool
Lancashire
FY2 0UZ

Your ref

Our ref OMBC/20-21

Contact Rob Jones

Anne Ryans
Oldham Metropolitan Borough Council
Level 3, Civic Centre
West Street
Oldham
OL1 1UT

03 March 2022

Dear Madam,

Reporting accountant's report for the Housing Benefit Subsidy claim form MPF720A for the year ended 31 March 2021

This report is produced in accordance with the terms of our engagement letter with Oldham Metropolitan Borough Council dated 09 September 2021 and the standardised engagement terms in Appendix 2 of Housing Benefit (Subsidy) Assurance Process ("HBAP") Module 1 2020/21 issued by the Department for Work and Pensions ("DWP") for the purpose of reporting to the Section 151 Officer of Oldham Metropolitan Borough Council (the "**Local Authority**") and the DWP.

Our report is prepared solely for the confidential use of the Local Authority and the DWP and solely for the purpose of facilitating the claim for Housing Benefit Subsidy on form MPF720A dated 30 April 2021.

This report should not be copied, referred to or disclosed, in whole (save as otherwise permitted by the standardised engagement terms) or in part, without our prior written consent. Without assuming or accepting any responsibility or liability in respect of this report to any party other than the Local Authority and the DWP, we acknowledge that the Local Authority and/or the DWP may be required to disclose this report to parties demonstrating a statutory right to see it.

This report is designed to meet the agreed requirements of the Local Authority and the DWP as described in the DWP HBAP reporting framework instruction 2020/21.

This report should not therefore be regarded as suitable to be used or relied on by any other party for any purpose or in any context. Any party other than the Local Authority and the DWP which obtains access to this report or a copy and chooses to rely on this report (or any part of it) will do so entirely at its own risk. To the fullest extent permitted by law, we accept no responsibility or liability in respect of our work or this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by the reliance of anyone other than the addressees on our work or this report.

Respective responsibilities of the Local Authority and the reporting accountant

We conducted our engagement in accordance with HBAP Modules 1 and 6 2020/21 issued by the DWP, which highlight the terms under which DWP has agreed to engage with reporting accountants.

As Section 151 Officer of the Local Authority, you have responsibilities under the Income-related Benefits (Subsidy to Authorities) Order 1998. You are also responsible for ensuring that the Local Authority maintains accounting records which disclose with reasonable accuracy, at any time, the financial position of the Local Authority. It is also the Section 151 Officer's responsibility to extract relevant financial information from the Local Authority's accounting records, obtain relevant information held by any officer of the Local Authority and complete the attached form MPF720A in accordance with the relevant framework set out by the DWP.

Our approach

For the purpose of the HBAP engagement we have been provided with a signed copy of form MPF720A 2020/21 dated 30 April 2021 by the Section 151 Officer. The Section 151 Officer remains solely responsible for the completion of the MPF720A and is the signatory on the Local Authority's certificate on claim form MPF720A.

Our engagement was carried out in accordance with the DWP reporting framework instruction and in accordance with the International Standard on Related Services (ISRS) 4400, *Engagements to perform agreed-upon procedures regarding financial information*. The purpose of the engagement is to perform the specific test requirements determined by the DWP on the defined sample basis as set out in HBAP Modules of the HBAP reporting framework instruction on the Local Authority's form MPF720A dated 30 April 2021, and to report the results of those procedures to the Local Authority and the DWP.

The results of these are reported in Appendices A, B, C and D.

The procedures specified in DWP's HBAP reporting framework instruction do not constitute an examination made in accordance with generally accepted auditing standards, the objective of which would be the expression of assurance on the contents of the Local Authority's claim for Housing Benefit Subsidy on form MPF720A. Accordingly, we do not express such assurance. Had we performed additional procedures, or had we performed an audit or review of the Local Authority's claim for Housing Benefit Subsidy on form MPF720A in accordance with generally accepted auditing or review standards, other matters might have come to our attention that would have been reported to you. This report relates only to the Local Authority's form MPF720A and does not extend to any financial statements of the Local Authority, taken as a whole.

Summary of HBAP report

Summary of Initial Testing

In accordance with HBAP modules an initial sample of cases was completed for all general expenditure cells. The outcomes of the testing undertaken are summarised below:

Cell 011: Non HRA: No errors identified.

Cell 055: Rent Rebates: Our testing identified 1 case where benefit has been underpaid as a result of the incorrect assessment of capital valuation where the claimant has an additional property. Further details can be found in Appendix B.

Cell 094: Rent Allowance: Our testing identified 1 case where benefit has been underpaid as a result of the incorrect assessment of rent charge changes in year. Further details can be found in Appendix B.

Cell 214/225: Modified Schemes: No errors identified.

Completion of Modules

The Specific Test Requirements set out in Module 1 Appendix 3 have been completed, including testing required by Modules 2 and 5 as detailed below.

Completion of Module 2

We have completed testing of the Module 2 and no issues were identified.

Completion of Module 5

We have completed the questionnaire for the appropriate software supplier and no issues were identified.

Summary of testing arising from Cumulative Assurance Knowledge and Experience

In line with the requirements of HBAP Modules we have undertaken CAKE testing based upon the preceding HBAP report. Where appropriate the Local Authority has completed testing of the sub-populations for:

- Cell 014: Classification of expenditure
- Cell 094: Assessment of self-employed earnings

We have re-performed a sample of the Authority's testing and confirm the tests we have carried out concur with the Authority's results. The results of the initial testing and CAKE testing for cell 094 assessment of self-employed earnings has returned no errors and is therefore considered as closed.

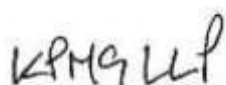
For the form MPF720A dated 30 April 2021 for the year ended 31 March 2021 we have completed the specific test requirements detailed in the DWP reporting framework instruction HBAP and have identified the results set out in Appendices A, B, C and D.

Firm of accountants KPMG LLP
Office St Peters Square, Manchester. M2 3AE.
Contact details Rob Jones, Director, 07799 865451,
Rob.Jones@kpmg.co.uk

Signature 

Date 03 March 2022

Yours faithfully



KPMG LLP
Chartered Accountants

Name for enquiries: Rob Jones

Attachments:

Appendix A: Exceptions/errors found
Appendix B: Observations
Appendix C: Amendments
Appendix D: Other matters

Appendix A: Exceptions/errors found

Cell 014: Non HRA: Expenditure Misclassification Cell Total: £288,976.32 Cell Population: 153 Headline Cell: £807,933

In our 2019/20 HBAP Accountants report we identified that the Local Authority had miscalculated expenditure in cell 014. Given the nature of the population and the errors reported in the 2019/20 HBAP Accountants report, an additional random sample of 40 cases were selected from cases in cell 014 to confirm whether the assessment made was correct and expenditure has been correctly classified. The additional testing identified:

- 1 case (total error value £86.13) where benefit expenditure has been misclassified. The impact of the error is to overstate cell 014, with a corresponding understatement of cell 015. There is no impact on cell 011.

No errors have been identified from our initial testing.

The results of the testing are included in the table below.

This error was included in our previous year HBAP Accountants Report.

Expenditure Misclassification

Sample	Movement / brief note of error:	Cell population total: Cell 014	Sample error:	Sample value:	Percentage error rate	Cell adjustment:
		[CP]	[SE]	[SV]	[SE/SV]	[SE/SV X CP]
Initial sample – 8 cases	Cell 014: Expenditure Misclassification	£288,976	£0	£13,891		
CAKE sample – 40 cases	Cell 014: Expenditure Misclassification	£288,976	(£86.13)	£84,408		
Combined sample – 48 cases	Cell 014: Expenditure Misclassification	£288,976	(£86.13)	£98,299	0.09%	(£260)
Adjustment:	Cell 014: Expenditure Misclassification: Cell 014 is overstated.	£288,976	(£86.13)	£98,299	0.09%	(£260)
Corresponding adjustment:	Cell 015 is understated.					£260

Appendix B Observations

HBAP Module 1 – test 9

We have been unable to obtain prime documentation showing that the Authority's local modified discretionary scheme has been agreed by full Council, owing to the significant time lapse since this scheme was originally approved. In accordance with the guidance on page 571 of the HBAP 2020-21 Helpfile, the s151 officer at the Authority has however provided a signed representation saying that the policy is available to council members and has previously been approved.

Cell 055 – Rent Rebates Expenditure – Calculation of capital tariff where claimant has an additional property Cell Total: £4,805,516

Cell Population: 1,239 Sub Population Total: £11,529.13 Sub Population: 3 Headline Cell: £4,805,516

Our initial testing of a sample of 20 cases selected at random from cell 055 identified 1 case where benefit has been underpaid (total error value £525) as a result of the incorrect calculation of capital tariff income, specifically relating to the valuation of capital in respect of the claimant's additional property.

In line with the requirements of module 6, the authority has identified and tested all cases where the claimant has an additional property to confirm that the valuation is correct, and assessment of capital tariff income also correct. This testing did not identify any further errors.

As there is no eligibility to subsidy for benefit which has not been paid, the 1 case identified with underpaid housing benefit does not affect subsidy and has not, therefore, been classified as an error for subsidy extrapolation purposes.

Cell 094 – Rent Allowance Expenditure – In year rent changes

Cell Total: £41,860,713 Cell Population: 10,461 Sub Population Total: £27,665 Sub Population: 4 Headline Cell: £41,860,713

Our initial testing of a sample of 20 cases selected at random from cell 094 identified 1 case where benefit has been underpaid (total value of error £27.76) as a result of the incorrect assessment of rent. This error specifically occurred whereby the local authority has changed the rent amount during the year, but then reverted back to the previous rent amount in error at a later date in the year.

In line with the requirements of module 6, the authority has identified and tested all cases in cell 094 where the claimant has changed rent in the year, and the system has updated this but then reverted the rent value back to another amount, to confirm that assessment of such changes was accurate. This testing identified 2 further cases where housing benefit has been underpaid as a result.

As there is no eligibility to subsidy for benefit which has not been paid, the 3 cases identified with underpaid housing benefit do not affect subsidy and have not, therefore, been classified as errors for subsidy extrapolation purposes.

Appendix C: Amendments to the claim form MPF720A

No issues to report.

Appendix D Additional issues

No additional issues.



Report to Audit Committee

Director of Finance - Charged with Governance- Management Processes and Arrangements

Portfolio Holder: Councillor Abdul Jabbar MBE, Deputy Leader and Cabinet Member Finance and Low Carbon

Officer Contact: Anne Ryans, Director of Finance

Report Author: Mark Stenson, Assistant Director of Corporate Governance and Strategic Financial Management.

Ext. 4783

9 June 2022

Reason for Decision

To enable the Council's External Auditor, Mazars LLP, to carry out duties required under the Local Audit and Accountability Act 2014, the Director of Finance is required to provide the auditors with the necessary assurances required under International Standards on Auditing (ISA), particularly, ISA 260, Communication with Those Charged with Governance.

Executive Summary

In carrying out the annual audit of the Council, Mazars LLP must comply with the International Standards on Auditing (ISAs) as adopted by the UK Financial Reporting Council (FRC).

ISAs require the auditor to make inquiries of those charged with governance (TCWG) to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity. These inquiries are made in part to corroborate the responses to the inquiries of management.

Mazars LLP has sent the Director of Finance a questionnaire setting out their inquiries of TCWG. The questionnaire and the Director of Finance's proposed responses are set in the attachment (Annex 1). There is a requirement to respond to Mazars LLP by 30 June 2022.

Recommendation

That Members of the Audit Committee note the response of the Director of Finance.

ANNEX 1

Anne Ryans
Executive Director (Finance)
Oldham Metropolitan Borough Council
Civic Centre
West Street, Oldham
OL1 1UT

Direct line: +44 (0)161 238 9243
Email: Alastair.newall@mazars.co.uk
Date: 14th February 2022

Dear Anne,

External Audit 2021/22 – understanding management processes and arrangements

We are required by auditing standards to maintain a good understanding of your management processes and arrangements. This enables us to deliver an efficient audit and reduces the time the Council staff needs to spend responding to our queries. As part of this process, I would be grateful if you could provide a response to the following questions:

- What processes are in place at the Council to:
 - undertake an **assessment of the risk that the financial statements may be materially misstated due to fraud or error** (including the nature, extent and frequency of these assessments);
 - identify and respond to **risks of fraud**;
 - **communicate to employees the Council's views on business practice and ethical behaviour** (for example by updating, communicating and monitoring against relevant codes of conduct); and
 - **communicate to the Audit Committee the processes for identifying and responding to fraud or error.**
- How does management gain assurance that **all relevant laws and regulations have been complied with?** Have there been any instances of non-compliance during 2021/22?
- Are there any **actual or potential litigation or claims that would affect the financial statements?**
- **What controls are in place to: identify, authorise, approve, account for and disclose related party transactions and relationships.** For any new related parties (i.e. any not already disclosed in the previous year's audited financial statements) please provide a list of them, explain their

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nature, and whether there have been any transactions with these related parties during the year to 31 March 2022.

In addition to the above, which cover the Council's processes and controls, **Appendix 1 includes further questions to ascertain your views on fraud.** Your responses will inform our assessment of the risk of fraud and error within the financial statements, which in turn determines the extent of audit work undertaken in 2021/22.

I would be grateful if you could respond by letter or email on behalf of the Council by 30 June 2022. In the meantime, please contact me if you wish to discuss anything in relation to this request.

Yours sincerely

Alastair Newall
Senior Audit Manager

Question	Management Response
<ul style="list-style-type: none"> • What processes are in place at the Council to: 	
<ul style="list-style-type: none"> ○ undertake an assessment of the risk that the financial statements may be materially misstated due to fraud or error (including the nature, extent and frequency of these assessments); 	<p>Staff within the Finance Team attend appropriate training courses and have up-to-date technical knowledge and skills to enable them to prepare the financial statements.</p> <p>The Council has in place a robust system to review the accuracy and quality of its accounts. This includes checks to ensure the financial statements are correct and are supported by detailed records. There is also management oversight and review of the accounts.</p> <p>This is supported by the review of fundamental financial systems (FFS), which are audited by the Internal Audit function in two stages each year. These audits include a follow up of previously agreed actions.</p> <p>The detailed audit programme for each financial system reflects the risk of fraud and error and are discussed with the Council's External Auditors, who also review the work completed. This review contributes to the assessment of the risk of material misstatement.</p> <p>The Annual Report from the Head of Audit and Counter Fraud gives an opinion on the overall control environment adding to the assurance that the underlying processes for processing transactions are appropriate.</p> <p>Notwithstanding the above, the Council, alongside Authorities across the country, awaits the outcome of a current consultation exercise (closing date 14th June) in connection with the valuation of Infrastructure Assets. Whilst not the result of either fraud or error, this could lead to a requirement, mirrored nationally, to re-state the Council's financial statements for 2021/22, and possibly the prior year(s).</p>
<ul style="list-style-type: none"> ○ identify and respond to risks of fraud; 	<p>The Audit and Counter Fraud (A&CF) Team identifies and responds to the risk of fraud via the on-going review of the A&CF Plan. This is an annual plan based on strategic audit needs assessment, the Fraud Response Plan, and the Fraud and Loss Risk Assessment. This includes the risk of fraud identified by the National Audit Office (NAO) Fraud Advisory Panel, the CIPFA Fighting Fraud and Corruption Locally guidance and the Cabinet Office in their role as lead for the National Fraud Initiative (NFI).</p> <p>In administering Business Grants required due to the COVID-19 pandemic, appropriate controls were designed into payment processes to allow appropriate checks and balances alongside speed of payment.</p>

Question	Management Response
<ul style="list-style-type: none"> ○ communicate to employees the Council’s views on business practice and ethical behaviour (for example by updating, communicating and monitoring against relevant codes of conduct); and 	<p>The Staff Code of Conduct and its appendices set out the standards expected around a range of matters, including the “Nolan Principles Standards of Public Life”, “Gifts and Hospitality”, “Disclosure of Information”, “Relationships”, “Contractors” and “Behaviour during Tendering”.</p> <p>The Code of Conduct is available via the Council’s Intranet and is included as part of the Council’s induction training.</p> <p>The Code of Conduct is regularly reviewed.</p>
<ul style="list-style-type: none"> ○ communicate to the Audit Committee the processes for identifying and responding to fraud or error. 	<p>Fraud risks and issues are reported by the Head of Audit and Counter Fraud in the A&CF Plan, the Fraud and Loss Risk Assessment and via regular specific reporting, e.g. updates on specific risks in the Council’s Annual Governance Statement.</p> <p>A suite of refreshed Counter Fraud policies was presented to, reviewed by, and approved by the Council’s Audit Committee on 12 September 2019. An updated policy to counter misappropriation on Business Grants was submitted to the Audit Committee at its meeting on 4 June 2020.</p> <p>Ad hoc matters requiring a report to the Audit Committee are also prepared by the Assistant Director of Corporate Governance and Strategic Financial Management as required.</p> <p>The Annual Governance Statement identifies the risks linked into the Transparency Agenda.</p>
<ul style="list-style-type: none"> • How does management gain assurance that all relevant laws and regulations have been complied with? Have there been any instances of non-compliance during 2021/22? 	<p>In accordance with the appropriate financial thresholds/scheme of delegation, all reports to the Council’s Committees include formal comments from appropriate statutory officers.</p> <p>In response to the COVID 19 pandemic which resulted in extensive home working and devolved decision making from 23 March 2020 the Council invoked emergency powers enabling key officers/ Members to take emergency decisions in line with the Constitution. These arrangements continued initially in 2021/22 before a gradual return to business as usual in the second part of the year.</p> <p>Internal Audit reviews whether the Council has adhered to relevant legislation and guidance as part of its ongoing audit arrangements and programmes.</p>

Question	Management Response
	Specific training is also arranged by relevant teams; e.g. Legal Services.
<ul style="list-style-type: none"> Are there any actual or potential litigation or claims that would affect the financial statements? 	<p>All appropriate matters have been incorporated into the production and review of the Annual Governance Statement. As at 31 March 2022 there is no specific matter which is required to be reported upon in the accounts other than the potential restatement in relation to Infrastructure Assets referred to above.</p> <p>The perceived risks in the financial year 2021/22 have been considered and appropriately reported to the Audit Committee.</p>
<ul style="list-style-type: none"> What controls are in place to: identify, authorise, approve, account for and disclose related party transactions and relationships. For any new related parties (i.e. any not already disclosed in the previous year's audited financial statements) please provide a list of them, explain their nature, and whether there have been any transactions with these related parties during the year to 31 March 2020. 	<p>The controls in place are:</p> <ul style="list-style-type: none"> The separate disclosure Note to the Council's Statement of Accounts "Note 12: Related Parties" (which is subject to audit) sets out the key transactions with all related parties. Members' Code of Conduct. Members' Register of Interests in line with the 2011 Localism Act. Member's Allowances' are disclosed in Note 8 to the Council's Statement of Accounts. Officers' Code of Conduct requires staff to record Gifts and Hospitality in accordance with the Code of Conduct. Officers' Remuneration is disclosed in Note 9 to the Council's Statement of Accounts. Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 sets out the relevant information to disclose, together with CIPFA Bulletins on Closure of the 2021/22 Financial Statements. Internal and External Audit monitor compliance. The Council operates a Standards Committee. Levy Bodies are subject to a separate external audit process.

Appendix 1

Question	Response
<p>1. Are you aware of any actual, suspected or alleged instances of fraud during the period 1 April 2021 – 31 March 2022 (<i>if 'yes', please provide details</i>)?</p>	<p>No, during this period of time (excluding business grants administered by the Council), there has been no significant (i.e., greater than £10k) corporate (in-house) fraud committed by internal staff, which have required investigation.</p> <p>The Assistant Director of Corporate Governance and Strategic Financial Management throughout 2021/22 has reported on a confidential basis the sensitive matters it was appropriate to highlight to the Committee including the risks to the Council should there be poor oversight of key partner organisations.</p>
<p>2. Do you suspect fraud may be occurring within the organisation?</p>	<p>As at 31 March 2022 all instances of suspected fraud within the organisation had been investigated.</p> <p>The Council is a complex multidisciplinary organisation so there is a potential risk that management is unaware of some fraud occurring.</p> <p>An added assurance that appropriate controls are in place is the opinion, given in the Annual Report of the Head of Internal Audit and Counter Fraud.</p>
<p>3. Have you identified any specific fraud risks within the Council?</p>	<p>Fraud risks are captured, reported and monitored via the Fraud and Loss Risk Assessment, the Fraud Response Plan and potential fraud risks are assessed for each audit review.</p>
<p>4. Are you satisfied that internal controls, including segregation of duties, exist and work effectively (<i>if 'yes', please provide details</i>)?</p>	<p>Yes. In all financial systems for 2021/22, there are agreed processes to review transactions. The Fundamental Financial Systems reviews support this process.</p> <p>There are issues identified in the operation of some systems which have been highlighted</p>

Question	Response
	<p>to the Audit Committee and included in the Council's Annual Governance Statement (AGS). Where appropriate, extra audit testing is conducted by Internal and External Audit to provide extra assurance around known issues.</p> <p>Detailed Action Plans are in place, subject to regular follow-up to address issues included in the AGS.</p>
<p>5. If not where are the risk areas?</p>	<p>As above, potential risks and issues are reported in the Council's AGS and updates are reported to the Audit Committee on a regular basis. Risks are assessed annually and as part of detailed audit planning.</p> <p>The Council continues to experience significant change in social care and, due to the on-going integration with health partners, it continues to track the potential risk around these service areas as this is clearly an area of management focus.</p> <p>Large Capital Programme projects will also provide additional fraud opportunities in areas such as mandate fraud.</p> <p>The funding provided to assist the wider Government response to the COVID-19 pandemic has changed the risk profile in relation to fraud. The Council has, however, introduced appropriate safeguards into its administration to minimise loss in this area.</p>
<p>6. How do you encourage staff to report their concerns about fraud?</p>	<p>The Whistleblowing Policy sets out the arrangements for staff to anonymously report potential concerns and it is included in the Staff Code of Conduct. Following a risk assessment process, the A&CF Team will investigate allegations discretely, agree a course of action and agree recommendations. Where significant issues arise, External Audit will be briefed.</p>

Question	Response
<p>7. What concerns about fraud are staff expected to report?</p>	<p>The Whistleblowing Policy includes the reporting by employees of suspected misconduct, illegal acts or failure to act within the Council. The aim of the Policy is to encourage employees and others who have serious concerns about any aspect of the Council's work to come forward and voice those concerns.</p>
<p>8. Are you aware of any related party relationships or transactions that could give rise to instances of fraud?</p>	<p>None are recorded. Contract Procedure Rules set out the procedures for procurement and this service is subject to regular review by Internal Audit. No significant issues which will impact the financial statements have been identified in 2021/22.</p> <p>The continued funding provided to assist the wider government response to the COVID-19 pandemic has changed the risk profile for the financial year 2021/22 similar to 2020/21 as reported above.</p>
<p>9. How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>As above, the Council's Contract Procedure Rules set out the procedures for Procurement and this service is subject to review by Internal Audit. Other policies (and internal controls) to mitigate this risk include:</p> <ul style="list-style-type: none"> • Members' Code of Conduct. • Members' Register of Interests in line with the 2011 Localism Act. • Member's Allowances' are disclosed in Note 8 to the Council's Statement of Accounts. • Officers' Code of Conduct requires staff to record Gifts and Hospitality in accordance with the Code of Conduct. • The Council operates a Standards Committee.

Question	Response
	<ul style="list-style-type: none"> • Levying Bodies are subject to a separate external audit process. • The Council is required to disclose material transactions with related parties, bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. These details are included in Note 12 to the Annual Financial Statements. In support of this Senior Officers are required to declare interests in companies, organisations and entities with which the Council may interact in order to ensure transparency.
<p>10. Are you aware of any entries made in the accounting records that you believe, or suspect are false or intentionally misleading?</p>	<p>No, I am not aware of any entries in the accounting records of this nature. The Council applies a detailed three stage quality assurance process, which incorporates independent/ “fresh eye” review prior to submitting its draft Accounts to the External Auditor.</p>
<p>11. Are there particular balances in the accounts where fraud is more likely to occur?</p>	<p>The balances of Accounts Payable (AP), Accounts Receivable and Fixed Assets were reviewed twice in 2021/22 as part of the yearly FFS programme of audits. The systems for AP are exposed to the potential risk of bank mandate fraud, whereby a “fraudster” contacts the Council to inform them that their bank details have changed, in an attempt to persuade the Council to make the payment to the erroneous account.</p> <p>Colleagues in the AP service and Procurement team are aware off these risks and apply manual checks to mitigate them.</p>
<p>12. Are you aware of any assets, liabilities or transactions that you believe have been improperly included or omitted from the accounts of the organisation?</p>	<p>No, I am not aware of any assets, liabilities or transactions that I believe have been improperly included or omitted from the accounts of the organisation.</p>

Question	Response
	<p>The three stage Quality Assurance process ensures the detailed review of the draft accounts prior to the submission to the External Auditors.</p>
<p>13. Could a false accounting entry escape detection? If so, how?</p>	<p>This is unlikely given the controls in place for processing transactions.</p> <p>The Council is a complex multidisciplinary organisation so there is a potential risk that management is unaware of some false accounting occurring.</p> <p>An added control in this area is the review by the external audit team who provide added assurance for transactions which are in excess of the materiality value.</p>
<p>14. Are there any external fraud risk factors, such as collection of revenues?</p>	<p>During 2021/22, the collection of revenue from Sundry Debtors, Council Tax and Business Rates was administered by the Council's Strategic Partner. Transactions are sample reviewed by Internal Audit as part of the Fundamental Financial Systems audits. These audits include transactions processed by the relevant computer (IT) system.</p> <p>The external frauds in this area have become more sophisticated as fraudsters use information obtained to test the systems of all Authorities.</p>
<p>15. Are you aware of any organisational or management pressure to meet financial or operating targets?</p>	<p>No, I am not aware of any inappropriate organisational or management pressure being applied, or incentives offered, to myself or to colleagues to meet financial or operating targets.</p> <p>Monthly budget monitoring is conducted with service managers and reconciliations of key balances are conducted monthly, and significant variances are investigated.</p>

Question	Response
	<p>The Council's Corporate Performance Indicators are reported to Cabinet and recorded via the Council's "Corvu" reporting system. Detailed review is now undertaken by the Performance Overview and Scrutiny Committee (previously the Overview and Scrutiny Performance and Value for Money Select Committee).</p>
<p>16. Are you aware of any inappropriate organisational or management pressure being applied, or incentives offered, to you or colleagues to meet financial or operating targets?</p>	<p>No, as above, I am not aware of any inappropriate organisational or management pressure being applied, or incentives offered, to myself or to colleagues to meet financial or operating targets. Monthly budget monitoring is conducted with service managers and reconciliations of key balances are conducted monthly, and significant variances are investigated.</p> <p>As above, Corporate Performance Indicators are reported to Cabinet and recorded via the Council's "Corvu" reporting system. Detailed review is now undertaken by the Performance Overview and Scrutiny Committee (previously the Overview and Scrutiny Performance and Value for Money Select Committee).</p>
<p>17. What arrangements has the Council put in place in response to the Bribery Act 2010?</p>	<p>The Council intranet includes information on the responsibilities around the Bribery Act 2010 in the Fraud Response Plan. The Staff Code of Conduct sets out the responsibilities for staff re: Bribery and Corruption.</p> <p>The Assistant Director of Corporate Governance and Strategic Financial Management arranged for in-house training of colleagues in the A&CF Team in relation to the Bribery Act 2010, and works in conjunction with Legal colleagues, where appropriate.</p>

Question	Response
	As part of the regular review of the suite of Counter Fraud policies the “Counter Fraud, Anti-Bribery Strategy and Counter Fraud Response Plan” was reviewed and revised and approved by the Council’s Audit Committee on 12 September 2019. These will be reviewed in 2022/23.



Report to Audit Committee

Audit Committee Vice Chair- Charged with Governance - Management Processes and Arrangements

Portfolio Holder: Councillor Abdul Jabbar MBE, Deputy Leader and Cabinet Member Finance and Low Carbon

Officer Contact: Anne Ryans, Director of Finance

Report Author: Mark Stenson, Assistant Director of Corporate Governance and Strategic Financial Management

Ext. 4783

9 June 2022

Reason for Decision

To enable the Council's external auditors, Mazars LLP, to carry out their duties under the Local Audit and Accountability Act 2014, the Audit Committee via the Chair (for 2021/22 financial year in Oldham this was the Vice Chair) is required to provide the auditors with the necessary assurances required under International Standards on Auditing (ISA), particularly, ISA 260, Communication with Those Charged with Governance.

Executive Summary

In carrying out their annual audit of the Council, Mazars LLP comply with the International Standards on Auditing (ISAs) as adopted by the UK Financial Reporting Council (FRC).

ISAs require the auditor to make inquiries of those charged with governance (TCWG) to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity. These inquiries are made in part to corroborate the responses to the inquiries of management.

Mazars LLP has sent the Chair of the Audit Committee a questionnaire setting out their inquiries of TCWG. The questionnaire and the Chair of the Audit Committee's proposed responses are set in Attachment 1. There is a requirement to respond to Mazars LLP by 30 June 2022.

Recommendation

That Members of the Audit Committee are asked to note the Council's response.

Cllr Islam
Vice Chair of the Audit Committee
Oldham Metropolitan Borough Council
Civic Centre, West Street
Oldham
OL1 1UT

Direct line: +44 (0)161 238 9243
Email: alastair.newall@mazars.co.uk
Date: 14th February 2022

Dear Cllr Islam,

Audit 2021/22 - understanding those charged with governance processes and arrangements

We are required by auditing standards to maintain a good understanding of the Authority's management processes and arrangements. This enables us to deliver an efficient audit and reduces the time the Authority's staff need to spend responding to auditors' queries. As part of this process I would be grateful if you could provide a response to the following questions on behalf of the Audit Committee:

- How do you exercise oversight of management's processes in relation to:
 - undertaking an **assessment of the risk that the financial statements may be materially misstated due to fraud or error** (including the nature, extent and frequency of these assessments);
 - identifying and responding to risks of fraud in the Authority, including any specific **risks of fraud** which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist;
 - **communicating to employees its view on business practice and ethical behaviour** (for example by updating, communicating and monitoring against the Authority's code of conduct); and
 - communicating to you the processes for **identifying and responding to fraud or error**.
- How do you **oversee management processes** for identifying and responding to the risk of fraud and possible breaches of internal control? Are you aware of any breaches of internal control during 2021/22? If so, please provide details.
- How do you gain assurance that **all relevant laws and regulations have been complied with**? Are you aware of any instances of non-compliance during 2021/22? If so, please provide details.

Mazars LLP – One St Peter's Square - Manchester – M2 3DE
Tel: +44 (0) 161 238 9200 – Fax: +44 (0) 161 238 9201 – www.mazars.co.uk

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- Are you aware of any **actual or potential litigation or claims that would affect the financial statements**? If so, please provide details.
- Have you carried out a **preliminary assessment of the going concern assumption** and if so have you identified any events which may cast significant doubt on the Authority's ability to continue as a going concern? If so, please provide details.

In addition to the above, which cover the Authority's processes and controls, **Appendix 1 includes further questions to ascertain your views on fraud**. Your responses will inform our assessment of the risk of fraud and error within the financial statements, which in turn determines the extent of audit work undertaken in 2021/22.

I would be grateful if you could respond by letter or email on behalf of the Audit Committee by 30 June. In the meantime, please don't hesitate to contact me if you wish to discuss anything in relation to this request.

Yours sincerely

Alastair Newall
Senior Audit Manager

Question	Management Response
<ul style="list-style-type: none"> • How do you exercise oversight of management's processes in relation to: 	
<ul style="list-style-type: none"> ○ undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud or error (including the nature, extent and frequency of these assessments); 	<p>In my role as Vice Chair of the Audit Committee, I can advise that the Director of Finance provides regular updates to the Audit Committee on matters relating to the production of the Statement of Accounts. Arrangements are in place for staff within the Finance Team to attend appropriate training courses so that they have up-to-date technical knowledge and skills. The Council has in place a robust quality assurance system to review the accuracy and quality of its accounts. This includes checks to ensure the financial statements are correct and are supported by detailed records.</p> <p>This is supported by the review of fundamental financial systems (FFS), which are audited by the Internal Audit function in two stages each year. These audits include a follow up of previously agreed actions. The findings arising from the financial audits are reported to the Audit Committee on a regular basis and updates are provided against specific areas and/or systems as requested by the Audit Committee.</p> <p>The detailed audit programme, for each financial system, reflects the risk of fraud and error and the Council's External Auditors review the work completed. This review contributes to the assessment of the risk of material misstatement.</p> <p>The Annual Report from the Head of Audit and Counter Fraud gives an opinion on the overall control environment adding to the assurance the underlying processes for processing transactions are appropriate and this includes the conclusions from the audit reviews of the financial systems.</p> <p>Audit Committee Members have received training in their role and responsibilities, including their role in reviewing the Authority's Financial Statements most recently through training provided by CIPFA on 6 and 13 January 2022, with further training planned for later in 2022/23.</p> <p>Notwithstanding the above, the Council, alongside Authorities across the country, awaits the outcome of a current consultation exercise (closing date 14th June) in connection with the valuation of Infrastructure Assets. Whilst not the result of either fraud or error, this could lead to a requirement, mirrored nationally, to re-state the Council's financial statements for 2021/22, and possibly the prior year(s).</p>

Question	Management Response
<ul style="list-style-type: none"> ○ identifying and responding to risks of fraud in the Council, including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist; 	<p>The Audit and Counter Fraud (A&CF) Team identifies and responds to the risk of fraud via the on-going review of the A&CF Plan. This is an annual plan based on strategic audit needs assessment, the Fraud Response Plan, and the Fraud and Loss Risk Assessment.</p> <p>This includes the risk of fraud identified by the National Audit Office (NAO) Fraud Advisory Panel, the CIPFA Fighting Fraud and Corruption Locally guidance and the Cabinet Office in their role as lead for the National Fraud Initiative (NFI).</p> <p>The Assistant Director of Corporate Governance and Strategic Financial Management ensures that the risk of fraud is highlighted to the Audit Committee in the regular updates reported against the Annual Governance Statement (AGS) and via the service updates submitted to the Audit Committee.</p>
<ul style="list-style-type: none"> ○ communicating to employees its view on business practice and ethical behaviour (for example by updating, communicating and monitoring against the Council's code of conduct); and 	<p>The Council's Staff Code of Conduct and its appendices set out the standards expected around a range of matters, including the "Nolan Principles Standards of Public Life", "Gifts and Hospitality", "Disclosure of Information", "Relationships", "Contractors" and "Behaviour during Tendering".</p> <p>The Council's Code of Conduct is available via the Council's Intranet and is included as part of the Council's induction training.</p> <p>The Members Code of Conduct sets out the standards expected from elected Members.</p> <p>Respective Codes of Conduct are regularly reviewed.</p>
<ul style="list-style-type: none"> ○ communicating to you the processes for identifying and responding to fraud or error. 	<p>As Vice Chair of the Audit Committee, I can advise that fraud risks and issues are reported by the Head of Audit and Counter Fraud in the A&CF Plan, the Fraud and Loss Risk Assessment and via regular specific reporting, e.g. updates against specific risks in the Council's Annual Governance Statement (AGS).</p> <p>A suite of updated Counter Fraud policies was presented to, reviewed by and approved by the Council's Audit Committee on 12 September 2019. A specific policy to deal with fraud on Business Grants was agreed by the Committee at its meeting on 4 June 2020.</p> <p>Ad hoc matters requiring a report to the Audit Committee are also prepared by the Assistant Director of Corporate Governance and Strategic Financial Management at the appropriate time.</p>

Question	Management Response
	<p>The AGS identifies the risks linked into the Transparency Agenda, and the Assistant Director of Corporate Governance and Strategic Financial Management provides regular updates to the matters reported in the AGS.</p> <p>I receive briefings on a one-to-one basis from the Assistant Director of Corporate Governance and Strategic Financial Management on matters as required.</p>
<ul style="list-style-type: none"> How do you oversee management processes for identifying and responding to the risk of fraud and possible breaches of internal control? Are you aware of any breaches of internal control during 2021/22? If so, please provide details. 	<p>The A&CF Plan as reported to the Audit Committee includes reviews of management process and controls. The conclusions and actions arising from the audits in the plan, and any ad hoc reviews, are reported to the Audit Committee regularly as part of the summary of Internal Control Matters in each Directorate/Service area.</p> <p>A&CF agree recommendations with managers to improve internal control, which are routinely subject to follow-up. The 2021/22 Annual Report by the Head of Audit and Counter Fraud sets out his opinion to inform the Audit Committee.</p>
<ul style="list-style-type: none"> How do you gain assurance that all relevant laws and regulations have been complied with? Are you aware of any instances of non-compliance during 2021/22? If so, please provide details 	<p>In accordance with the appropriate financial thresholds/scheme of delegation, all reports to the Council's Committees include formal comments from appropriate statutory officers. This includes the "Risk Assessment" comments, which are provided by the Assistant Director of Corporate Governance and Strategic Financial Management.</p> <p>Internal Audit reviews whether the Council has adhered to relevant legislation and guidance as part of its ongoing audit arrangements and programmes.</p> <p>In response to the COVID 19 pandemic which resulted in extensive home working and devolved decision making from 23 March 2020 the Council invoked emergency powers enabling key Officers/ Members to take emergency decisions in line with the Constitution. These arrangements continued initially during 2021/22 before a gradual return to business as usual in the second part of the year</p> <p>No reports were subject to Call-In by the Scrutiny Committee during 2021/22.</p>

Question	Management Response
<ul style="list-style-type: none"> Are you aware of any actual or potential litigation or claims that would affect the financial statements? If so, please provide details. 	<p>I am assured by the Assistant Director of Corporate Governance and Strategic Financial Management that all appropriate matters have been incorporated into the production and review of the AGS.</p> <p>As at 31 March 2022, there is no specific matter which is required to be reported upon in the accounts other than the potential restatement in relation to Infrastructure Assets referred to above. The perceived risks in the financial year 2021/22 have been considered and appropriately reported to the Audit Committee.</p>
<ul style="list-style-type: none"> Have you carried out a preliminary assessment of the going concern assumption and if so have you identified any events which may cast significant doubt on the Council's ability to continue as a going concern? If so, please provide details. 	<p>By compliance with professional standards, the Director of Finance presents a balanced budget for approval at full Council and prepares the Council's financial statements on the going concern basis of accounting. This confirms the ability of a business to meet its financial obligations when they fall due.</p> <p>The 2021/22 Draft Statement of Accounts sets out that the financial statements are prepared on a going concern basis. Additional reports such as the Reserves Policy are submitted to this Committee to provide additional assurance on the going concern basis.</p> <p>Disclosures are included within the Statement of Accounts based on an assessment of their materiality. A disclosure is considered material if through an omission or a misstatement it would influence the decisions made by users of the accounts. This could be due to the value or the nature of the disclosure.</p> <p>In my role of as the Vice Chair of the Audit Committee, I liaise closely with the Assistant Director of Corporate Governance and Strategic Financial Management, the Head of Audit and Counter Fraud and the Director of Finance and can therefore receive specific briefings on the overall financial position of the Council. I can request detailed information on any issues should I have any concerns.</p>

Question	Response
<p>1. Are you aware of any actual, suspected or alleged instances of fraud during the period 1 April 2021 – 31 March 2022 (if 'yes', please provide details)?</p>	<p>No. During this period of time (excluding business grants administered by the Council), there has been no significant (i.e., greater than £10k) corporate (in-house) fraud reported to me committed by internal staff, which has required investigation.</p>
<p>2. Do you suspect fraud may be occurring within the organisation?</p>	<p>As at 31 March 2022, I am assured that all instances of suspected fraud within the organisation have been investigated.</p> <p>The Council is a complex multidisciplinary organisation so as Vice Chair of the Audit Committee I am aware that there is a risk that Officers are unaware of some fraud occurring that they would otherwise bring to my attention.</p> <p>An added assurance that appropriate controls are in place is the opinion given in the Annual Report of the Head of Audit and Counter Fraud. The routine reports to the Audit Committee on progress against the Plan set out the position on any fraud uncovered.</p>
<p>3. Have you identified any specific fraud risks within the Council?</p>	<p>Fraud Risks are captured, reported and monitored by the Audit Committee via the Fraud and Loss Risk Assessment, the Fraud Response Plan, and fraud risks are assessed for each audit review.</p>
<p>4. Are you satisfied that internal controls, including segregation of duties, exist and work effectively (if 'yes', please provide details)?</p>	<p>Yes. In all financial systems for 2021/22, Officers have provided assurance that there are agreed processes to review transactions.</p> <p>There are issues identified in the operation of some systems which have been highlighted to the Audit Committee and included in the Council's Annual Governance Statement (AGS).</p> <p>Where appropriate, extra audit testing is conducted by Internal and External Audit to provide extra assurance around known issues.</p> <p>Detailed Action Plans are in place, subject to regular follow-up to address issues included in the AGS.</p>

Question	Response
<p>5. If not where are the risk areas?</p>	<p>As above, potential risks and issues are reported in the Council's AGS and updates are reported to the Audit Committee on a regular basis. Risks are assessed annually and as part of detailed audit planning.</p> <p>The Council continues to experience significant change in social care and the on-going integration with health partners. The Council continues to track the potential risks around these service areas, as this is clearly an area of management focus.</p> <p>Large Capital Programme projects will also provide additional fraud opportunities in areas such as mandate fraud.</p> <p>The funding provided to assist the wider government response to the COVID-19 pandemic has changed the risk profile in relation to fraud. The Council has, however, introduced appropriate safeguards into its administration to minimise loss in this area.</p>
<p>6. How do you encourage staff to report their concerns about fraud?</p>	<p>The Council's Whistleblowing Policy sets out the arrangements for staff to anonymously report potential concerns and it is included in the Council's Staff Code of Conduct. Following a risk assessment process, the A&CF Team will investigate allegations discretely, agree a course of action and agree recommendations. Where significant issues arise, External Audit will be briefed.</p>
<p>7. What concerns about fraud are staff expected to report?</p>	<p>The Whistleblowing Policy includes the reporting by employees of suspected misconduct, illegal acts or failure to act within the Council. The aim of the Policy is to encourage employees and others who have serious concerns about any aspect of the Council's work to come forward and voice those concerns.</p>
<p>8. Are you aware of any related party relationships or transactions that could give rise to instances of fraud?</p>	<p>None are recorded. Contract Procedure Rules set out the procedures for procurement and this service is subject to regular review by Internal Audit. I am assured that no significant issues which will impact the financial statements have been identified in 2021/22.</p>

Question	Response
	<p>The continued funding provided to assist the wider government response to the COVID-19 pandemic has changed the risk profile for the financial year 2021/22 similar to 2020/21 as reported above.</p>
<p>9. How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>As above, the Council’s Contract Procedure Rules set out the procedures for Procurement and this service is subject to review by Internal Audit. Other policies (and internal controls) to mitigate this risk include:</p> <ul style="list-style-type: none"> • Members’ Code of Conduct. • Members’ Register of Interests in line with the 2011 Localism Act. • Member’s Allowances’ are disclosed in Notes to the Council’s Statement of Accounts. • Officers’ Code of Conduct requires staff to record Gifts and Hospitality in accordance with the Code of Conduct. • The Council operates a Standards Committee. • Levying Bodies are subject to a separate external audit process. • The Council is required to disclose material transactions with related parties, bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. These details are included in Note 12 to the Statement of Accounts. In support of this Senior Officers are required to declare interests in companies, organisations and entities with which the Council may interact in order to ensure transparency.
<p>10. Are you aware of any entries made in the accounting records that you believe or suspect are false or intentionally misleading?</p>	<p>No, I am not aware of any entries in the accounting records of this nature. I am assured, supported by past External Audit feedback that the Finance Service applies a detailed three stage quality assurance process, which incorporates independent/ “fresh eye” review prior to submitting its draft Accounts to the External Auditor.</p>

Question	Response
<p>11. Are there particular balances in the accounts where fraud is more likely to occur?</p>	<p>The balances of Accounts Payable (AP), Accounts Receivable and Fixed Assets were reviewed twice in 2021/22 as part of the yearly FFS programme of audits. The systems for AP are exposed to the potential risk of bank mandate fraud, whereby a “fraudster” contacts the Council to inform them that their bank details have changed, in an attempt to persuade the Council to make the payment to the erroneous account.</p> <p>Colleagues in the AP service and Procurement team are aware off these risks and apply manual checks to mitigate them.</p>
<p>12. Are you aware of any assets, liabilities or transactions that you believe have been improperly included or omitted from the accounts of the organisation?</p>	<p>No, I am not aware of any assets, liabilities or transactions that I believe have been improperly included or omitted from the accounts of the organisation.</p> <p>I am assured that the Quality Assurance process in the preparation of the draft financial statements, by the Finance Team, ensures the detailed review of the draft accounts prior to the submission to the External Auditors.</p>
<p>13. Could a false accounting entry escape detection? If so, how?</p>	<p>This is considered to be unlikely given the internal and external assurance provided to the Audit Committee of the controls in place for processing transactions.</p> <p>The Council is a complex multidisciplinary organisation so there is a potential risk that management is unaware of some false accounting occurring.</p> <p>An added assurance in this area is the review of external audit who provide added assurance for transactions which are in excess of the materiality value.</p>
<p>14. Are there any external fraud risk factors, such as collection of revenues?</p>	<p>During 2021/22, the collection of revenue from Sundry Debtors, Council Tax and Business Rates was administered by the Council's Strategic Partner. Transactions are sample reviewed by Internal Audit as part of the fundamental financial systems audits. These audits include transactions processed by the relevant computer (IT) system.</p> <p>The external frauds in this area have become more sophisticated as fraudsters use information obtained to test the systems of all Authorities.</p>

Question	Response
<p>15. Are you aware of any organisational or management pressure to meet financial or operating targets?</p>	<p>No, I am not aware of any inappropriate organisational or management pressure being applied, or incentives offered, to meet financial or operating targets. Regular budget monitoring is reported to Cabinet and feedback to the Audit Committee indicates reconciliations of key accounts are conducted monthly, and significant variances are investigated.</p> <p>The Council's Corporate Performance Indicators are reported to Cabinet and recorded via the Council's "Corvu" reporting system. Detailed review is now undertaken by the Performance Overview and Scrutiny Committee (previously the Overview and Scrutiny Performance and Value for Money Select Committee).</p>
<p>16. Are you aware of any inappropriate organisational or management pressure being applied, or incentives offered, to you or colleagues to meet financial or operating targets?</p>	<p>No, as above, I am not aware of any inappropriate organisational or management pressure being applied, to meet financial or operating targets. The Director of Finance arranges for monthly budget monitoring to be conducted with service managers and reconciliations of key balances are conducted monthly, and significant variances are investigated.</p> <p>As above, Corporate Performance Indicators are reported to Cabinet and recorded via the Council's "Corvu" reporting system. Detailed review is now undertaken by the Performance Overview and Scrutiny Committee (previously the Overview and Scrutiny Performance and Value for Money Select Committee).</p>
<p>17. What arrangements has the Council put in place in response to the Bribery Act 2010?</p>	<p>The Council's intranet includes information on the responsibilities around the Bribery Act 2010 in the Fraud Response Plan. The Staff Code of Conduct, Section 12, sets out the responsibilities for staff re: Bribery and Corruption.</p> <p>The Assistant Director of Corporate Governance and Strategic Financial Management arranged for in-house training of colleagues in the A&CF Team in relation to the Bribery Act 2010, and works in conjunction with Legal colleagues, where appropriate.</p>

Question	Response
	<p>As part of the regular review of the suite of Counter Fraud policies the “Counter Fraud, Anti-Bribery Strategy and Counter Fraud Response Plan” was reviewed and revised and approved by the Council’s Audit Committee on 12 September 2019. These will be reviewed in 2022/23.</p> <p>As Vice Chair of the Audit Committee, I have had appropriate guidance from Officers on this matter.</p>



Report to Audit Committee

Local Code of Corporate Governance

Portfolio Holder: Councillor Abdul Jabbar MBE, Deputy Leader and Cabinet Member Finance and Low Carbon

Officer Contact: Mark Stenson, Assistant Director of Corporate Governance and Strategic Financial Management

Report Author: Mark Stenson, Assistant Director of Corporate Governance and Strategic Financial Management

Ext. 4783

9 June 2022

Reason for Decision

The purpose of this report is to propose a refreshed Local Code of Corporate Governance for Oldham Council.

Executive Summary

The Council is required to produce a Local Code of Corporate Governance, which is subject to review every two years or when there have been changes to Governance Standards. Oldham Council's Local Code of Corporate Governance was last reviewed on 20 January 2020.

A refreshed Local Code of Corporate Governance is presented for review at Appendix 1.

Recommendations

The Committee notes the refreshed Local Code of Corporate Governance for Oldham Council.

Local Code of Corporate Governance

1.1 In order to assist with complying with the Accounts and Audit Regulations 2015 which requires the annual production of an Annual Governance Statement, the Council is required to produce a Local Code of Corporate Governance.

1.2 This Code is to be reviewed every two years or sooner if there are changes to the Governance Standards. It was last reviewed on 20 January 2020. The Code reflects the seven principles of the Governance Framework introduced in 2016/17.

1.3 The Assistant Director of Corporate Governance and Strategic Financial Management, in conjunction with the Director of Finance, review the code on a regular basis whilst also monitoring the progress made by the Authority on complying with its policies and procedures to ensure best practice.

2 Options/Alternatives

2.1 The Audit Committee can either:

- a) Consider and accept the refreshed Local Code of Corporate Governance.
- b) Consider but not accept the refreshed Local Code of Corporate Governance and suggest an alternative approach.

3 Preferred Option

3.1 The preferred option is that the Audit Committee accepts and notes the refreshed Local Code of Corporate Governance for Oldham Council.

4 Consultation

4.1 N/A.

5 Financial Implications

5.1 N/A.

6 Legal Services Comments

6.1 N/A.

7 Cooperative Agenda

7.1 N/A.

8 Human Resources Comments

8.1 N/A.

9 Risk Assessments

9.1 N/A.

10 **IT Implications**

10.1 N/A.

11 **Property Implications**

11.1 N/A.

12 **Procurement Implications**

12.1 N/A.

13 **Environmental and Health & Safety Implications**

13.1 N/A.

14 **Equality, community cohesion and crime implications**

14.1 N/A.

15 **Equality Impact Assessment Completed?**

15.1 N/A.

16 **Key Decision**

16.1 N/A.

17 **Forward Plan Reference**

17.1 N/A.

18 **Background Papers**

18.1 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 at Appendix 1

Officer Name: Mark Stenson

Contact No: Extension 4783

19 **Appendices**

19.1 Appendix 1 Local Code of Corporate Governance.

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LOCAL CODE OF CORPORATE GOVERNANCE

1.0 INTRODUCTION

1.1 The term Corporate Governance refers to the *system “by which the Council directs and controls its functions and relates to the community it serves”*. It is therefore the framework of policies, systems, procedures, and structures that together determine and control the way in which the Council manages its business, determines its strategies and objectives, and sets about delivering its services to meet those objectives for the greater good of the community.

1.2 The basic principles of good corporate governance, as set out in the Corporate Governance Code, require the Council to:

- carry out its functions in a way that is completely open and inclusive of all sectors of the community;
- demonstrate the utmost integrity in all its dealings,
- be fully accountable to the public it serves; and
- ensure its emergency decision-making throughout any emergency event (e.g., the COVID-19 pandemic) is consistent with good governance of public funds.

The Council supports these principles fully. This Code is a public statement of the commitment to these principles and sets out clearly the way in which the Council will meet that commitment.

1.3 In order to follow Best Practice in Corporate Governance, the methodology adopted by the Authority has been to base the approach on the following:

- Complying with the guidance published in the Good Governance Standards for Public Services, which sets out the key principles which need to be adopted by the Council.
- Following advice on Delivering Good Governance in Local Government as developed by the Chartered Institute of Public Finance and Accountancy and the Society of Local Authority Chief Executives (CIPFA/SOLACE) to integrate the principles of the Good Governance Standard into the public sector.
- Implementing a suite of Counter Fraud Policies that reflect the Council’s zero tolerance to fraud. This includes the production of a Fraud and Loss Risk Assessment to inform future pro-active work to prevent future loss.
- Setting up and maintaining appropriate networks within the Council to consider key matters on Corporate Governance. These networks include key officers from Legal, Strategy and Performance, Directorates and People Services as well as Finance.
- Ensuring appropriate attendance at meetings and working groups set up in response to emergencies by Regulatory Officers to ensure transparent decision making.

1.4 The main body of this Code is therefore structured around the seven key principles of the revised CIPFA/SOLACE publication Delivering Good Governance in Local Government and is designed to reflect the assurance gathering process for the Annual Governance Statement which is produced to support the Statement of Accounts. Each commitment covers a particular area of the Council’s responsibilities in terms of corporate governance. These principles are:

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the law.
- Ensuring openness and comprehensive stakeholder engagement.
- Defining outcomes in terms of sustainable economic, social and environmental benefits.
- Determining the interventions necessary to optimise the achievement of the intended outcome.
- Developing the entity's capacity including the capability of its leadership and the individuals within it.
- Managing risks and performance through robust internal control and strong public financial management.
- Implementing good practices in transparency, reporting and audit to deliver effective accountability.

The means by which the Council will meet and demonstrate its commitment to good corporate governance in relation to these principles are set out in **Section 2** below.

1.5 In order to assist with complying with the Accounts and Audit Regulations 2015, which require the production of an Annual Governance Statement, this Code will be reviewed as a minimum every two years or when there are changes to the Governance Standards. Also, the Assistant Director of Corporate Governance and Strategic Financial Management in conjunction with the Director of Finance will take an overview of the Code on a regular basis and monitor the progress made by the Authority on compliance by reviewing that the policies, procedures and working practices reflect best practice.

1.6 Further information about the Authority's corporate governance processes, are available from the Assistant Director of Corporate Governance and Strategic Financial Management by email at mark.stenson@oldham.gov.uk

2.0 THE SEVEN KEY PRINCIPLES

2.1 **Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law**

Both Officers and Members are public servants and operate a culture where acting in the public interest is a primary objective. To do this, the Council sets out clear statements about the roles and responsibilities of Members and senior officers. These clear statements are supported by appropriate policies and protocols which are updated on a regular basis.

The Chief Executive supported by Senior Officers is responsible for all aspects of operational management and demonstrates sound corporate governance by ensuring:

- A constitution is maintained and updated which includes Contract and Finance Procedure Rules which set out the Council's commitment to sustainability and social value. This sets the standards expected of third party suppliers to the Council.
- An appropriate Scheme of Delegation is maintained that sets out the roles of all Cabinet Members and Officers.
- Records are maintained of decisions taken which are supported by evidence to justify the decisions made.
- Officers at a senior level are given the appropriate statutory responsibilities for finance (Section 151 role), education, children's services, adults social care, public health and monitoring officer responsibilities (legal).

- An appropriate suite of anti-fraud and corruption policies including whistleblowing are in place. This supports human resource policies to ensure inappropriate behaviour is subject to review.
- A Standards Committee is established to consider matters of compliance with the Members Code of Conduct.
- As a Co-Operative Council, every effort is made to assist Oldham residents to be more self-sufficient as this results in a more sustainable Local Authority. The key objectives are set out in the Corporate Plan and the COVID-19 Recovery Plan.
- A regular review of key partners is reported to Senior Officers to ensure the Council's values are upheld in their operations.
- A complaints system is in place which enables matters to be raised by the public on both organisational and operational matters.
- A reserves policy is prepared and regularly reviewed to support the Council's Co-operative values and continued financial resilience.

The Audit Committee is an essential part of the Authority in providing scrutiny of financial affairs.

2.2 Ensuring openness and comprehensive stakeholder engagement

In order to discharge their duties, it is important that both Members and officers are open about both remuneration and how the Council spends its resources. The Council publishes its key decisions in line with the Constitution. To demonstrate transparency, it publishes all transactions with expenditure of £500 and over, including those where it acts for Government Departments as an Agent as per the Local Government Transparency Code, and its Pay Policy Statement. Key meetings such as Council are streamed live to enable local citizens to review decisions as and when they are made.

One way that the Council demonstrates it is working coherently is by operating management arrangements that show it is improving the services it delivers and achieving best value. Independent Scrutiny is undertaken by a Health Scrutiny Committee, Policy and Overview Committee, the Performance and Overview Committee and Audit and Standards Committees. Both internal and external audit officers have informal access to the Audit Committee before each meeting. The Standards Committee is supported by independent members who review the investigations into matters of conduct. Where appropriate, investigations are reported in detail to full Council.

An effective Local Code of Corporate Governance has been produced to support the organisation's vision of what it wants to achieve. It is an integral part of the Council demonstrating to its key stakeholders in its agreed Corporate Plan/ COVID-19 Recovery Strategy that its underlying policies and procedures are sound. It is supported by a communications strategy to ensure residents views are reflected.

Some services are delivered by working in partnership with a number of third parties. Both Members and officers work in several diverse partnership arrangements. It is important that they are aware they represent the Council, and that each partnership has in place appropriate Corporate Governance arrangements which work and fit in with the Corporate Vision of the organisation and satisfy the requirements of the Council. The Council has developed a Partnership Dashboard which will be reported to the Audit Committee during 2022/23 to assess its overall risk profile from existing partnerships.

There is extensive consultation on key policies and developments to ensure the aims of the Council support their environmental priorities within a defined financial envelope.

Key policies such as the Co-operative vision are only developed following consultation with both the public and key public bodies such as the levying bodies.

The Council is a key Member of the Greater Manchester Combined Authority (GMCA) and has worked in partnership with the other Greater Manchester District Councils to attract extra investment which benefits the wider area than just that covered by the Council. In terms of the Greater Manchester Pension Fund (GMPF), it has worked in partnership to deliver long term savings by better targeted investment.

The budget process balances the operational needs of the Council, given the pressures on certain operational areas, with consideration of affordability for local Council Taxpayers. This future vision is set out in the Medium-Term Financial Strategy (MTFS) which is subject to regular review.

2.3 Defining outcomes in terms of sustainable economic, social and environmental benefits

The Council's Corporate Plan, supported by the COVID-19 Recovery Strategy, sets out how the Council will deliver its agreed Co-Operative values. It presents the long-term sustainable vision where residents do as much as possible to assist themselves with the Council acting as a provider of last resort. It determines how the Council operates in partnership with its citizens, Elected Members, other public bodies (on integrating services to minimise waste) and key partners such as the constituent Districts who have a joint interest in the GMCA.

In order to deliver its core business, the Council has both a Corporate Governance Framework and a Risk Management Framework which is subject to independent scrutiny by both Senior Officers and the Audit Committee. This is demonstrated by key decisions including details of mitigations for risks. The effective use of resources is reflected in the agreed budget and Medium-Term Financial Strategy which takes account of the views of the budget consultation. Approved budget expenditure is incurred in accordance with the constitution which sets out the priorities of the Authority in relation to Co-Operative Values which in turn reflect the importance of both Social Value and Sustainability.

In order to improve future outcomes for service users there is partnership working at both the locality level (health and social care) and GMCA (children and regeneration). This has involved the Council considering the risk it is prepared to underwrite to guarantee future investment both locally and at the conurbation level. Fair access to service is underpinned by the production of equality impact assessments which form key elements of the decision-making process when the Council is considering budget options.

2.4 Determining the interventions necessary to optimise the achievement of the intended outcome

To ensure that Council decisions are subject to appropriate review the following has been developed:

- A Cabinet Structure with appropriate amendments made to responsibility on an annual basis, with monthly meetings reflecting the need to take proper political and operational decisions. This is supported by appropriate officer support and training.
- The two regularity Committees (Audit and Standards) which follow best practice guidance and are constituted to have a proportion of Independent Members who

are non-political and are recruited on their skills which enable them to carry out the role.

- An agreed format for the delivery of budget reductions which is linked into both the Medium-Term Financial Strategy and the detailed budget setting process. This involves considering the feedback from the public and staff consultation which can involve amending initial proposals.
- A performance monitoring system which tracks progress against the Council's objectives. This includes the production of business plans at Directorate level with appropriate Service Risk Registers and independent scrutiny where objectives are not met.
- A costed Corporate Plan/ COVID-19 Recovery Strategy setting out the Co-Operative objectives of the Council.
- Appropriate partnership governance monitoring as evidenced by the Partnership Dashboard reported to the Audit Committee.
- Appropriate and realistic social value in commissioning including ensuring where possible outside bodies make fair payments to staff.
- Flexible working arrangements to enable the Council to respond to unplanned events as evidenced throughout the 2020/21 and 2021/22 financial years in response to the pandemic and support its continued operation of Co-operative and Social Values.

2.5 Developing the entity's capacity including the capability of its leadership and the individuals within it

All new Members and officers have a specific induction programme which is kept under regular review and tailored when required. For Members, the Council has enhanced an existing development programme, which provides regular updates on new issues. This programme supports Councillors in a modern environment in whatever role they have in the Council. In respect of the specialist regulatory committees of both Audit and Standards, specialist training for members is arranged by the Authority. The structure of responsibility at officer and Member level is set out in the scheme of delegation within the Constitution.

All staff are subject to an annual appraisal (a Let's Talk conversation) which allows both staff and their managers to identify staff needs and produce annual training plans. This has been supported by the Team Oldham Workforce Strategy 2020-2023. The embedding of a new integrated HR/Payroll system is ensuring key personnel information is better recorded and processes for both managers and staff have been improved, whilst rationalising two payroll systems into one.

All posts within the Council have job descriptions supported by person specifications which enable staff to carry out their roles. These are consistent with the principles set out by the National Joint Council.

The Council's People Strategy and Corporate Plan/COVID-19 Strategy are reviewed on a regular basis. To ensure it is achieved, it is supported by a Performance Monitoring System which includes a training needs assessment, and which reports on a quarterly basis. The Council is undertaking a capacity building programme recognising the risks of downsizing which are resulting from continued budget pressures.

The Audit Committee is essential for independent scrutiny, reviewing reports from both internal and external auditors. This includes the overall opinion of the internal control environment from internal audit and the audit findings report from the external auditor.

To maintain the health and wellbeing of employees there is a Health and Safety Working Group. In order for concerns to be raised both internally and externally there are policies covering grievance and whistleblowing. In the financial year 2021/22 support has continued to be provided to the workforce to reflect the challenges presented by ongoing increased levels of home working.

Partnerships and their effectiveness are reviewed by the Audit Committee via the Partnership Dashboard with more detailed scrutiny as and when needed. This has included learning the lessons from governance failings reported in the public domain in other Public Sector organisations.

2.6 Managing risks and performance through robust internal control and strong public management

The Council has an embedded Risk Management Strategy and Framework which is subject to regular review by both Senior Officers and detailed scrutiny from the Audit Committee.

The reports submitted to the Audit Committee as routine business show publicly how the Authority demonstrates it has a robust system of internal control.

The Performance Framework includes regular reports on progress to achieving the Corporate Objectives of the Council. Data is collated monthly and reported on a quarterly basis to both the Cabinet and Scrutiny Committee. Where performance is below the agreed standard then presentations supported by reports are made to the Scrutiny Committee setting out the plans to achieve the agreed standard.

The budget is subject to regular review by the Cabinet Member responsible for Finance supported by the Director of Finance. It is supported by a costed Medium-Term Financial Strategy, a detailed Capital Programme and Strategy, and Treasury Management Strategy setting out the financing requirements of the Council. A statement on the robustness of the budget is prepared by the Director of Finance (Section 151 Officer) and this is supported by a reserves policy which underpins the Long-Term resilience of the Council.

Data security standards are supported by appropriate Information Security protocols and an officer group which meets quarterly to consider data matters. Data security is subject to external scrutiny around the need to comply with national standards such as those required on the Public Services Network (PSN).

2.7 Implementing good practices in transparency, reporting and audit to deliver effective accountability

All meetings of the Council, and Cabinet and also the Planning, Audit and Licensing Committees are held in public and the only matters considered in private are those matters, which, after advice with key personnel such as the Monitoring Officer, are deemed to be confidential with regard to relevant legislation.

The work on public stewardship culminates in the production of the Annual Report of the Head of Audit and Counter Fraud on the overall internal control environment. The Internal Audit Service works to the Public Sector Internal Audit Standards. The financial year 2021/22 was again challenging due to the ongoing effects of the COVID-19 pandemic. However, the Internal Audit Service has continued to support the Section 151 Officer in assessing the adequacy of the controls surrounding all of the Council's Fundamental Financial Systems.

The Statement of Final Accounts is produced in accordance with appropriate professional standards which includes the relevant performance information and feedback from other independent assessments. The Accounts are planned to be audited by the end of November which is consistent with the Accounts and Audit Regulations and in line with the present statutory framework. A draft set of accounts is presented to the Audit Committee in June to enable additional scrutiny to take place of this important document.

3.0 KEY ACTIONS WHICH SUPPORT GOOD CORPORATE GOVERNANCE

3.1 Production of an Annual Governance Statement

The Council, to support its requirements under Good Governance, will produce an Annual Governance Statement. This Statement will follow best practice guidance and progress on monitoring action against any issues identified in the Statement will be the responsibility of the Assistant Director of Corporate Governance and Strategic Financial Management at officer level. It will also be subject to independent review by the Audit Committee at Member level when the Final Accounts are considered. This Statement will be subject to review by the external auditor as part of the routine external audit undertaken on the accounts.

3.2 Reports to Members

The Council's Audit Committee, which is independent of the Authority, receives regular reports on the Annual Governance Statement including potential emerging issues. A separate report will be produced on the Statement itself at the year-end. In addition, regular reports on partnerships are produced for the Audit Committee on the Partnership Dashboard.

3.3 Reducing Fraud

The Council, to minimise its risk of suffering losses due to fraud, has adopted best practice as set out in recent standards produced on fraud and as a result has in place:

- a strategic approach as set out in its Counter Fraud Strategy to reduce the risk of fraud.
- a culture of zero tolerance to fraud.
- an effective Counter Fraud Framework including Whistleblowing Arrangements for staff, contractors and members of the public.
- a dedicated team to investigate allegations of fraud.
- continued improvement to systems of Internal Control.
- effective partnership working arrangements with third parties.

This is monitored by an effective framework to reduce fraud. The Audit Committee will consider informal updates on the measures the Council is adopting to reduce its risk to fraud and loss.

4.0 FURTHER INFORMATION

4.1 If you have any concerns about the way in which the Authority, its Members, officers or agents conduct its business, or believe that elements of this Code are not being complied with, please contact one of the following as appropriate. Your enquiry will be treated confidentially, and a response made following investigation of the facts in each case.

(i) **Chief Executive (Head of Paid Service)**

Harry Catherall
Chief Executive
Oldham Metropolitan Borough Council
PO Box 160,
Civic Centre
West Street
Oldham
OL1 1UG

(ii) **Director of Finance (Section 151 Officer)**

Anne Ryans
Director of Finance (S151 Officer)
Oldham Metropolitan Borough Council
Level 3,
Civic Centre
West Street
Oldham
OL1 1UL

(iii) **Monitoring Officer**

Paul Entwistle
Director of Legal Services /Monitoring Officer
Oldham Metropolitan Borough Council
PO Box 33
Civic Centre
West Street
Oldham
OL1 1UL

(iv) **Assistant Director of Corporate Governance and Strategic Financial Management**

Mark Stenson
Assistant Director of Corporate Governance and Strategic Financial Management
Oldham Metropolitan Borough Council
Level 3
Civic Centre
West Street
Oldham
OL1 1UH

Email: mark.stenson@oldham.gov.uk

(v) **External Auditor**

Karen Murray
Mazars LLP
One St Peters Square
Manchester
M2 3DE

Revised June 2022

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Report to Audit Committee

Internal Audit Charter 2022/23

Portfolio Holder: Councillor Abdul Jabbar MBE, Deputy Leader and Cabinet Member Finance and Low Carbon

Officer Contact: John Miller, Head of Audit and Counter Fraud

Report Author: John Miller, Head of Audit and Counter Fraud

9 June 2022

Reason for Decision

To advise Audit Committee Members of the proposed Internal Audit Charter for 2022/23.

Executive Summary

The work of Internal Audit at Oldham Council has been governed by the UK Public Sector Internal Audit Standards (PSIAS) from 1 April 2013 (updated March 2017). The Standards comprise a revised definition of Internal Auditing, a Code of Ethics for Internal Auditors working in the Public Sector and the Standards themselves. The Standards are mandatory for all Internal Auditors working in the UK public sector.

The 2022/23 Internal Audit Charter is attached at Appendix 1 to this report.

Recommendations

Members of the Audit Committee are requested to approve the Internal Audit Charter, effective from 1 April 2022.

Internal Audit Charter 2022/23**1 Background**

- 1.1 The Accounts and Audit (England) Regulations 2015 require every Local Authority to undertake an effective system of Internal Audit to evaluate the effectiveness of the Authority's risk management, control and governance processes. This should be carried out with regard to the Public Sector Internal Audit Standards and guidance.
- 1.2 Local Authority Internal Audit functions should comply with the 2013 Public Sector Internal Audit Standards (Revised 2017). These Standards (PSIAS) comprise a revised definition of Internal Auditing, a Code of Ethics for Internal Auditors working in the Public Sector and the Standards themselves. The Standards are mandatory for all Internal Auditors working in the UK public sector; the objectives of the PSIAS are to:
- define the nature of Internal Auditing within the UK public sector;
 - set basic principles for carrying out Internal Audit in the UK public sector;
 - establish a framework for providing Internal Audit services, which add value to the organisation, leading to improved organisational processes and operations; and
 - establish the basis for the evaluation of Internal Audit performance and drive improvement.
- 1.3 The Standards require an independent external assessment of the Council's Internal Audit service every five years. At its meeting on 8 September 2016, Members of the Audit Committee approved the selection of the Chartered Institute of Public Finance and Accountancy (CIPFA) to conduct this external assessment, and this was conducted in September 2017. The conclusions of the independent external assessment were reported to the Audit Committee meeting of 11 January 2018. Therefore, the next PSIAS independent external assessment is due by 31 March 2023.
- 1.4 PSIAS require the "Internal Audit Charter" defines the mission, purpose, authority and responsibility of the Internal Audit function and its position within the organisation. The External Assessment report by CIPFA contained two recommendations in connection with the form and contents of this Charter, which were fully agreed and implemented by the Assistant Director of Corporate Governance and Strategic Financial Management in 2018/19 and subsequently in this latest Charter by the Head of Audit and Counter Fraud.
- 1.5 In accordance with the PSIAS external assessment, the following changes were made to the 2018/19 Audit Charter and these are retained in the attached 2022/23 Audit Charter, as follows:
- The "Mission of Internal Audit" replaced the role and purpose, which was clarified in the Charter.
 - The Audit Charter incorporated a statement to confirm whether the Service has sufficient resources to deliver an effective Internal Audit service to the Council.
- 1.6 As part of his annual review, the Head of Audit and Counter Fraud, has reviewed the Internal Audit Charter to ensure it is in line with latest guidance. The proposed 2022/23 Internal Audit Charter is attached as **Appendix 1**.

- 2. **Options/Alternatives**
 - 2.1 Members may either approve the proposed Internal Audit Charter 2022/23 or propose an alternative approach.
- 3. **Preferred Option**
 - 3.1 That Members approve the proposed Internal Audit Charter 202/23.
- 4. **Consultation**
 - 4.1 N/A
- 5 **Financial Implications**
 - 5.1 N/A
- 6. **Legal Services Comments**
 - 6.1 N/A
- 7 **Cooperative Agenda**
 - 7.1 N/A
- 8 **Human Resources Comments**
 - 8.1 N/A
- 9. **Risk Assessments**
 - 9.1 The risk assessment is based on the work completed.
- 10 **IT Implications**
 - 10.1 N/A
- 11 **Property Implications**
 - 11.1 N/A
- 12 **Procurement Implications**
 - 12.1 N/A
- 13 **Environmental and Health & Safety Implications**
 - 13.1 N/A
- 14 **Equality, community cohesion and crime implications**
 - 14.1. N/A

15 **Equality Impact Assessment Completed**

15.1 N/A.

16 **Key Decision**

16.1 N/A

17 **Key Decision Reference**

17.1 N/A

18 **Background Papers**

18.1 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 provided at Appendix 1
- Officer Name: John Miller

19 **Appendices**

19.1 **Appendix 1:** Oldham Council Internal Audit Charter 2022/23.

Oldham Council Internal Audit Function

Internal Audit Charter 2022/23

Internal Audit and Counter Fraud
Civic Centre
West Street
Oldham
OL1 1 UH

Internal Audit Charter 2022/23

Section	Internal Audit Charter Contents
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Internal Audit Charter 2022/23

1 April 2022

1 Accounts and Audit (England) Regulations 2015

- 1.1 The Accounts and Audit (England) Regulations 2015 require every Local Authority to undertake an effective system of Internal Audit to evaluate the effectiveness of the Authority's risk management, control and governance processes. This should be carried out with regard to public sector Internal Audit standards and guidance. Local Authority Internal Audit functions should comply with the Public Sector Internal Audit Standards (PSIAS).
- 1.2 PSIAS (also referred to, in this document, as "the Standards") define Internal Auditing as "...an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."
- 1.3 The Standards state that the Internal Audit plan should include and/or be aligned to the strategic statement of how the service will be delivered in accordance with the Internal Audit Charter, which is illustrated by the following process flow diagram:



- 1.4 The purpose of the Internal Audit Charter is to:
- define the mission, purpose, authority and responsibility of Internal Audit;
 - establish the position of Internal Audit within the Council, its reporting lines and resources;
 - authorise access to records, personnel and physical property relevant to the performance of the audit work; and
 - define the scope of Internal Audit activities.

2 Definition of Internal Audit

- 2.1 Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 2.2 The PSIAS require that the Internal Audit Charter defines the terms 'board' and 'senior management' in relation to the work of Internal Audit. For the purposes of Internal Audit work, at Oldham Council:
- the 'Board' refers to the Council's Audit Committee which has delegated responsibility for overseeing the work of Internal Audit; "Senior Management" is defined as the Chief Executive and members of the Council's Executive Management Team; and
 - the Head of Audit and Counter Fraud reports to the Director of Finance (Chief Financial Officer), to support their requirements under Section 151 of the Local Government Act 1972.

3. Mission of Internal Audit

- 3.1 The mission of Internal Audit is to provide an independent, objective assurance and consulting activity designed to add value and improve the Council's operations. The primary objective of Internal Audit is to review, appraise and report upon the adequacy of internal controls across the entire council.

4. Professionalism

- 4.1 The Internal Audit Service will govern itself by adherence to the PSIAS. This guidance constitutes principles and fundamental requirements for the professional practice of Internal Auditing and for evaluating the effectiveness of the Internal Audit activity's performance.
- 4.2 The Service, and individual staff, will be governed by the Code of Ethics of the relevant professional bodies of which they are a member, and all codes and policies operated by Oldham Council.

5. Authority

- 5.1 The Internal Audit Service, with strict accountability for confidentiality and safeguarding records and information, is authorised full, free, and unrestricted access to any and all of Oldham Council's records, physical properties, and personnel pertinent to carrying out any engagement. All employees are required to assist the Internal Audit Service in fulfilling its roles and responsibilities. The Internal Audit Service will also have free and unrestricted access to senior officers, Members and the Audit Committee.
- 5.2 Managers must also ensure that Internal Audit is provided with all the information and explanations that it requires in the course of its work.

6. Organisation

- 6.1 The Internal Audit Section is part of the Finance Department within the Chief Executive's Portfolio. The Head of Audit and Counter Fraud reports jointly to the Assistant Director of Corporate Governance and Strategic Financial Management and to the Director of Finance, and also reports regularly to the Audit Committee.

7. Independence and Objectivity

- 7.1 The Internal Audit Service will remain free from interference by any element in the organisation, including on matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.
- 7.2 Internal Auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair an Internal Auditor's judgment.
- 7.3 Internal Auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal Auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.
- 7.4 The Head of Audit and Counter fraud will confirm the organisational independence of the Internal Audit activity to the Audit Committee, at least annually.

8. Responsibility

8.1 The scope of Internal Auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organisation's governance, risk management, and internal process as well as the quality of performance in carrying out assigned responsibilities to achieve the organisation's stated goals and objectives. This includes:

- Evaluating the reliability and integrity of information and the means used to identify, measure, classify, and report such information.
- Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on the organisation.
- Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- Evaluating the effectiveness and efficiency with which resources are employed.
- Evaluating operations or programmes to ascertain whether results are consistent with established objectives and goals and whether the operations or programmes are being carried out as planned.
- Monitoring and evaluating governance processes.
- Monitoring and evaluating the effectiveness of the organisation's risk management processes.
- Performing consulting and advisory services related to governance, risk management and control as appropriate for the organisation.
- Reporting periodically on the purpose of Internal Audit activity, authority, responsibility, and performance relative to its plan.
- Reporting significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Audit Committee.
- Evaluating specific operations at the request of the Audit Committee or management, as appropriate.
- Involvement in the investigation of any allegations of fraud in accordance with the Council's Fraud Response Plan.

9. Internal Audit Resources

9.1 At Oldham Council, the Head of Internal Audit and Counter Fraud is responsible for ensuring that Internal Audit resources are appropriately organised, trained and deployed to deliver an effective Internal Audit service to the Council. In particular, his role is to ensure that Internal Audit resources:

- are appropriately qualified and experienced, and that they possess the appropriate skills, knowledge and competences to ensure due professional care;
- have sufficient knowledge of systems and ensure they have access to appropriate computer assisted audit techniques to perform their work, including data matching and analysis techniques; and
- are recruited, supported and trained in line with the Council's established standards and processes.

9.2 The Head of Audit and Counter Fraud ensures that the Annual Audit Plan sets out the resources that are available, and how they will be deployed to ensure that the Plan is delivered. Specialist resources may be commissioned from other providers.

9.3 The Head of Audit and Counter Fraud will report to the Council's Audit Committee if he believes there are insufficient resources available to deliver the Plan and if the level of agreed resources will impact adversely on the provision of the Annual Internal Audit Opinion.

9.4 The Head of Audit and Counter Fraud concludes that there are sufficient Internal Audit resources to deliver an effective Internal Audit service to the Council in 2022/23.

10. Internal Audit Plan

10.1 At least annually, the Head of Audit and Counter Fraud will submit to senior management and the Audit Committee an Internal Audit plan for review and approval. The Internal Audit plan will consist of a work schedule as well as budget and resource requirements for the next fiscal year. The Head of Audit and Counter Fraud will communicate the impact of resource limitations and significant interim changes to senior management and the Audit Committee.

10.2 The Internal Audit Plan will be developed based on a prioritisation of the audit universe using a risk-based methodology, including input of senior management and the Audit Committee. Any significant deviation from the approved Internal Audit plan will be communicated to senior management and the Audit Committee through periodic activity reports.

10.3 The Internal Audit Plan includes a strategic statement on Internal Audit, setting out how the overall service and how specific types of audits will be delivered. The Audit Charter sets out whether the Service has sufficient resources to deliver an effective Internal Audit service to the Council (this is set out in section 9.4 above).

11. Reporting and Monitoring

11.1 A written report will be prepared and issued by the Head of Audit and Counter Fraud, or designee, following the conclusion of each Internal Audit engagement and will be distributed as appropriate. Internal Audit results will also be communicated in summary to the Audit Committee.

11.2 The Internal Audit report will include management's response and corrective action taken or to be taken in regard to the specific findings and recommendations.

11.3 The Internal Audit team will be responsible for appropriate follow-up on engagement findings and recommendations. All significant findings will remain in an open issues file until cleared.

12. Review of Effectiveness of Internal Audit

12.1 The Accounts and Audit (England) Regulations 2015 and PSIAS require that the body charged with governance, which for Oldham Council is the Audit Committee, should undertake an annual review of the effectiveness of its system of Internal Audit.

12.2 The Assistant Director of Corporate Governance and Strategic Financial management conducts an annual review of the Internal Audit services against criteria set out in the "Balanced Scorecard" methodology, which is based on the criteria set out in PSIAS. The outcome of this internal assessment is reported to the Audit Committee in the report "Review of the System of Internal Audit by the Audit Committee". The last internal assessment was approved by the Audit Committee at its meeting on 10 June 2021. The next report will be considered by the Audit Committee at its meeting on 21 June 2022.

12.3 The PSIAS also requires an external assessment of Internal Audit every five years. The PSIAS are not prescriptive in terms of how this should be fulfilled. Guidance by the Chartered Institute of Finance and Accountancy (CIPFA) indicates that external assessments can be in the form of a full external assessment, or a self-assessment with independent external

validation. Furthermore, an independent assessor or assessment team means not having either a real or an apparent conflict of interest and not being part of, or under the control of, the organisation to which the internal audit activity belongs. In addition, it is recommended that the Head of Audit and Counter Fraud must agree the scope of external assessments with the Director of Finance and Audit Committee, as well as with the external assessor or assessment team.

- 12.4 Internal Audit will also complete an annual self-assessment against the PSIAS for approval by the Chief Finance Officer. The results of this will be reported to the Audit Committee within the Internal Audit Annual Report.
- 12.5 In line with PSIAS, an external assessment of the Internal Audit service was conducted in 2017/18. Following a procurement exercise and approval by the Council's Audit Committee, this assessment was carried out by CIPFA.
- 12.6 The outcome of this external assessment was reported to the Audit Committee at its meeting of 11 January 2018. The next PSIAS independent external assessment is due for completion by 31 March 2023.

13. Annual Opinion of the Head of Audit and Counter Fraud

- 13.1 In addition to periodic assessments, the Head of Audit and Counter Fraud will report annually to senior management and the Audit Committee on the Internal Audit team's mission, purpose, authority, and responsibility, as well as performance relative to its plan. Reporting will also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the Audit Committee.
- 13.2 The Audit Annual Opinion Report by the Head of Audit and Counter Fraud provides an overview of the work and performance of Internal Audit throughout each year. This Opinion is supported, during the year by regular reports to the Audit Committee, which provide an ongoing view of the effectiveness of the overall internal control environment and also provide Members with an opportunity to challenge the Internal Audit process and relevant officers in relation to specific issues identified within each Directorate/Service area.

14. Internal Audit Charter Review

- 14.1 The Internal Audit Charter will be reviewed by the Head of Audit and Counter Fraud annually, to ensure that it supports and links to the Council's corporate priorities. The Charter should be reported to Audit Committee at least every two years. The previous Charter was last reported to, and agreed by, the Audit Committee on 10 June 2021, as such this document is generally reviewed annually by the Authority.

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Report to Audit Committee

Internal Audit and Counter Fraud Review for the Financial Year 2021/22

Portfolio Holder: Councillor Abdul Jabbar MBE, Deputy Leader and Cabinet Member Finance and Low Carbon

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

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

9 June 2022

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 31 March 2022.

In the final Quarter of the year the team continued to prioritise work on the Fundamental Financial Systems (FFS) reviews to support the 2021/22 audit of the financial accounts.

Interim FFS reports were issued, and work commenced on the final stage reviews, with final reports being issued in the first quarter of 2022/23.

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 in respect of grants paid.
- Compilation of the Annual Audit Report and Opinion and other reports for this Committee.
- The Counter Fraud and Direct Payments Audit Teams (Children and Adults) have continued to deliver significant recovery outcomes which have generated £408,478 and £2,978,029 for the year to 31 March 2022.

Recommendation

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

Internal Audit and Counter Fraud Review for the Financial Year 2021/22**1. Background**

- 1.1 Members will recall from a previous report to the Committee that it gave an update on progress from 1st January to 28th February 2022. This report summarises this work and the additional audit work undertaken for the month of March 2022.
- 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 to undertake:
- Twice yearly Fundamental Financial Systems (FFS) reviews. FFS audits were undertaken in two stages to provide earlier assurance. Interim (Stage 1) Audits which commenced in October 2021, and Final (Stage 2) Audits which commenced in the final quarter of 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.
 - The delivery of the financial audits of Direct Payments for Adult Social Care and Children in line with service plans and targets.

Progress against these priorities since the previous update to Members is summarised below:

Fundamental Financial Systems (FFS) reports

- 2.2 Work commenced on these reviews in October 2021. Interim FFS reports were issued by the 31st March.

Work was also commenced on further fieldwork to inform our reports and opinion at the final report stage for 2021/22. These reports are issued during Quarter 1 of 2022/23.

Two FFS reports in connection with Housing Benefits and Council Tax Reduction, were previously reported as having opinions withheld pending further work to assess issues raised in relation to performance and complaints. We are pleased to report that subsequent work revealed that, following some difficulties experienced earlier in the year, improvements in processes towards the end of the year are apparent, and both reports now have adequate opinions.

Members received a separate update report as part of the previous meeting on the outcome of the latest review of the Payroll Service. This report noted that the latest review found systems and controls around payroll processes and procedures to be adequate. Members will recall that the audit opinion in respect of Payroll controls has been “inadequate” for some time, and this latest “adequate” opinion represents a significant improvement in this area.

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

Non-FFS related work

- 2.3 A Non-FFS related report was issued to MioCare Community Interest Company. 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 interim FFS work on Adult Social Services in connection with Direct Payments and Residential Care (and work commencing on the final stage reports in other areas) we also established, alongside the Adult Social Care service, two work streams 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 workstream 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 was also undertaken in connection with grant funding schemes in response to the COVID-19 pandemic, including responding to Central Government requests for supporting information in respect of grants paid.

Ongoing Development of new Audit Management System

- 2.6 The new Audit Management System continues to be developed. 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 year to 31 March 2022.

Counter Fraud team 2021/22	Total
Corporate Cases – No. of Positive Results	114
Fraud and Error Overpayments identified as part of Corporate Cases	£78,052
Warning letters issued	74
Housing Benefit (HB) Fraud and Error Overpayments identified as part of a Council Tax Reduction (CTR) investigation	£210,978
CTR Fraud and Error Overpayments identified	£119,448
Total Financial Outcomes from Counter Fraud Team	£408,478

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.

- 4.2 The team continues to perform well. **Appendix 2** sets out the key outcomes by Quarter, which are summarised below for the year to 31 March 2022.

Direct Payments team 2021/22	Total
Number of Children's DP audits undertaken	175
Funds requested during Children's Personal Budget (PB) Audit	£148,189
Number of Adults DP audits undertaken	1,062
Funds requested during Adults PB Audit	£2,829,840
Total Financial Outcomes from Direct Payment Audit Team	£2,978,029

- 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 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.

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
Officer Name: John Miller

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 31 March 2022

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	Adequate
28	Chief Executive	2021/22 Draft Interim report – Council Tax Reduction	Report	Q4	Adequate
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	Inadequate
32	Chief Executive	2021/22 Draft Interim report – Residential Care	Report	Q4	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.

<u>Corporate Counter Fraud Team 2021/22</u>	Qtr 1	Qtr 2	Qtr 3	Qtr 4	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	20	74
HB Fraud and Error Overpayments identified as part of a CTR investigation	£10,272	£89,383	£66,071	£45,252	£210,978
CTR Fraud and Error Overpayments identified (£)	£28,332	£28,163	£40,984	£21,969	£119,448
Total Financial Outcomes from Counter Fraud Team	£60,858	£118,389	£162,010	£67,221	£408,478

<u>Direct Payments Audit Team 2021/22</u>	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Total
Number of Children's DP audits undertaken	15	36	44	80	175
Funds requested during Children's PB Audit including Financial Assessment	£17,601	£37,713	£46,660	£46,215	£148,189
Number of Adults DP audits undertaken	257	230	288	287	1,062
Funds requested during Adults PB Audit including Financial Assessment	£519,208	£574,871	£872,991	£862,770	£2,829,840
Total Financial Outcomes from Direct Payment Audit Team	£536,809	£612,584	£919,651	£908,985	£2,978,029