

AUDIT COMMITTEE ***Agenda***

Date Thursday 27 June 2024

Time 6.00 pm

Venue Council Chambers, Civic Centre, Oldham, West Street, Oldham, OL1 1NL

- Notes
1. DECLARATIONS OF INTEREST- If a Member requires 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 Constitutional Services at least 24 hours in advance of the meeting.
 2. CONTACT OFFICER for this agenda is Constitutional Services 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, 24 June 2024.
 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.

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Please also note the Public attendance Protocol on the Council's Website

https://www.oldham.gov.uk/homepage/1449/attending_council_meetings

MEMBERSHIP OF THE AUDIT COMMITTEE

Councillors Al-Hamdani, Arnott, Aslam, Chowhan, Davis, Hince, S. Hussain, Rustidge and Wilkinson

Independent Member- Grenville Page (Chair)

Item No

- 1 Apologies For Absence
- 2 Urgent Business
Urgent business, if any, introduced by the Chair
- 3 Declarations of Interest
To Receive Declarations of Interest in any Contract or matter to be discussed at the meeting.
- 4 Public Question Time
To receive Questions from the Public, in accordance with the Council's Constitution.
- 5 Minutes of Previous Meeting (Pages 5 - 10)
The Minutes of the meeting held on 26th March 2024 are attached for approval.
- 6 External Auditor Update
Verbal update from Mazars
- 7 Local Code of Corporate Governance (Pages 11 - 22)
A report to propose a refreshed Local Code of Corporate Governance for Oldham Council.
- 8 Internal Audit and Counter Fraud Progress Report Q4 2023/24 (Pages 23 - 34)
A summary of the work carried out by the team from 1 April 2023 to 31 March 2024.
- 9 2023/24 Annual Audit and Opinion Report to Audit Committee (Pages 35 - 66)
The Annual Report and Opinion for 2023/24 on the System of Internal Control for the year ended 31 March 2024 presented by the Head of Audit and Counter Fraud.
- 10 Treasury Management Review (Pages 67 - 84)
Treasury Management Outturn Report 2023/24
- 11 Draft 2023/24 Annual Statement of Accounts (Pages 85 - 86)
Draft 2023/24 Annual Statement of Accounts.
- 12 Self-Assessment of the work undertaken by the Audit Committee during 2023/24, and Annual Report to Council (Pages 87 - 110)

Self-Assessment of the work undertaken by the Audit Committee during 2023/24, and Annual Report to Council.

13 Proposed Audit Committee Work Programme for 2024 (Pages 111 - 116)

14 Exclusion of the Press and Public

To consider that the press and public be excluded from the meeting for the following item of business, pursuant to Section 100A(4) of the Local Government Act 1972 on the grounds that discussions may involve the likely disclosure of exempt information, under paragraph 3 as defined in the provisions of Part 1 of Schedule 12A of the Act, to the Local Government Act 1972 and public interest would not be served in publishing the information.

15 Update on the Corporate Risk Register (Pages 117 - 126)

An update on the Corporate Risk Register as at the end of March 2024.

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AUDIT COMMITTEE
26/03/2024 at 6.00 pm

Present: Grenville Page (Chair) and Councillors, Arnott, Al-Hamdani,
and Birch,

Also in Attendance:

John Miller (Head of Audit and Counter Fraud)

Sarah Johnston (Director of Finance)

Yogita Das-Patel (Mazars LLP- External Auditors)

James Postle (Finance Manager)

Victoria Gallacher (Head of Insurance and Information
Governance)

Durga Paul (Constitutional Services)

1 **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors Akhtar,
Hince and Sykes.

2 **URGENT BUSINESS**

There were no items of urgent business received.

3 **DECLARATIONS OF INTEREST**

There were no declarations of interest received.

4 **PUBLIC QUESTION TIME**

There were no public questions for the meeting to consider.

5 **MINUTES OF PREVIOUS MEETING**

RESOLVED

That the Minutes of the meeting held 15th January 2024 are
approved as a correct record.

7 **2022/23 ANNUAL STATEMENT OF ACCOUNTS - UPDATE**

External auditors and Officers reported on the Annual Statement
of Accounts – Update alongside Agenda item 15-Draft Annual
Audit Report and Draft Follow Up Letter.

In line with good practice and in accordance with the final
accounts processes and procedures adopted in Oldham, the
presentation of the draft Statement of Accounts provides Audit
Committee Members with the opportunity to review the Council's
year end financial position before they are required to formally
approve the accounts later in the year. Members of the Audit
Committee approved the draft Statement of Accounts for
2022/23 at its meeting on 27 June 2023.

At the Audit Committee meeting on 31 October 2023, the
external auditors Mazars LLP presented and asked the
Members to consider the draft Audit Completion Report (ACR).
However, there were two outstanding elements of the audit yet
to be completed. Firstly, the External Auditors required the
Council to update the Statement of Accounts having received
the revised Pension Valuations information from the Council's
actuary and secondly, before Mazars can finalise the audit of the

Council's pension fund liability they must have assurance with regard to the audit of the Greater Manchester Pension Fund (GMPF).

Both of these outstanding elements have been resolved and officers reported on the revised Pension valuation information and Council's Pension fund liability. The revised valuation reports saw a significant move upwards of the Council Pension asset moving from £4.908m to £70.217m. Members questioned the significant increase in the valuation and officers explained that the valuation is a hypothetical figure which fluctuates from one day to the next.

NOTE: Members queried the figures provided in the tables throughout the report and Officers confirmed that the numbers relate to millions and not thousands. The '000' from the end of each figure in the table has been omitted for simplicity from page 44 of the report onwards.

In terms of ongoing work the External Auditors noted that they are experiencing backlog issues but intend to start the 2023/24 accounts in July.

RESOLVED

1. That the Audit Committee note the changes to the Statement of Accounts 2022/23.
2. That the Council's 2022/23 Statement of Accounts is approved by the Chair of the Audit Committee after consultation with the Director of Finance and on receipt of advice from the External Auditor
3. That the Audit Committee note the Management Letter of Representation

7

2023/24 FINAL ACCOUNTS - PROPOSED ACCOUNTING POLICIES AND CRITICAL JUDGEMENTS

Members of the Audit Committee received a report on the Council's proposed accounting policies and critical judgements to be adopted in completing the 2023/24 Statement of Accounts.

The Council's accounting policies are the specific principles, conventions, rules and practices that are applied in the production and presentation of the annual Statement of Accounts. These policies have to be disclosed as a note to the annual accounts. There have been no material changes from the amended policies used to prepare the 2022/23 Statement of Accounts. Minor amendments have been made to remove references that were specific to prior financial years and the policy on Employment Benefits has been altered to reflect the change in 2022/23 from an overall pension liability to a pension asset position.

In line with International Financial Reporting Standards (IFRS) and the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the Code), the Council is required to disclose those judgements that management have made in the

process of applying the Council's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

Critical Judgements include, which schools' property, plant and equipment and PFI information should be included on the Council's balance sheet, which entities fall within the Council's group boundary and which organisations should be included within the Council's group accounts, how properties should be classified as investment property and the basis of valuation of some of the Council's shareholdings. The Critical Judgements note has been reviewed for 2023/24 and has resulted in the removal of the judgement related to the Upfront Pension Payment as this arrangement concluded in the 2022/23 financial year. There have been no further significant changes compared to the 2022/23 Critical Judgements note.

Members of the Committee suggested introducing tracked changes to the report to highlight changes to the Committee. The Officers noted the suggestions.

RESOLVED

1. That the Audit Committee approved the Council's proposed accounting policies be adopted in completing the 2023/24 Statement of Accounts
2. That the Critical judgements made by management when producing the Statement of Accounts have been noted by the Audit Committee

8

TREASURY MANAGEMENT UPDATE QUARTER 3

This report advises the Audit Committee of the performance of the Treasury Management function of the Council for the third quarter of 2023/24 and provides a comparison of performance against the 2023/24 Treasury Management Strategy and Prudential Indicators.

Officers provided a summary document to members of the Committee setting out 9 key items to consider.

1. Compliance with Statutory and CIPFA Requirements
2. The Council's expenditure and Financing up to quarter three of 2023/24
3. The Council's Overall Borrowing need
4. Treasury Position at 31st December 2023
5. Borrowing Position
6. Investment Portfolio
7. Authorised Limit and Operational Boundary
8. Liability Benchmark
9. Other issues

The Treasury Management activities followed the pattern of the established experience and good practice further evidenced with a rating of 'good' in the recently issued Fundamental Financial Systems (FFS) audit undertaken by Internal Audit on the Treasury Management function.

Members queried how the authorised limit was set. Officers explained that the authorised limit was a legal requirement and was set based on the maximum viable borrowing for an authority. It is set internally and is put before the Audit Committee and Council and is subject to scrutiny from external auditors.

RESOLVED

That the Audit Committee note the Treasury Management Report and endorse it going to cabinet for approval.

9

HOUSING BENEFIT SUBSIDY AUDIT 2022/23

The Committee heard that in accordance with the DWP's Housing Benefits Assurance Process, the Council is required to have an annual review of its Housing Benefit Subsidy claim. This was carried out by external auditors KPMG LLP. Overall, the report is reasonably positive but highlights some issues which have been reviewed in preparation for the 2023/24 audit process.

RESOLVED

That the Housing Benefit Subsidy Audit 2022/23 is noted by the Audit Committee.

10

INTERNAL AUDIT CHARTER 2024/25

Officers reported on the Internal Audit Charter 2024/25. 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).

The Standards require an independent external assessment of the Council's Internal Audit service every five years and as part of his annual review during 2023/2024, the Head of Audit and Counter Fraud, has reviewed the Internal Audit Charter to ensure it is in line with the latest guidance.

Officers noted that recommendations from PSIAS have been implemented, and there were no fundamental changes made to the Charter.

RESOLVED

That the Internal Audit Charter 2024/25 is approved by the Audit Committee.

11

ANTI-FRAUD AND CORRUPTION AND COUNTER FRAUD RESPONSE POLICIES

The Audit Committee received a report on the updated Counter Fraud and Corruption Policies and associated planning documents. These documents support the provision of an

appropriate Counter Fraud service to minimise fraud risks and guide the investigation of potential fraud and corruption.

The Audit and Counter Fraud Team is responsible for investigating potential fraud, for identifying potential fraud risks and conducting proactive fraud reviews, and for delivering training and awareness to colleagues. In addition, the team maintains the relevant policies and procedures, which are reviewed and updated routinely.

The Audit Committee were provided with the proposed revised policies and planning documentation to approve which included; The Counter Fraud, Anti-Bribery Strategy and Counter Fraud Response Plan, The Council Tax and Council Tax Reduction Scheme Sanction Policy, The Covid Business Grants Prosecution Policy, The Anti-Money Laundering Policy, The CIPFA Fighting Fraud, The Corruption Locally Checklist and The Fraud and Loss Risk Assessment.

RESOLVED

That the Counter Fraud and Corruption Policies and Procedures are approved by the Audit Committee.

12

2024/25 INTERNAL AUDIT AND COUNTER FRAUD PLAN

The Audit Committee received a report of the Internal Audit and Counter Fraud Plan. They heard a summary of the work planned to be carried out by the team from 1 April 2024 to 31 March 2025. The plan has been compiled based on insight and information from a number of sources including the Council's: Annual Audit Needs Assessment, Corporate Plan, Strategic Corporate and Service Risk Registers, Fraud and Loss Risk Assessment Information and intelligence from senior officers, including the S151 Officer, has also been utilised in compiling the audit plan for the year ahead.

The plan covers broad areas of risk across Council Directorates and Activities as at the date of compilation. It sets out the audit reviews and other work the Audit and Counter Fraud Service intend to cover during the year. The plan will be flexed and amended through the course of the year to accommodate changes to the Council's risk profile and emerging needs whilst maintaining sufficient coverage to support the Annual Audit Report and Opinion.

RESOLVED

That the 2024/25 Internal Audit and Counter Fraud Plan is approved by the Audit Committee.

13

THE FINANCIAL REPORTING COUNCIL (FRC) 2023 REPORT ON LOCAL AUDIT

Officers noted delays with the FRC Report for 2024 due to backlogs but provided a summary of the 2023 report on which positive feedback was received.

RESOLVED

That the Financial Reporting Council (FRC) 2023 was noted by the Audit Committee.

14 **UPDATED AUDIT COMMITTEE WORK PROGRAMME FOR THE 2023/24 AND 2024/25 MUNICIPAL YEAR**

The Audit Committee considered its Work Programme for 2023/24 and 2024/25.

Members were invited to make suggestions of other items to add to the work programme for 2024/25.

RESOLVED

That the Audit Committee noted the Work Programme for the remainder of 2023/24 and for 2024/25

15 **DRAFT ANNUAL AUDIT REPORT AND DRAFT FOLLOW UP LETTER**

This item was discussed and resolved at Agenda Item 6.

16 **EXCLUSION OF THE PRESS AND PUBLIC**

That, in accordance with Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they contain exempt information under paragraph 3 of Part 1 of Schedule 12A of the Act, and it would not, on balance, be in the public interest to disclose the reports.

17 **SENIOR INFORMATION RISK OWNER UPDATE**

Officers provided the Committee with an update at month nine of the Senior Information Risk Owner to the Audit Committee highlighting Information Security Incidents and related matters which have occurred from 1 April 2023 to 31 December 2023

RESOLVED

That the Senior Information Risk Owner Update is noted by the Audit Committee.

The meeting started at 6.02pm and ended at 7.33pm.



Report to Audit Committee

Local Code of Corporate Governance

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

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

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

27 June 2024

Reason for Decision

The Audit Committee's Terms of Reference state that:

4.4.2 The Audit Committee shall, having regard to the CIPFA 'audit committee' guidance:-

c) undertake the following activities in respect of corporate governance – (i) approve the local code of corporate governance;

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 by the Audit Committee on 8 June 2023.

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 by the Audit Committee on 8 June 2023. The Code reflects the seven principles of the Governance Framework introduced in 2016/17.

1.3 The Director of Finance reviews 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: John Miller

Contact: john.miller@oldham.gov.uk

19 **Appendices**

19.1 Appendix 1 Local Code of Corporate Governance.

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, 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.

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.
- Reviews of key partners are 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 Place, Economic Growth and Environment Scrutiny Board, a Children and Young People Scrutiny Board, an Adults Social Care and Health Scrutiny Board, a Governance Strategy and Resources Scrutiny Board, and a Joint Health Overview and Scrutiny Committee for Northern Care Alliance.

Audit and Standards Committees meet regularly. 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.

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 is reported to the Audit Committee 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 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 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. The effective use of resources is reflected in the agreed budget and Medium-Term Financial Strategy which takes account 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.
- Business plans at Directorate level with appropriate Service and Corporate Risk Registers.
- 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.

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. 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 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.

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 2023/24 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 financial 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 and reported to both the Cabinet and Scrutiny Committees.

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 Policies. These are refreshed regularly and reported to the Audit Committee half yearly. 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) and Data Security and Protection Toolkit (DSPT).

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 from 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 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 dates consistent with the latest amended Accounts and Audit Regulations. 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, 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. 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 resource 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 updates on the measures the Council is adopting to reduce its risk of 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)**

Sara Johnston
 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) **Head of Audit and Counter Fraud**

John Miller
Head of Audit and Counter fraud
Oldham Metropolitan Borough Council
Level 3
Civic Centre
West Street
Oldham
OL1 1UH

(v) **External Auditor**

Yogita Das-Patel
Mazars LLP
One St Peters Square
Manchester
M2 3DE

Refreshed June 2024



Report to Audit Committee

2023/24 Internal Audit and Counter Fraud Progress Report

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

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

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

27 June 2024

Reason for Decision

The Audit Committee's Terms of Reference state that:

4.4.2 The Audit Committee shall:

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

This report provides Members with a high-level progress report on the work of the Internal Audit and Counter Fraud team for Q4 of the 2023/24 financial year which alongside:

- Previous progress reports on Q1 – Q3 provided to the Committee during the year.
- The Head of Audit and Counter Fraud's Annual Report and Opinion for the year 2023/24.
- Joint reports to the Audit Committee on Actions to address agreed service areas.

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

Executive Summary

The report summarises the work carried out by the team from 1 April 2023 to 31 March 2024.

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

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

- Continued support in respect of COVID-19 grant funding regimes, including responding to Central Government requests for supporting information in respect of grants received.
- Completion of a variety of other planned Audit reviews of Energy Management, the Music Service, Miocare and Fleet Management, and a follow-up review of St Joseph's Primary School.
- Ongoing work in connection with the Council's Fundamental Financial Systems to be reported in Q1 of 2024/25.
- Corporate Counter Fraud activities have identified £297,720 of fraud, errors and overpayments. The Direct Payments Audit Team (Adults and Children) have continued to deliver significant recovery outcomes which have generated £3,148,266 and £194,236 (respectively) for the period 1 April 2023 to 31 March 2024.

Recommendation

Members are requested to consider the 2023/24 Q4 Audit and Counter Fraud Progress Report.

2023/24 Q4 Internal Audit and Counter Fraud Progress Report**1. Background**

- 1.1 This report summarises the work of the Audit and Counter Fraud Team between 1 April 2023 and 31 March 2024.
- 1.2 The main content of the report is structured as follows:
- Section 2: 2023/24 Audit and Counter Fraud Service: Progress Update.
 - Section 3: Corporate Counter Fraud.
 - Section 4: Audit of Direct Payments.

2. 2023/24 Audit and Counter Fraud Service: Progress Update

- 2.1 Priorities for the 2023/24 Audit and Counter Fraud Plan include:
- Fundamental Financial Systems (FFS) reviews to provide assurance in support of the Authority's annual financial statements.
 - Audits which are classed as "high priority" in the Annual Audit Needs Assessment.
 - Counter Fraud work to identify fraud risks within the corporate systems.
 - Specific fraud investigations on Council Tax Reduction and Corporate Fraud.
 - Delivery of the financial audits of Direct Payments in line with service plans and targets.
 - Support and provide assurance in connection with postal votes for local, regional, and parliamentary elections.

Progress against these priorities is summarised below:

2023/24 Fundamental Financial Systems (FFS) reports

- 2.2 Work commenced on these reviews during 2023/24 and draft final reports have been issued during Quarter 1 of 2024/25. The outcomes of the 2023/24 FFS reviews are discussed in detail in the Head of Internal Audit's Annual Report and Opinion which is also on this agenda and will be included in the Quarter 1 progress report to this Committee at its meeting in July 2024.

Other planned work

- 2.3 A variety of other planned Audit reviews were reported in the final quarter of the year comprising Energy Management, the Music Service, Miocare and Fleet Management, and a follow-up review of St Joseph's Primary School . The outcomes of these reviews are shown at Appendix 1.
- 2.4 As noted above, other work underway as at the 31 March was primarily focussed on completion of the 2023/24 FFS reviews.

Other Work Undertaken

- 2.5 The team has also supported both the Director of Finance and other colleagues within the Finance Service, and in other service areas, with ad hoc requests for support and assistance throughout the period as required.
- 2.6 The Head of Audit and Counter Fraud continues to support the Committee, and a Member workshop to review the effectiveness of the Committee against the CIPFA Standards was held in March 2024.

Follow up of Audit Recommendations

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

Status	Priority Level			Total
	High	Medium	Low	
Complete	8	14	4	26
Not Agreed / No Response	0	0	0	0
Revised / Ongoing	3	4	0	7
Total	9	14	0	35

The table above excludes follow up of FFS recommendations. These are undertaken as part of the annual cycle of FFS reviews and reported in due course.

3. Corporate Counter Fraud

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

3.2 Highlights include the identification of:

- 99 cases of non-CTR fraud/misuse of funds including Council Tax Single Person Discount fraud (SPD), Blue Badge misuse, abuse of position and Direct Payment misuse.
- £30,235 of non-CTR fraud/misuse.
- 88 cases of ineligible claims for Council Tax Reduction (CTR).
- £135,175 of Housing Benefit ineligibility and overpayments (identified as part of the CTR investigations).
- £132,309 of ineligible claims for Council Tax Reduction (CTR).

3.3 In line with the priorities agreed by the Audit Committee, the Counter Fraud Team will continue to:

- Collaborate with the Internal Audit Team.
- Ensure the delivery of the Internal Audit and Counter Fraud Plan 2024/25.

4. Audit of Direct Payments

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

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

4.2 Appendix 3 shows the Direct Payments Audit volumes and financial outcomes arising for both Adults and Children's Services, which are £3,148,266 and £194,236 (respectively). In total the team carried out 1,226 Adults and Children's Direct Payment Audits.

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

5 Options/Alternatives

5.1 The Audit Committee can either:

- a) choose to accept and note the progress achieved and performance by the Audit and Counter Fraud Team; or,
- b) decline to accept and note the progress achieved and performance by the Audit and Counter Fraud Team and suggest an alternative approach.

6 Preferred Option

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

7 Consultation

7.1 N/A.

8 Financial Implications

8.1 N/A.

9 Legal Services Comments

9.1 N/A.

10 Co-operative Agenda

10.1 N/A.

11 Human Resources Comments

11.1 N/A.

12 Risk Assessments

12.1 The 2023/24 Audit and Counter Fraud Plan was prepared, reviewed, and updated using a risk-based approach. The Terms of Reference for each agreed project are also determined using a risk-based methodology. (John Miller)

13 IT Implications

13.1 N/A.

14 Property Implications

14.1 N/A.

15 Procurement Implications

15.1 N/A.

16 Environmental and Health & Safety Implications

16.1 N/A.

17 Equity, Community Cohesion and Crime Implication

17.1 N/A.

18 Equality Impact Assessment Completed

18.1 No.

19 **Forward Plan Reference**

19.1 N/A.

20 **Key Decision**

20.1 No.

21 **Background Papers**

21.1 The following is a list of background papers on which this report is based in accordance with the requirements of Section 100(1) of the Local Government Act 1972. It does not include documents which would disclose exempt or confidential information as defined by the Act

File Ref: Background papers are included as Appendices 1, 2 & 3
Officer Name: John Miller
Contact: john.miller@oldham.gov.uk

22 **Appendices**

22.1 The following Appendices are available to support this Report:

- **Appendix 1:** Summary of Audit Reports/Outcomes – 1 April 2023 to 31 March 2024
- **Appendix 2:** Counter Fraud Results – 1 April 2023 to 31 March 2024
- **Appendix 3:** Direct Payments Results – 1 April 2023 to 31 March 2024

Audit and Counter Fraud 2023/24 - Summary of Audit Reports/Outcomes - 1 April 2023 to 31 March 2024

Report Ref	Directorate	Audit Review/Counter Fraud Report	Report/Briefing Note	Quarter	Opinion
1	Chief Executive	2022/23 Draft Final Report – Council Tax	Report	Q1	Adequate
2	Chief Executive	2022/23 Draft Final Report – Business Rates (NDR)	Report	Q1	Adequate
3	Chief Executive	2022/23 Draft Final Report – Treasury Management	Report	Q1	Good
4	Chief Executive	2022/23 Draft Final Report – Bank Reconciliations	Report	Q1	Good
5	Chief Executive	2022/23 Draft Final Report – Payroll	Report	Q1	Inadequate
6	Chief Executive	2022/23 Draft Final Report – Housing Benefit	Report	Q1	Adequate
7	Chief Executive	2022/23 Draft Final Report – Council Tax Reduction	Report	Q1	Adequate
8	Chief Executive	2022/23 Draft Final Report – Accounts Payable	Report	Q1	Adequate
9	Chief Executive	2022/23 Draft Final Report – Accounts Receivable	Report	Q1	Inadequate
10	Adult Social Care	2022/23 Draft Final Report – Direct Payments	Report	Q1	Weak
11	Adult Social Care	2022/23 Draft Final Report – Residential Care	Report	Q1	Inadequate
12	Chief Executive	2022/23 Draft Final Report – Fixed Assets	Report	Q1	Adequate
13	Children & Young People	2022/23 Draft Final Report – Cash Income (Lifelong Learning)	Report	Q1	Good
14	Children & Young People	2022/23 Draft Final Report – Children’s Social Care	Report	Q1	Inadequate
15	Children & Young People	Draft Report - Semi Independence Units (Follow up)	Report	Q1	Adequate

16	Place & Economic Growth	Draft Report - Diggle Clock Tower pre-contract procurement	Report	Q1	Adequate
17	Place & Economic Growth	Draft Report - Old Museum / Library pre-contract procurement	Report	Q1	Adequate
18	Place & Economic Growth	Draft Report - Egyptian Room pre-contract procurement	Report	Q1	Adequate
19	Place & Economic Growth	Draft Report - North Chadderton High School Extension pre-contract procurement.	Report	Q1	Good
20	Children & Young People	Draft Report - Out of Borough Placements	Report	Q1	Adequate
21	Place & Economic Growth	Draft Report - Housing Strategy Implementation	Report	Q1	Adequate
22	Chief Executive	Draft Report – IT Change Management (SCAS)	Report	Q1	Adequate
23	Chief Executive	Local Elections Postal Vote Checks	Briefing note	Q1	Assurance
24	Chief Executive	2022/23 Final Report – Council Tax	Report	Q2	Adequate
25	Chief Executive	2022/23 Final Report – Business Rates (NDR)	Report	Q2	Adequate
26	Chief Executive	2022/23 Final Report – Treasury Management	Report	Q2	Good
27	Chief Executive	2022/23 Final Report – Bank Reconciliations	Report	Q2	Good
28	Chief Executive	2022/23 Final Report – Housing Benefit	Report	Q2	Adequate
29	Chief Executive	2022/23 Final Report – Council Tax Reduction	Report	Q2	Adequate
30	Chief Executive	2022/23 Final Report – Accounts Payable	Report	Q2	Adequate
31	Chief Executive	2022/23 Final Report – Fixed Assets	Report	Q2	Adequate
32	Children & Young People	2022/23 Final Report – Children’s Social Care	Report	Q2	Inadequate
33	Children & Young People	Draft Report - St. Theresa’s Primary	Report	Q2	Inadequate

34	Place & Economic Growth	Draft Report - Licensing Income	Report	Q2	Adequate
35	Children & Young People	Final Report - Home to School Transport	Report	Q2	Inadequate
36	Children & Young People	Final Report – Out of Borough Placements	Report	Q2	Adequate
37	Children & Young People	Draft Report - St Joseph's Primary (follow-up)	Report	Q2	Assurance
38	Chief Executive	2022/23 Final Report – Payroll	Report	Q3	Inadequate
39	Chief Executive	2022/23 Final Report – Accounts Receivable	Report	Q3	Adequate
40	Chief Executive	2022/23 Final Report – Debt Recovery	Report	Q3	Inadequate
41	Children & Young People	Draft Report - Burnley Brow	Report	Q3	Adequate
42	Place & Economic Growth	Draft Report - Contracts Register	Report	Q3	Inadequate
43	Place & Economic Growth	Draft Report - Street Lighting	Report	Q3	Adequate
44	Place & Economic Growth	Draft Report - Land Sales	Report	Q3	Adequate
45	Place & Economic Growth	Draft Report – Registrars	Report	Q3	Good
46	Children & Young People	Draft Report - Music Service	Report	Q4	Adequate
47	Miocare	Miocare	Report	Q4	Adequate
48	Place & Economic Growth	Fleet Management	Report	Q4	Inadequate
49	Children & Young People	Final Report - St Joseph's (follow-up)	Report	Q4	Adequate
50	Place & Economic Growth	Draft Report - Energy Management	Report	Q4	Adequate

Key:

Opinion	Description
Advisory	The work in this area is either not audit work in nature, such as provision of advice and consultancy, and/or is undertaken on behalf of third parties.
Assurance	The work in this area has been undertaken in order to provide assurance that, e.g. funding has been spent as intended and/or procedures and controls have operated effectively
Weak	Action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and/or control is inadequate to effectively manage risks to the achievement of objectives in the area audited.
Inadequate	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and/or control to effectively manage risks to the achievement of objectives in the area audited.
Adequate	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance and/or scope for improvement were identified which could put at risk the achievement of objectives in the area audited.
Good	A sound system of governance, risk management and/or control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Opinion withheld	Opinion has been withheld at interim stage pending further fieldwork required at final report stage in order to arrive at an opinion on the systems and controls in place.
TBC	Opinion awaiting confirmation following further discussion with management.

Appendix 2

Audit and Counter Fraud 2023/24

Counter Fraud Results 1 April 2023 to 31 March 2024

Counter Fraud Team 2023/24	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
Corporate Cases - Positive Results	17	28	30	24	99
Fraud and Error Overpayments identified as part of Corporate Cases (£)	£4,903.68	£9,985.92	£11,849.37	£3,496.45	£30,235.42
CTR cases amended as a result of an investigation	22	18	20	28	88
HB Fraud and Error Overpayments identified as part of a CTR investigation (£)	£36,612.72	£10,272.45	£31,109.75	£57,180.93	£135,175.85
CTR Fraud and Error Overpayments identified (£)	£33,519.65	£28,332.18	£28,668.31	£41,788.94	£132,309.08
Financial Outcomes	£75,036.05	£48,590.55	£71,627.43	£102,466.32	£297,720.35

Appendix 3

Audit and Counter Fraud 2023/24

Direct Payments Results 1 April 2023 to 31 March 2024

Direct Payments Team 2023/24	Quarter 1	Quarter 2	Quarter 3	Quarter 3	Total
Number of Children's Direct Payment audits undertaken	2	9	0	123	134
Funds requested during Children's Direct Payment Audit	£2,376.26	£28,913.49	Nil	£162,946.74	£194,236.49
Number of Adults Direct Payment Audit undertaken	190	274	302	327	1092
Funds requested during Adults Direct Payment Audit	£485,029.33	£858,748.36	£991,837.01	£812,651.39	£3,148,266.10
Total Financial Outcomes from Direct Payment Audit Team	£487,405.59	£887,661.85	£991,837.01	£975,598.13	£3,342,502.59



Report to Audit Committee

2023/24 Annual Report to Audit Committee

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

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

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

Contact: john.miller@oldham.gov.uk

27 June 2024

Reason for Decision

The Audit Committee's Terms of Reference state that:

4.4.2 The Audit Committee shall, having regard to the CIPFA 'audit committee' guidance:–

(i) approve the performance criteria for the Internal Audit Service;

(iv) consider the annual report from the Chief Internal Auditor;

(vi) review the effectiveness of the system of Internal Audit on an annual basis as per statutory requirements and the outcome of the review of compliance with Public Sector Internal Audit Standards.

The purpose of this report is to provide Members with the Annual Report and Opinion for 2023/24 on the System of Internal Control for the year ended 31 March 2024 presented by the Head of Audit and Counter Fraud, and report to the Audit Committee on the matters required for the Committee charged with Governance by International Auditing Standards, and the 2013 UK Public Sector Internal Audit Standards (Revised 2016 and 2017).

Executive Summary

The report summarises the work of Internal Audit and Counter Fraud Team carried out for the financial year 2023/24 which informs the Annual Report and Opinion of the Head of Audit and Counter Fraud on the System of Internal Control for the year ended 31 March 2024.

The Annual Report for 2023/24 has the following sections:

- **Appendix 1:** Annual Report and Opinion of the Head of Audit and Counter Fraud on the System of Internal Control for the year ended 31 March 2024, to assist the Committee's review of the 2023/24 Annual Governance Statement (AGS) and to assist with the review of the Statement of Accounts.
- **Appendix 2:** Counter Fraud and Direct Payments Teams comparative data 2020/21 to 2023/24.

Recommendations

Members are requested to note the Annual Report on the System of Internal Control presented by the Head of Audit and Counter Fraud and the continued developments in overall internal control and financial administration across the Council.

2023/24 Annual Report to the Audit Committee**1. Background**

- 1.1 This report summarises the work of Internal Audit and Counter Fraud Team carried out in respect of the financial year 2023/24 informing the Annual Report and Opinion of the Head of Audit and Counter Fraud on the System of Internal Control for the year ended 31 March 2024.

2. Audit Opinion and Work Undertaken in 2023/24

- 2.1 In accordance with the Public Sector Internal Audit Standards (PSIAS), the Head of Internal Audit and Counter Fraud provides an Annual Report and Opinion to support the production of the Council's Annual Governance Statement (AGS).
- 2.2 The overall opinion of the Head of Audit and Counter fraud for 2023/24 and its professional framework is set out at **Appendix 1**.
- 2.3 **Appendix 2** summarises the outcomes from the Counter Fraud and Direct Payment Teams for 2020/21 to 2023/24.

3. Options/Alternatives

- 3.1 The Audit Committee can either choose to accept and note the Annual Report on the System of Internal Control or not to accept the report.

4. Preferred Option

- 4.1 The preferred option is that the Audit Committee accepts and notes the Annual Report on the System of Internal Control

5. Consultation

- 5.1 N/A.

6. Financial Implications

- 6.1 N/A.

7. Legal Services Comments

- 7.1 N/A.

8. Cooperative Agenda

- 8.1 N/A.

9. Human Resources Comments

- 9.1 N/A.

10. Risk Assessments

10.1 The production of an Annual Report on the System of Internal Control by the Audit and Counter Fraud Team will enable this Committee to demonstrate it is raising any concerns with the Council in a structured manner.

11. **IT Implications**

11.1 N/A.

12. **Property Implications**

12.1 N/A.

13. **Procurement Implications**

13.1 N/A.

14. **Environmental and Health & Safety Implications**

14.1 N/A.

15. **Equity, Community Cohesion and Crime Implication**

15.1 N/A.

16. **Equality Impact Assessment Completed**

16.1 No.

17. **Forward Plan Reference**

17.1 N/A.

18. **Key Decision**

18.1 No.

19. **Background Papers**

19.1 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 and 2
Officer Name: John Miller
Contact: john.miller@oldham.gov.uk

20. **Appendices**

20.1 The following Appendices are available to support this Report:

- **Appendix 1:** Annual Report and Opinion of the Head of Audit and Counter Fraud on the System of Internal Control for the year ended 31 March 2024; to assist the Audit Committee's review of the 2023/24 Annual Governance Statement.

- **Appendix 2:** Internal Audit and Counter Fraud Team comparative data 2020/21 to 2023/24.

Audit and Counter Fraud Team

Annual Report of the Head of Audit and Counter Fraud and Opinion on the System of Internal Control for the year from 1 April 2023 to 31 March 2024

27 June 2024

Annual Report of the Head of Audit and Counter Fraud and Opinion on the System of Internal Control for the year from 1 April 2023 to 31 March 2024.

1. Introduction

1.1 Background

The Internal Audit and Counter Fraud Plan for 2023/24 was developed based on an assessment of risks to the Council including those contained in the Corporate Plan and Corporate Risk Registers. The work aims to provide assurance to the Chief Executive and other senior officers of the Council, including the Key Statutory Officers (Section 151 and Monitoring Officers), on systems and controls in place that assist the Directorates in meeting their objectives.

The work allows the Head of Internal Audit and Counter Fraud at Oldham Council to form an overall opinion on the Governance and Risk Management arrangements in the Council and the effectiveness of the Council's internal control systems.

The opinion also considers advisory work undertaken during the year. High priority findings from such reviews contribute to the overall opinion that is reported.

The opinion is then used to support the production of the Council's Annual Governance Statement (AGS) within the Statement of Final Accounts for the Financial Year 2023/24.

This report sets out the framework used to complete the Annual Opinion on the System of Internal Control and is supported by the key audit findings in the main body of this Appendix.

1.2 2013 Public Sector Internal Audit Standards (Revised 2017)

The Public Sector Internal Audit Standards (PSIAS) came into effect on 1 April 2013 (revised in both 2016 and 2017). These Standards replaced the 2006 Code of Practice applicable to the work of Internal Audit. From 2013/14 the Head of Internal Audit and Counter Fraud has provided an annual report in accordance with the PSIAS to support the production of the Council's Annual Governance Statement (AGS).

The Standards note that a professional, independent, and objective Internal Audit service is one of the key elements of good governance, as recognised throughout the UK public sector. The role of the Head of Internal Audit (HIA), in accordance with the PSIAS, is to provide an Annual Opinion on the System of Internal Control, based upon the work performed, on the overall adequacy and effectiveness of the organisation's governance, risk management, and control processes, i.e., the organisation's system of internal control. This is achieved through a risk-based plan of work, agreed with management, and approved by the Council's Audit Committee, which should provide a reasonable level of assurance.

The Chartered Institute of Public Finance and Accountancy (CIPFA) Statement on the role of the Head of Internal Audit (HIA) in Local Government was issued on 9 April 2019. This Statement also included updated guidance for internal audit in the public sector to contend with "restricted resources and growing levels of financial risk."

This guidance calls on the public sector to provide the required support and recognition for the HIA and Internal Audit Teams, and includes best practice guidance for Internal Auditors, leadership teams and Audit Committees to support Internal Audit effectiveness.

The publication “The role of the Head of Internal Audit” sets out key principles aligned with the UK Public Sector Internal Audit Standards (PSIAS) and sets out an individual and organisation’s responsibilities. The guidance refers to:

- Heads of Internal Audit in the public sector working in increasingly high-pressure environments, contending with restricted resources and growing levels of financial risk, and they require the tools they need to provide quality assurance to their organisations;
- Public sector bodies ensuring that the HIA is “professionally qualified and suitably experienced” so they can lead and direct Internal Audit services which are well resourced and fit for purpose; and,
- The HIA being a senior manager, with regular and open engagement across the organisation, particularly with the leadership team and Audit Committee.

The guidance also sets out the following:

- The assurance provided by the HIA must be evidence based, in order to provide proper comfort to those who ask for it, and to improve governance arrangements. This means that Internal Audit planning must be well focused and in accordance with professional standards;
- The HIA may obtain assurance from partners and other agencies, and the HIA must understand the basis for the assurance and its adequacy, and therefore whether the HIA needs to carry out any additional review work; and
- A summary of assurances given and relied upon should be included in the HIA’s annual report.

CIPFA also states that one of the HIA’s key relationships must be with the External Auditor. Whilst the roles of Internal and External Audit are different, and they must be independent of each other, both are concerned with the organisation’s control environment and both use an objective, risk-based approach in coming to their conclusions. External Auditors should have regular discussions with the HIA on audit findings, risks, and future developments. Oldham Council’s HIA meets with the External Auditor on a regular basis.

1.3 Roles and Responsibilities

Reviewing the System of Internal Audit

The Council is responsible for maintaining a sound system of internal control which is reviewed by the Internal Audit team. To review the System of Internal Audit, the Audit Committee receives either an annual internal review of the Internal Audit function which discharges its responsibility for putting in place arrangements for gaining assurance about the effectiveness of that function, or commissions an independent external review.

The Public Sector Internal Audit Standards (PSIAS) also state that an external reviewer must undertake a full assessment or validate the Internal Audit Service’s own self-assessment at least once in a five-year period. This independent External Quality Assessment (EQA) has most recently been undertaken in March 2023 by CIPFA.

The three possible outcomes of this assessment are that the Service “Generally Conforms”, “Partially Conforms”, or “Does Not Conform” with the requirements of the PSIAS and Local Government Application Note (LGAN).

The outcome of the March 2023 external assessment is that Oldham’s Internal Audit and Counter Fraud Function “Generally Conforms” across all areas assessed. The Head of Internal Audit has subsequently undertaken an annual self-assessment during 2023/24. This most recent self-assessment notes no substantive change to the arrangements in place since the March 2023 external review by CIPFA. The outcomes of this review, and progress against CIPFA’s single low priority recommendation and eight further “advisory points” are detailed at Section 12 of this report.

The Annual Governance Statement (AGS)

The Council is required by law to review its governance arrangements at least annually. Preparation and publication of the Annual Governance Statement (AGS) is done in accordance with the CIPFA/SOLACE 'Delivering Good Governance in Local Government' Framework.

This AGS is a key corporate document which is intended to provide an accurate representation of the corporate governance arrangements in place which have supported the delivery of organisational objectives during the year.

The Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and provides value for money. The Authority also has a duty under the Local Government Act 1999 to plan to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency, and effectiveness.

In discharging this overall responsibility, the Authority must put in place proper arrangements for the governance of its affairs, which include arrangements for the management of risk, whilst facilitating the effective exercise of its functions.

The Authority has established governance arrangements which are consistent with the seven principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government', and it has adopted a Local Code of Corporate Governance (LCCG).

The AGS sets out how the Authority has complied with the Code of Corporate Governance and meets the requirements of Regulation 6(1)(b) of the Accounts and Audit (Amendment) Regulations 2022 which requires all relevant bodies to prepare an Annual Governance Statement.

The Council's whole framework of assurance is used to bring together all of the evidence required to support the AGS.

The Annual Opinion of the Head of Internal Audit is one component of the framework of assurance which the Council considers in compiling the AGS.

The Head of Internal Audit's Annual Opinion does not imply that the Internal Audit and Counter Fraud service have reviewed all risks and assurances relating to the Council. The purpose of the opinion is to contribute to the assurances available to the Council which underpin the Council's own assessment of the effectiveness of the organisation's governance arrangements and system of internal control.

2. Head of Internal Audit Annual Audit Opinion

2.1 2023/24 Opinion

The overall opinion of Oldham Council's HIA is that the overall system of Internal Control in Oldham Council as at 31 March 2024 is Adequate.

The financial year 2023/24 has been another challenging year for Local Government as a whole, with a number of Council's experiencing well publicised financial challenges. The Council has maintained its financial administration in most areas during 2023/24. Inevitably some front-line services have been under continued pressure and, in certain cases, improvements in financial administration fell short of what was planned. Whilst improvements in internal control continue to present challenges in some areas, core systems in the ownership of the Council's central Finance

Function continue to provide compensatory controls and assurance over those areas where improvements are required.

Going forward, the priority for the Council is for improvements to be made in the areas identified in the AGS.

There have been no impairments to the independence or objectivity of the HIA in arriving at this opinion.

2.2 Basis of the Opinion

The basis for forming the Annual Opinion is as follows:

- An assessment of the design and operation of the Local Code of Corporate Governance and underpinning processes.
- An assessment of the risk management arrangements and the financial management framework of assurance.
- An assessment of the range of individual opinions arising from risk-based audit assignments, contained within the Internal Audit risk-based plan that have been reported throughout the year.

This assessment has taken account of the relative materiality of these areas and management's progress in respect of addressing control weaknesses.

2.3 CIPFA/SOLACE Code of Corporate Governance

The Council has established corporate governance arrangements which are consistent with the seven principles of the CIPFA and Society of Local Authority Chief Executives (SOLACE) Framework, "Delivering Good Governance in Local Government".

It has adopted a Local Code of Corporate Governance which is publicised on the Council's website. The Council's 2023/24 AGS forms part of the Draft Annual Financial Statements 2023/24 report to the Audit Committee, and it sets out how the Authority has complied with the Code and meets with the requirements of the Accounts and Audit (Amendment) Regulations 2022. The Authority meets the requirements of Regulation 6 (1) b of the Accounts and Audit Regulations 2015 and The Accounts and Audit (Amendment) Regulations 2022 in relation to the publication of an AGS.

The 2023/24 AGS identifies the key risk issues for the Council to mitigate during 2024/25.

3. Risk Management

The Strategic Risk Register is populated with risks to the achievement of the Council's corporate objectives and all risks are categorised and allocated to a responsible Officer; these are supported by Service Risk Registers included in Business Plans.

The Service Business Plans, prepared annually, incorporate a Risk Register setting out the risks for each Service. All major projects of the Council have a Risk Register, which are subject to regular review. Reviews of current and emerging risks are presented to the Audit Committee as part of the regular update of the issues. The risks facing the organisation from third parties have also been reported to the Audit Committee during the year 2023/24.

4. 2023/24 Audit and Counter Fraud Plan

The 2023/24 Audit and Counter Fraud Plan was agreed by the Audit Committee at its meeting of 9 March 2023. Updates on progress have been reported to the Audit Committee during the 2023/24 financial year. The Audit Opinions agreed with managers contribute towards an element of the 2023/24 Annual Opinion.

5. Financial Management

In 2023/24, financial management and administration for the Council underwent two notable changes:

- During 2023/24 the Finance Department underwent a restructure.
- The Council appointed a new Director of Finance and S151 Officer.

The Director of Finance continues to review the departmental structure and staff resources available.

During 2023/24 the Director of Finance reported directly to the Chief Executive and was a member of the Management Board. This is consistent with the principles of good financial management and complies with the Financial Management Code.

A self-assessment against the Financial Management Code was reported to Audit Committee on 5 September 2023 which indicated that in most areas of recommended best practice the financial administration of the Authority is sound. A further update on compliance and areas for development will be provided to the Audit Committee by March 2025.

The year-end final accounts for 2023/24 were submitted for audit one week behind the statutory deadline. This is unlikely, however, to impact on the External Auditors timetable for completion of their work this year as they have stated that, due to the recent backlogs within the sector and competing demands on their resources, that they don't intend to start their review of the Council's 2023/24 financial statements until September 2024. All working papers supporting the financial statements have been subject to a structured, detailed, and independent quality assurance process to ensure compliance with external audit guidelines.

The 2023/24 AGS identifies the Council's current financial position and financial resilience as the most significant governance issue facing the Council. The AGS also sets out the actions the Council is taking in response to these challenges:

“Significant savings plans are in train to help address the budgetary challenges over the next twelve to twenty-four months, however over the projected MTFs, residual budget gaps remain. One of the greatest challenges the Council will face is ensuring that programmes are kept to plan to ensure delivery in line with expected timescales. Slippage from this will undoubtedly present challenges.

To address these issues, a number of actions have been put in place:

- *Moving to bi-monthly (from quarterly) reporting of the Council's financial position.*
- *Incorporating savings updates as part of the Budget Monitoring Reporting cycles together with the Establishment of a Delivery Board, chaired by the Leader, to hold directors to account in respect of the savings proposals put forward.*
- *Devising a new and accelerated budget timetable to support early decision making with strong support from the Administration.*
- *Reviewing and refreshing the transformation and change programme to identify options for acceleration of schemes that will drive financial savings.*
- *Work to align financial planning with colleagues at the ICB to ensure resource planning is efficient and aligned.*

- *Demonstrating how risks identified have informed the budget setting process and MTFs financial strategy.*
- *Ensuring that all income and debts due to the Council are collected efficiently and effectively. All debt management activity will be centralised under the Assistant Director for Revenues and Benefits with new consistent debt management policies.”*

Most Fundamental Financial Systems audit opinions remained stable. There were a number of notable audit opinions as follows:

Social Care

The opinion in relation to the systems and controls around Direct Payments in Adult Social Care has been upgraded from Weak to Inadequate following some progress in addressing the Service’s overall approach to tracking and monitoring its own performance, and some progress in areas previously reported. This is discussed further at section 6.2.

The opinion in relation to the systems and controls around Residential Care Payments in Adult Social Care remains Inadequate, again following some progress in addressing the Service’s overall approach to tracking and monitoring its own performance, and some progress in areas previously reported. Again, this is discussed further at section 6.2.

The inaugural review of the systems and controls in connection with Children’s Services in 2022/23 found controls in this area to be Inadequate, primarily in connection with a failure to fully record the inputs and outputs related to the work undertaken in a way which allows adequate management information to be produced. Our latest review in 2023/24 found limited progress in this area and the audit opinion remains Inadequate. This is discussed further at section 6.4.

The opinion in respect of the Council’s Home to School Transport Service is Inadequate. Whilst the service continues to provide transport to SEND children across the borough, there is a need for the service to meet its statutory and regulatory obligations in aspects of service planning and adherence to appeals process timescales.

These first four Inadequate opinions in respect of Social Care activity are reflective of the wider challenges in these areas both locally and nationally. It is important to note that, as these front-line services respond to the increasing demands and reducing resources they face, their primary focus will remain on the delivery of front line, critical care services to clients.

Audit opinions are focussed on the systems and processes which support and enable the ongoing monitoring, targeting and control of the resources being applied to meet the challenges faced.

The Council’s Social Care Services continue to provide critical front line care in a prioritised, risk assessed fashion to meet immediate client need.

The audit opinions reflect the need to continue to monitor and develop the back-office functions and support to enable the Services to meet these demands in the most effective way possible given the limited resources available.

The challenges faced by these services, and the resource limitations facing the Council, are reflected in the significant governance issues facing the Council contained within the Council’s Annual Governance Statement which accompanies the Council’s Annual Financial Statements within the item which discusses the Council’s most significant governance issue in connection with the Council’s financial position and financial resilience.

Debt Recovery

The opinion in relation to the Council's overall debt position remains Inadequate. Total debt continued to rise into 2023/24. Again, this opinion is reflected within the AGS in relation to financial resilience. This is discussed further at section 6.3.

Payroll

The Council's Payroll Service is assessed by Internal Audit again as Inadequate. The Service has experienced difficulties in recruitment and retention of suitably qualified and experienced staff which has impacted on its ability to maintain momentum in implementing improvements. However, the Service continued to provide, by and large, an accurate and timely payroll service to the Council's employees throughout 2023/24. This is discussed further at section 6.1.

6. Fundamental Financial Systems (FFS)

In accordance with the 2023/24 Plan, Internal Audit continued to review all material fundamental financial systems.

Table 1 sets out the Final Audit Opinions across the Council's main financial systems between 2020/21 and 2023/24.

Table 1: Key Financial Systems Final Audit Opinions 2020/21 to 2023/24

Financial System	2021/22	2022/23	2023/24
Accounts Payable	Adequate	Adequate	Adequate
Accounts Receivable	Adequate	Adequate	Adequate
Bank Reconciliations	Good	Good	Good
Cash Income	Adequate	Good	Adequate
Council Tax	Inadequate	Adequate	Adequate
Council Tax Reduction	Adequate	Adequate	Adequate
Fixed Assets	Adequate	Adequate	Adequate
Housing Benefits	Adequate	Adequate	N/A
NDR (Business Rates)	Adequate	Adequate	Adequate
Payroll	Adequate	Inadequate	Inadequate
Direct Payments	Inadequate	Weak	Inadequate
Residential Care	Inadequate	Inadequate	Inadequate
Treasury Management	Good	Good	Good
Children's Social Care	N/A	Inadequate	Inadequate
Debt Recovery	N/A	Inadequate	Inadequate
Audit Opinions	2021/22		
Good	2	3	2
Adequate	8	6	7
Inadequate	3	4	5
Weak	-	1	-

N/A	2	-	1
Total	15	15	15

Overall, **Table 1** highlights a relatively stable control environment, in summary:

- There are two systems assessed as “Good” Treasury Management, and Bank Reconciliations.
- As previously reported to this Committee, systems, and controls in place around Payroll during 2021/22 had, after a number of years of “Inadequate” opinions, been assessed as “Adequate”. Unfortunately, the improvements made during 2021/22 have not been maintained and the opinion in 2023/24 is again “Inadequate”. Section 6.1 discusses the Payroll arrangements resulting in this downgraded opinion.
- Adult Social Care financial systems based in the Community Health and Adult Social Care Directorate have continued to be placed under considerable strain during 2023/24. The audit opinions for both Personal Budgets / Direct Payments, and for Residential Care continue to be assessed as “Inadequate”. This is discussed further below at Section 6.2.
- Debt Recovery continued to be Inadequate during 2023/24. This is discussed further below at Section 6.3.
- Children’s Services controls continued to be Inadequate, again primarily in connection with a failure to fully record the inputs and outputs related to the work undertaken in a way which allows adequate management information to be produced. This is discussed further below at Section 6.4.
- In line with the Audit Service’s ongoing review of its own effectiveness, we have not undertaken a review of Housing Benefit systems and controls this year. Housing Benefits are reviewed by both of the Authority’s external Audit providers, Mazars as part of their overall work in connection with the Council’s Annual Financial Statements, and KPMG as the Council’s auditors in respect of the Council’s Housing Benefit Subsidy claims. Given the external audit focus on this area, the move over to Universal Credit, and the history of Adequate opinions, we have not reviewed this area in 2023/24. We will however keep this position under review and return to the area should we feel that this is necessary in the future.

For those systems which have been assessed as “Adequate” for a number of years, managers are encouraged to develop appropriate plans to facilitate the required improvement to “Good”. To support this, Internal Audit will continue to deliver financial systems audits and engage with key colleagues to facilitate this improvement.

6.1 Payroll System: Update

The Council’s Payroll processes and procedures have historically been an area of persistent weakness.

Following a procurement exercise in April 2019, the Council agreed to implement iTrent, a leading HR and Payroll software package provided by Midland HR (MHR) which is used in many Local Authorities. The iTrent system replaced the Agresso payroll system (previously used for the Council and MioCare payroll) and the Selima system (previously used for Oldham Schools payroll). The implementation of the iTrent system look place on a phased basis starting in January 2021 with the Council and MioCare payrolls, February 2021 for Schools, and March 2021 for time and expenses functionality. Therefore, 2021/22 was the first full financial year the Council had operated this system.

The implementation of the iTrent system, as with all new and complex systems, was challenging for the Payroll Team. The implementation of a new IT system with this level of complexity seldom runs completely smoothly, and in this case presented an additional challenge by taking place during

the pandemic where revised working practices were required. Several system issues arose during 2021/22. This is to be anticipated in any major system implementation. These were gradually, and successfully, resolved by the team over the course of the year.

The review of the internal controls in connection with Payroll during 2021/22 did not highlight concerns in connection with areas we would consider to be fundamental payroll weaknesses, e.g., failure to pay employees on time, or large numbers of incorrect payments. As a result of the improvements in internal control following the implementation of the iTrent system, the opinion on the control environment surrounding the Council's payroll system during 2021/22 was improved to "Adequate".

However, the Payroll Service has experienced operational issues, including the retention and replacement of key staff, over the last two review periods, 2022/23 and 2023/24. And, whilst the service has been successful in minimising the impact of a number of ongoing issues, fully automated solutions continue to be sought in some areas, and gaps in records and information to support payments continue to be identified.

In light of the above, and despite the Service's continued adequate performance in ensuring employees are paid, by and large, correctly and on time, the 2023/24 audit opinion is that the systems and controls in connection with the payroll administration are currently "Inadequate" in light of the system's relative materiality and importance.

The Audit and Counter Fraud team will continue to work and liaise closely with the Payroll Team to monitor and report on further developments and performance going forward.

6.2 Adults' Services Financial Systems: Update

The Community Health and Adults' Social Care (CHASC) Team directly manages two of the Council's financial systems; the system for payments of Personal Budgets / Direct Payments and the Residential Care Payment system.

The Final 2021/22 Audit opinions for Residential Care Payments and Personal Budgets/Direct Payments were both assessed as "Inadequate". Whilst the service continues to allocate resources to resolving ongoing issues, it is a complex and time-consuming process, and the pandemic presented further challenges for Adult Social Services in addition to addressing issues which existed pre-pandemic.

In respect of Residential and Nursing Care systems during 2022/23, it was noted that some progress had been made in addressing the recommendations made in the previous report. However, ten recommendations for improvements were made, seven high priority, one medium priority and two low priority. Seven of the ten recommendations had been made in previous years' audit reports and remained outstanding. Six of these recommendations were high priority recommendations, and one is medium priority. From the work on 2022/23 it was found that controls around the Residential and Nursing Care systems remained "Inadequate".

From our work during 2023/24, although we note that progress has been made in some areas addressing the recommendations made in our previous report, we have made nine recommendations for improvements. Four of which are high priority and five are medium priority. Five of the nine recommendations we have made this year have been made in previous years' audit reports. Three of these are high priority recommendations, and two are medium priority. Our opinion in this area remains "Inadequate".

In respect of Direct Payments and Home Care systems during 2022/23, ten recommendations for improvements were made, six high priority and four medium priority. Six of the ten recommendations had been made in previous audit reports and remained outstanding. Four of these recommendations were high priority recommendations, and two medium priority.

The Service had received an audit opinion of “Inadequate” in each of the eight years from 2014/15 to 2021/22. In light of the prolonged history of inadequate opinions in this area, and the repeated nature of a number of our recommendations, our overall opinion for 2022/23 was subsequently downgraded to “Weak”.

During 2023/24 the service has continued to face significant challenges, as is the case nationally in social care. And also locally, in the Council takeover of failing Care Home, now Oldham Total Care.

Five of the ten recommendation we have made this year have been made in previous audit reports. Four of these recommendations made previously are high priority recommendations.

The service continues to face challenges in the following areas:

- Addressing the increasing numbers of open workflow items year on year.
- Accuracy and timeliness of billing both for client contributions and Local Health Authority contributions
- Accurately recording client care details in respect of the allocation of each client to the correct care team.
- Making timely payments to providers of care.
- Recording adequate details to support the issue of credit notes.
- Adequately identifying CHAPS payments recipients.
- High costs of “Out of borough” care placements

The service has, however, taken positive steps in establishing ongoing monitoring and reporting processes to track progress in relation to the implementation of the audit recommendations as part of its wider efforts to move to a new Target Operating Model, and by completing three of the nine recommendations made last year.

Perhaps most pleasing to see is the recent improvement in the Council’s comparative performance in completion of Annual Care Reviews. The most recent data for Q3 2023/24 saw Oldham move from below average to above average performance in this measure. The Council remains below average in respect of reviews over 2 years overdue. However, with improvements evident in both KPIs, the most recent data is encouraging.

In recognition of the Service’s recent direction of travel the audit opinion for 2023/24 has been revised upwards to “Inadequate”, with the expectation that the Service will continue to prioritise the implementation of the controls necessary to address the recommendations in this latest report.

6.3 Debt recovery

The work in connection with the FFS reviews of Council Tax, Non-Domestic Rates and Accounts Receivable during 2021/22 highlighted a common theme of substantially increased levels of debt across all of these areas, and this trend has continued into 2023/24 as shown in the table below

which, in the case of NNDR and Council Tax, shows the debt outstanding at 31st March each year relating to prior years, i.e.: historic debt excluding in-year debt.

	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Council Tax	£24.534m	£28.427m	£32.889m	£33.56m	£34.40m	£38.24m
NNDR	£6.291m	£7.611m	£9.236m	£9.384m	£8.51m	£7.80m
Sundry Debtors (inc. ASC debtors)	£16.171m	£15.764m	£18.161m	£23.57m	£23.44m	£27.46m
Total	£46.99m	£51.80m	£60.29m	£66.51m	£66.35m	£73.50m
Number outstanding invoices (Sundry Debtors)	11,913	14,765	17,334	20,654	23,177	25,337

The Council has recognised this issue and is pursuing a number of initiatives for the reduction of outstanding debt and improvement of income collection processes. This includes progression from Charging Orders to Orders for Sale on empty properties, bankruptcy and winding up petitions to recover longstanding and material debts. Going forward the performance in relation to debt collection and the improvement programme will be monitored.

6.4 Children's Services

The inaugural review of the systems and controls in connection with Children's Services during 2022/23 found controls in this area to be Inadequate.

The main findings of the 2022/23 review were that, whilst no instances have been identified where the Service is failing in meeting its objectives, it is not always recording either the inputs or outputs associated with its work in such a way as to allow complete and reliable management information to be produced.

This failure to maintain complete and accurate records presents a dual risk that:

- The management information available to service management is less reliable for the purposes of decision making and performance monitoring; and
- Failure to address inaccurate or incomplete records presents an additional risk that service users who are not receiving timely and appropriate care will not be identified.

Despite the results of the 2022/23 review having been well received by the Service, or most recent work in 2023/24 found limited evidence of progress against the recommendations made in 2022/23. As a result, our opinion in this area remains "Inadequate".

The Service has recently had an Ofsted Inspection during May 2024 to assess the effectiveness of local authority services and arrangements:

- To help and protect children.
- To enable positive experiences and progress for children in care wherever they live, including those children who return home.
- For permanence for children who are looked after, including adoption.
- To support the experiences and progress for care leavers.

The results of the Ofsted review will be reported in due course.

7. ICT and Information Governance

7.1 ICT

Specialist IT audit work undertaken by Salford Council's Computer Audit Service (SCAS) continued in 2023/24 with the following reviews planned for the year:

- Vulnerability Management.
- Cyber Security – National Cyber Security Centre Cyber Assessment Framework.
- Cloud Service Management.

Work in connection with both Cyber Security and Cloud Service Management is ongoing at the time of writing,

The SCAS review of Vulnerability Management concluded that,

“... in the main, the key risks are being mitigated to an acceptable level. However, we noted that several new tools and technologies are in the process of being deployed which are critical to enhancing vulnerability protection and threat detection measures.

Furthermore, the absence of formal processes and procedures, potentially leads to inconsistent approaches, raising the risk of critical vulnerabilities not being promptly addressed, which could result in delayed remediation.”

As a result, SCAS made two priority 1 and three priority 2 recommendations and three advisories that, if implemented, will significantly enhance the current control environment.

The IT Service have accepted all recommendations and are actively engaging in the audit process as their staffing resources allow.

In the meantime, cyber-criminals continue to present a risk, particularly around sending 'phishing' emails with the aim of getting users to click on a malicious link. In response to this risk the Council:

- Issues reminders to all employees and Members requesting completion of the Council's interactive Mandatory Cyber Security training course.
- Publishes cyber awareness guidance on the Council intranet.
- Has a policy on password complexity in alignment with the recommendations of the National Cyber Security Centre (NCSC).

The Council maintains its certification in line with the Public Services Network (PSN) Accreditation & Compliance standards. 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 24 March 2025

The submission of the Council's Data Security and Protection (DSP) annual mandatory accreditation was made in June 2023, and will be submitted again by the end of June 2024.

The business-critical risks associated with cyber attack are well publicised and are also recognised as a significant governance issue in the Council's latest AGS.

7.2 Information Management and Governance

The responsibility for Information Management and Governance rests with the Council's Director of Finance.

The Audit Committee agendas regularly include Information Governance items, such as the Senior Information Risk Officer (SIRO) report.

In addition to the SIRO, the Council also has two Caldicott Guardians, one for Children's Services and one for Community Health & Adult Social Care. 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 Information Management Team has worked with both Caldicott Guardians to raise awareness, provide training, and issue key messages to staff. Furthermore, the Information Management Team and the Caldicott Guardians have analysed trends across known incidents and issued specific guidance to staff in relation to any trends identified.

8. Procurement and Contracts

The Council's Procurement Policy focuses on ensuring the optimum balance between cost, quality, and local service value, whilst also ensuring that any significant commercial risks are identified and mitigated during the commissioning stage.

The Procurement Policy seeks to ensure value for money and social value outputs are measured in an integrated way, to support the Council's co-operative agenda. In this way, the Council secures the greatest social, economic, and environmental benefit from the Council's purchasing power.

The Council has a procurement team to assist in ensuring that all legal and regulatory requirements are adhered to when procuring goods and services. The separation of this independent function from the procuring departments provides both additional segregation and oversight controls across the Council's procurement activity.

The Council operates a multi-disciplinary Gateway Review process for capital projects involving senior officers from across a range of services including Procurement, Regeneration, Finance and Legal Services. This process provides additional challenge of capital programme proposals, and broad-based consideration of project risk from differing professional perspectives.

Internal Audit has reviewed the pre-construction phases of the following capital contracts during 2022/23.

- North Chadderton High School Extension pre-contract procurement.
- Alexandra Park Eco Centre.
- Diggle Clock Tower pre-contract procurement.
- Old Museum / Library pre-contract procurement.
- Egyptian Room pre-contract procurement.

The opinion on these procurements was that systems and processes were "Adequate" and, in the case of North Chadderton School extension, they were assessed as "Good".

However, despite adherence to Contract Procedure Rules in procuring these projects, and utilising a variety of routes to market, some common observations were made across these various procurements, including:

- Progressing to contract award was, in a number of cases, hampered by the impact of the pandemic.
- Generating sufficient contractor interest to demonstrate competition was difficult in some cases, and this was exacerbated by the heritage nature of some projects, and time restrictions on external sources of funding.
- Cost increases and time delays during construction were common, partly due to building price inflation, but also in some instances due to incomplete scoping of the works, again influenced by external funding restrictions.
- Relations with contractors were, on occasion, somewhat adversarial.

During 2023/24, further procurement related work has been undertaken on:

- Spindles pre-contract procurement.
- The Council's contract Register.

Whilst the opinion in respect of the Spindles project is Adequate, arrangements around the Council's Contact Register are currently deemed Inadequate.

We again noted that generating sufficient contractor interest to demonstrate competition was challenging in respect of the Spindles project.

Contract Procedures Rules have subsequently been reviewed during 2023/24 to ensure that the Council is able to address this issue in order to maximise its procurement options with appropriate safeguards in place.

In respect of the Council's Contracts Register, the loss of the Head of Procurement during the 2023/24 year had a significant impact on the evidence available to provide the assurance that the Council's Procurement Service was operating in a co-ordinated way to address the Council's ongoing procurement needs.

Also noted, as has been noted previously, was inconsistent record keeping practices across the Service in respect of important contractual documentation and communications. It was often a difficult and lengthy process to access the records required for our work.

The Council has now taken steps to address these issues and:

- The Procurement Service now sits within the remit of the Director of Finance.
- A new Interim Head of Procurement is now in place.
- An independent review by of the Council's Procurement Function by STAR Procurement is underway which will make further recommendations for improvements in due course.

9. Corporate Counter Fraud and Investigations

Corporate counter fraud work continues to contribute significant financial returns in excess of the costs of undertaking this work during 2023/24.

The tables below set out the key outcomes; with comparative data year on year data shown in Appendix 2:

Corporate Counter Fraud Team Results

Performance Indicator/Output Measure	2023/24
Counter Fraud Team:	
Corporate Cases - Positive Results	99
CTR cases amended as a result of an investigation	88
Fraud & Error Overpayments identified as part of Corporate Cases (£)	£30,235
HB Fraud & Error Overpayments identified as part of a CTR investigation (£)	£135,175
CTR Fraud & Error Overpayments identified (£)	£132,309
Total Financial Outcomes from Counter Fraud	£297,720

The table below shows the breakdown by category of the corporate counter fraud cases which yielded positive results during the year, with the actual number of investigations undertaken to achieve these results being higher.

Corporate Cases	2023/24
Internal Investigations	3
Direct Payment Misuse	2
Blue Badge Misuse	11
Single Person Discount fraud	83
Total	99

In addition, over the last 3 years, the average number of benefit fraud allegations received per annum was 492. All allegations are initially risk assessed and are either closed with no further action taken, forwarded to other agencies to consider investigation, with approximately 44% being further investigated in-house.

10 Audit of Direct Payments (DP)

The Direct Payments (DP) Audit team conducts audit reviews to verify whether clients with a Direct Payment have spent their funding in accordance with the agreed Support Plan, and that client contributions associated with their care have been collected.

The DP team has a dual role as a compensating control, tasked with the responsibility to identify over-payments/unrecovered client contributions and also to ensure the client is spending the funds advanced in accordance with the agreed Support Plan.

Adults and Children's Direct Payments Audit Team Results

Performance Indicator/Output Measure	2023/24
Direct Payment Audit Team:	
Number of DP audits undertaken (Children)	134
Number of DP audits undertaken (Adults)	1,092

Funds requested during Children’s PB Audits including Financial Assessment (£)	£194,236
Funds requested during Adults’ PB Audits including Financial Assessment (£)	£3,148,266
Total Financial Outcomes from Direct Payment Audit Team	£3,342,502

In order to further assist the Adult Social Care Service, Direct Payment (DP) Auditors now also invoice for DP overpayments as soon as the DP audit is concluded.

11 Other Activities

The Head of Audit and Counter Fraud, and the Audit and Counter Fraud team also provided support for the Audit Committee and MioCare’s Finance, Audit and Risk Committee.

12 Internal Audit and Counter Fraud Service effectiveness

Internal Audit and Counter Fraud performance is self-assessed annually in line with the requirements of the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN).

The PSIAS also require an external assessment of compliance against the standards every 5 years. Oldham’s first external assessment was conducted by the Chartered Institute of Public Finance and Accountancy (CIPFA) during 2017/18, and the second, and latest, review was conducted in March 2023, again by CIPFA.

There are three overall opinions available to the assessor. These are that the Service either:

- Generally Conforms to the Standard.
- Partially Conforms to the Standard.
- Does not Conform to the Standard.

The overall opinion of the latest external assessment of the Internal Audit Service at Oldham, by CIPFA, is reproduced below:

It is our opinion that the self-assessment for Oldham Metropolitan Borough Council’s Internal Audit Service is accurate, and we therefore conclude that the Internal Audit Service GENERALLY CONFORMS to the requirements of the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note.

In addition, the assessor also provides an opinion of the level of conformance with the PSIAS and LGAN in each of the areas assessed. The table below shows the Internal Audit Service’s level of conformance to the individual standards as assessed during This most recent external quality assessment:

Standard / Area Assessed	Level of Conformance
Mission Statement	Generally Conforms

Standard / Area Assessed	Level of Conformance
Core principles	Generally Conforms
Code of ethics	Generally Conforms
Attribute standard 1000 – Purpose, Authority and Responsibility	Generally Conforms
Attribute standard 1100 – Independence and Objectivity	Generally Conforms
Attribute standard 1200 – Proficiency and Due Professional Care	Generally Conforms
Attribute standard 1300 – Quality Assurance and Improvement Programmes	Generally Conforms
Performance standard 2000 – Managing the Internal Audit Activity	Generally Conforms
Performance standard 2100 – Nature of Work	Generally Conforms
Performance standard 2200 – Engagement Planning	Generally Conforms
Performance standard 2300 – Performing the Engagement	Generally Conforms
Performance standard 2400 – Communicating Results	Generally Conforms
Performance standard 2500 – Monitoring Progress	Generally Conforms
Performance standard 2600 – Communicating the Acceptance of Risk	Generally Conforms

The assessor went on to say that there are no areas where Oldham’s Audit Service partially conforms with the standard, and no areas where the Audit Service does not conform with the standard.

In addition, progress against CIPFA’s single low priority recommendation and eight further “advisory points” contained in their latest report is shown below:

Recommendation	Agreed Action
<p>All audits in the audit plan should be aligned to the Council’s objectives. (Low Priority)</p> <p>The Service publishes a risk-based operational audit plan that is designed to provide the Council with</p>	<p>COMPLETE</p> <p>Cross referencing of the published Annual Audit Plan to Corporate Objectives and Strategic Risks included the 2024/25 annual audit plan taken to the Audit Committee March 2024.</p>

<p>relevant assurance on their governance, risk management and control frameworks. Each audit in the published audit plan is categorised and prioritised, but they are not mapped or aligned to the Council's priorities or corporate objectives, or the strategic risks, although this exercise has been carried out by the Service as part of their annual planning process. Cross referencing the audits in the published plan to the priorities and strategic risks would enhance transparency and demonstrate how Internal Audit fits into the Council's governance framework.</p>	
<p>Advisory Points</p>	<p>Agreed Action</p>
<p>Add a statement on impairments to the annual report and opinion (Advisory)</p>	<p>COMPLETE</p> <p>The following sentence has been added to the Head of Internal Audit's Annual Opinion Report from 2022/23, presented to the Audit Committee 27 June 2023.</p> <p>"There have been no impairments to the independence or objectivity of the HIA in arriving at this opinion."</p>
<p>Consider obtaining and using a specialist data analytics software application (Advisory)</p>	<p>COMPLETE</p> <p>The Service already uses a variety of data analysis and reporting tools. These include MS Excel and also the inbuilt functionality available in the systems used by the Council, e.g. Mosaic, Agresso and iTrent. Whole population testing is undertaken using both Mosaic (e.g. workflow analysis) and Agresso (e.g. user access control testing). Data matching is undertaken regularly as part of the National Fraud Initiative and also as part of routine audit work, e.g. duplicate creditors and duplicate creditor payments. The Service accepts the principle of the advisory point and will continue to review the packages available to enhance capabilities in this area.</p>
<p>Consider using the MS Power BI application for data analytics and reporting (Advisory)</p>	<p>COMPLETE</p> <p>The Service already uses a variety of data analysis and reporting tools. These include MS Excel and also the inbuilt functionality available in the systems used by the Council, e.g. Mosaic, Agresso and iTrent. Whole population testing is</p>

	<p>undertaken using both Mosaic (e.g. workflow analysis) and Agresso (e.g. user access control testing). Data matching is undertaken regularly as part of the National Fraud Initiative and also as part of routine audit work, e.g. duplicate creditors and duplicate creditor payments.</p> <p>The Service accepts the principle of the advisory point and will continue to review the potential uses of MS Power BI to enhance the audit process.</p>
<p>Use of benchmarking data when scoping audits (Advisory)</p>	<p>COMPLETE</p> <p>To enhance the process a pre-planning checklist has been developed and distributed to the Audit Team, and review of available benchmarking data is part of the checklist now in place.</p> <p>This is perhaps most clearly visible in respect of those audits which have a performance management focus. Current examples of which would be the ongoing reviews of the Council's Housing Options Service, and the "Don't Trash Oldham" Initiative.</p> <p>Benchmarking data also continues to be utilised across all audit review areas where available, e.g. percentage of annual Adult Social Care reviews undertaken across Greater Manchester.</p>
<p>Adopt a consistent approach to using Pentana that is aligned to the Service's audit methodologies (Advisory)</p>	<p>COMPLETE</p> <p>The Audit Team has established a common approach to the filing of documentation within Pentana.</p>
<p>Enhancements to the audit reports (Advisory)</p>	<p>COMPLETE</p> <p>The following two statements are now included in all Audit reports produced from April 2023:</p> <p>"This report is made solely as an internal management report to the Officers of the Council identified on the report distribution list as an aid to the effective management of Council resources, and for no other purpose. Our audit work has been undertaken in accordance with the Public Sector Internal Audit Standards (PSIAS) 2013 (Revised 2017), and the Chartered Institute of Public Finance (CIPFA) Local Government Application Note (LGAN). To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than those Officers for whom the report</p>

	<p>was produced, for our audit work, for this report, or for the opinions we have formed.”</p> <p>“This review has been conducted in accordance with the Public Sector Internal Audit Standards (PSIAS) 2013 (Revised 2017), and the Chartered Institute of Public Finance (CIPFA) Local Government Application Note (LGAN).”</p>
<p>Consultation on the International Professional Practice Framework (IPPF) (Advisory)</p>	<p>COMPLETE</p> <p>On 9 January 2024 new Global Internal Audit Standards (GIAS) were issued, which the Institute of Internal Auditors (IIA) has determined will become globally effective from 9 January 2025. They will then replace the International Professional Practice Framework, the mandatory elements of which are the basis for the current UK public sector internal auditing standards (the PSIAS).</p> <p>The PSIAS are issued under the authority of the Relevant Internal Audit Standard Setters (RIASS) who are HM Treasury, the Scottish Government, the Department of Finance Northern Ireland and the Welsh Government, the Department of Health and Social Care and the Chartered Institute of Public Finance and Accountancy. Between them the RIASS determine what standards or other requirements are applicable to the practice of internal auditing in central government, local government, and the health sector across the UK.</p> <p>The RIASS have agreed to use the new GIAS as the basis for internal auditing for the UK Public Sector, and have asked the UK Public Sector Internal Auditing Standards Advisory Board (IASAB) to carry out a review of the new standards with a view to identifying and producing any sector specific interpretations or other material needed to make them suitable for UK public sector use.</p> <p>Development of IASAB material will be progressed with appropriate consultation with UK practitioners and other stakeholders in UK public sector internal auditing. The IASAB plans to issue consultation material by September 2024 at the latest, with a consultation period of at least 8 weeks.</p> <p>Having regard to the points raised by respondents the IASAB will prepare final material for application in the UK public sector together with guidance on transition. Subject to</p>

	<p>approval by the RIASS, these will be issued later in 2024 to allow sufficient time for preparation for implementation.</p> <p>The effective date of the new material developed by IASAB will be 1 April 2025, to align with requirements for annual opinions and other relevant aspects of UK public sector governance which line up with the financial year. Until then, the existing PSIAS based on the old International Professional Practices Framework will continue to apply but organisations are encouraged to undertake preparatory work to allow them to implement the new requirements when they become effective. The IASAB will review whether there are any issues in relation to assessment of conformance during the period from January to March 2025 and if needed will address these in the guidance on transition.</p>
<p>Frequency of meetings for the Audit Committee (Advisory)</p>	<p>COMPLETE</p> <p>The number of planned meetings of the Audit Committee has been reduced from seven to five for 2024/25. The number of meetings planned going forward will be reviewed in line with the requirements of the Committee.</p>

2023/24 Self-Assessment of the Effectiveness of the system of Internal Audit

The 2023/24 Self-Assessment of the Effectiveness of the system of Internal Audit considers that given:

- There has been no substantive change in the way in which the Internal Audit and Counter Fraud Service meets its objectives since the external review conducted by CIPFA in March 2023.
- The Internal Audit and Counter Fraud Service has completed all recommendations and advisory points issued at the conclusion of that review.

The outcome of this most recent self-assessment is that the Service has continued to fully conform to the Requirements of the PSIAS and LGAN during 2023/24.

Summary of Internal Audit and Counter Fraud Performance

The Head of Audit and Counter Fraud continues to streamline the audit planning and reporting processes. In summary, during 2023/24.

- Forty-nine full opinion reports and action plans have been issued during the year, including one specialist IT Audit report completed by Salford Computer Audit Service. One briefing note and one follow up report have also been issued during the year. The equivalent output figures for 2022/23 were thirty-six full opinion reports and action plans issued, the balance of outputs during 2023/23 being in the form of seven briefing notes and nineteen separate pieces of work in connection with grant assurance.

- The change in the balance of work undertaken year on year reflects a reduction in grant assurance requests; an increased focus on existing risks when allocating audit resources, and improved work planning and scheduling to allow responses to emerging needs to be woven into existing planned work instead of undertaking standalone pieces of work.
- The 2023/24 FFS reviews were again completed to support the year end assurance process.
- Customer feedback obtained for 2023/24, whilst limited, indicates that the team is well regarded and provides a professional service.
- Continued liaison between the Internal Audit and the Counter Fraud teams to capture process and control improvements required to improve internal control and minimise fraud; and further development of the annual audit plan for 2024/25 including pro-active fraud focussed reviews in addition to the traditional reactive/investigatory approach.
- As part of 2024/25 developments, it is planned to deliver further staff training in a range of governance and technical areas.

13 2023/24 Audit and Counter Fraud Performance Targets

In 2023/24, Internal Audit continued to work with the Council's External Auditors and senior managers to maintain and further develop its quality of service by delivering the agreed performance targets as shown in the table below:

2023/24 Performance Target	Outcome
Completion of the annual FFS reviews identified through the audit needs assessment in support of the S151 Officer and the timely delivery of the Council's annual financial statements.	<p>Complete.</p> <p>See summary of FFS review outcomes at Section 6, Table 1 in this report.</p>
Undertaking risk-based audit reviews across the Authority in line with areas highlighted by the Council's risk management processes, the AGS, Corporate and Recovery plans, upcoming developments/horizon scanning and liaison with Senior Officers.	<p>Complete.</p> <p>See summary of work completed and ongoing as reported in the regular Internal Audit Progress Reports to this Committee.</p> <p>As noted previously the Annual Audit Plan 2024/25 highlights clear linkages between the work of the Service and the Council's Corporate Objectives, and the plan is constructed following liaison with Senior Officers as detailed below.</p> <p>The linkages between audit work, audit opinions and the Council's Annual Governance Statement are also discussed elsewhere in this report.</p>
The development of the new Audit Management System in order to ensure reviews are carried out efficiently and properly recorded.	<p>Ongoing.</p> <p>Ongoing developments include utilisation of the system's planning functionality and development of a system generated recommendation tracker reporting function.</p>

<p>Reviewing organisational risks and priorities with the Director of Finance and senior managers within Directorates.</p>	<p>Complete</p> <p>Planning meetings for 2024/25 planning cycle were held with:</p> <ul style="list-style-type: none"> • Deputy Chief Executive. • Deputy Chief Executive (Place) • Director of Finance. • Director of Legal Services. • Director of Adult Social Services. • Director of Children’s Social Services. • Director of Public Health • Director of Economy • Director of Environment • Director of Education Skills and Early Years • MioCare - Associate Director Quality, Performance and Compliance <p>An Annual Audit Planning Cycle briefing was also presented to and discussed at Resources Programme Area Meeting on 1 March 2024.</p>
<p>Implementing further improvements in the process to capture customer service feedback through the new Audit Management System.</p>	<p>Ongoing</p> <p>Issuing of customer feedback questionnaires has been re-launched. Responses are positive but remain limited in number.</p> <p>Actions to take forward to 2024/25:</p> <ul style="list-style-type: none"> • Undertake further awareness raising and promotion among senior officers. • Add to the agenda items to cover in close out meetings with clients. • Review style and content of feedback form.
<p>Further staff development and training in areas beyond fundamental systems reviews.</p>	<p>Complete.</p> <p>Audit staff have undertaken a wide variety of training course during 2024/25, and the section also has one Institute of Internal Auditors Apprentice.</p> <p>Further technical training during 2024/25 is also planned.</p>
<p>Continued close liaison with the Counter Fraud team to improve internal control around, and minimise, fraud.</p>	<p>Complete.</p> <p>The Counter Fraud team continues to support the work of the Internal Audit Team where required.</p>

	<p>The Fighting Fraud and Corruption Locally (FFCL) 2020 – 2025 checklist and subsequent Action Plan reported to the Audit Committee on 26 March 2024 identified areas for further audit review work with an anti-fraud and corruption focus. This work has been taken forward into the 2024/25 Annual Audit Plan.</p>
<p>Provide Internal Control and Counter Fraud training as required to staff across the Council.</p>	<p>Complete.</p> <p>The Internal Audit and Counter Fraud team continues to provide advice, guidance and training as required in all areas examined. Audit recommendations and guidance are issued in all audit reports as required, and both Audit and Counter Fraud staff have, and continue to be, active in providing advice and guidance in respect of emerging requirements and proposed system changes.</p> <p>The Fighting Fraud and Corruption Locally (FFCL) 2020 – 2025 checklist and subsequent Action Plan reported to the Audit Committee on 26 March 2024 identified areas for potential improvements to Council wide communications on anti-fraud and corruption policies, guidance, and training. This will be further developed during 2024/25.</p>

Given that the above performance targets remain relevant in the current year, and there are some action points outstanding, these targets will be rolled forward into 2024/25.

Performance targets will be re-assessed each year to ensure they remain relevant to the both the work of the Service, and to the needs of the Council as a whole.

14 Conclusion

Having undertaken all necessary work and in accordance with all Codes of Practice and guidance, the overall opinion of Oldham Council's HIA is that the overall system of Internal Control in Oldham Council as at 31 March 2024 is Adequate. This provides relevant assurance to Statutory Officers and Members that the systems and controls in place assist the Directorates in meeting their objectives.

**Counter Fraud Team
Comparative Performance Data 2020/21 to 2023/24**

Output Measure	Outcome		
	2021/22	2022/23	2023/24
Counter Fraud Team:			
Corporate Cases - Positive Results	114	114	99
CTR cases amended as a result of an investigation	74	62	88
Fraud & Error Overpayments identified as part of Corporate Cases (£)	£78,052	£153,096	£30,235
HB Fraud & Error Overpayments identified as part of a CTR investigation (£)	£210,978	£95,016	£135,175
CTR Fraud & Error Overpayments identified (£)	£119,448	£63,948	£132,309
Total Financial Outcomes from Counter Fraud	£408,478	£312,060	£297,720
Direct Payment Audit Team:			
Number of DP audits undertaken (Children)	175	252	134
Number of DP audits undertaken (Adults)	1,062	1,231	1,092
Funds requested during Children's PB Audits including Financial Assessment (£)	£148,189	£188,976	£194,236
Funds requested during Adults' PB Audits including Financial Assessment (£)	£2,829,840	£2,865,466	£3,148,266
Total Financial Outcomes from Personal Budget Audit Teams	£2,978,029	£3,054,442	£3,342,502
Total Financial Outcomes from Counter Fraud and Personal Budget Audit Teams	£3,386,507	£3,366,502	£3,640,222

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Report to Audit Committee

Treasury Management Outturn Report 2023/24

Portfolio Holder: Cllr Abdul Jabbar MBE, Cabinet Member for Value for Money & Sustainability

Officer Contact: Sarah Johnston, Director of Finance

Report Author: James Postle, Senior Finance Manager

27 June 2024

Reason for Decision

This report advises the Audit Committee of the performance of the Treasury Management function of the Council for 2023/24 and provides a comparison of performance against the 2023/24 Treasury Management Strategy and Prudential Indicators.

Executive Summary

The Council is required to consider the performance of the Treasury Management function in order to comply with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2021). This outturn report provides an update and includes the new requirement in the 2021 Code, mandatory from 1 April 2023, of quarterly reporting of the treasury management prudential indicators. This report therefore sets out the key Treasury Management issues for Members' information and reviews and outlines:

- An economic update for 2023/24;
- An update of the Council's current treasury management position;
- Council Borrowing;
- Treasury Investment Activity;
- Treasury Performance for 2023/24;
- Treasury Management Prudential Indicators;

The report is presented to the Audit Committee to enable it to have the opportunity to review and scrutinise the outturn Treasury Management report prior to its presentation to Cabinet and Council.

Recommendation

That the Audit Committee, considers and comments upon the Treasury Management Outturn report and the Treasury Management activity and projected outturn and after such consideration, commends the report to Cabinet.

1 Background

- 1.1 The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operation is to ensure this cash flow is adequately planned, with surplus monies being invested with low-risk counterparties, providing adequate liquidity initially before considering optimising investment returns.
- 1.2 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning to ensure the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.
- 1.3 As a consequence, treasury management is defined as:

“The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

2 Current Position

2.1 Requirements of the Treasury Management Code of Practice

- 2.1.1 The Council has adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (Revised 2021) (the CIPFA Code) which requires the Authority to produce a quarterly treasury management update report; a requirement in the 2021 Code which is mandatory from 1 April 2023.
- 2.1.2 The treasury and prudential indicators are also incorporated at Appendix 1 to this report.
- 2.1.3 The Council's treasury management strategy for 2023/24 was approved on 1 March 2023. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the potential loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Authority's Treasury Management Strategy.
- 2.1.4 This Outturn report has been prepared in compliance with CIPFA's Code of Practice, and covers the following:
- An economic update for 2023/24;
 - An update of the Council's current treasury management position;
 - Council Borrowing;
 - Treasury Investment Activity;
 - Treasury Performance for the 2023/24;
 - Treasury Management Prudential Indicators;

2.2 External Environment 2023/24

Economic Background

- 2.4.1 UK inflation continued to decline from the 8.7% rate seen at the start of 2023/24. By the last quarter of the financial year headline consumer price inflation (CPI) had fallen to 3.4% in February but still above the Bank of England's 2% target. The core measure of CPI, i.e. excluding food and energy, also slowed in February to 4.5% from 5.1% in January.
- 2.4.2 The UK economy entered a technical recession in the second half of 2023, as growth rates of -0.1% and -0.3% respectively were recorded for Q3 and Q4. Over the 2023 calendar year GDP growth only expanded by 0.1% compared to 2022. Of the recent monthly data, the Office for National Statistics reported a rebound in activity with economy expanding 0.2% in January 2024. While the economy may somewhat recover in Q1 2024, the data suggests that prior increases in interest rates and higher price levels are depressing growth, which will continue to bear down on inflation throughout 2024.
- 2.4.3 Labour market data provided a mixed message for policymakers. Employment and vacancies declined, and unemployment rose to 4.3% (3mth/year) in July 2023. The same month saw the highest annual growth rate of 8.5% for total pay (i.e. including bonuses) and 7.8% for regular pay growth (i.e. excluding bonuses). Thereafter, unemployment began to decline, falling to 3.9% (3mth/year) in January and pay growth also edged lower to 5.6% for total pay and 6.1% for regular pay, but remained above the Bank of England's forecast.
- 2.4.4 Having begun the financial year at 4.25%, the Bank of England's Monetary Policy Committee (MPC) increased Bank Rate to 5.25% in August 2023 with a 3-way split in the Committee's voting as the UK economy appeared resilient in the face of the dual headwinds of higher inflation and interest rates. Bank Rate was maintained at 5.25% through to March 2024. The vote at the March was 8-1 in favour of maintaining rates at this level, with the single dissenter preferring to cut rates immediately by 0.25%. Although financial markets shifted their interest rate expectations downwards with expectations of a cut in June, the MPC's focus remained on assessing how long interest rates would need to be restrictive in order to control inflation over the medium term.
- 2.4.5 In the Bank's quarterly Monetary Policy Report (MPR) released in August 2023 the near-term projection for services price inflation was revised upwards, goods price inflation widespread across products, indicating stronger domestic inflationary pressure with second-round effects in domestic prices and wages likely taking longer to unwind than they did to emerge. In the February 2024 MPR the Bank's expectations for the UK economy were positive for the first half of 2024, with a recovery from the mild recession in calendar H2 2023 being gradual. Headline CPI was forecast to dip below the 2% target quicker than previously thought due to declining energy prices, these effects would hold inflation slightly above target for much of the forecast horizon.
- 2.4.6 Following this MPC meeting, Arlingclose, the authority's treasury adviser, maintained its central view that 5.25% remains the peak in Bank Rate and that interest rates will most likely start to be cut later in the latter half of 2024. The risks in the short-term are deemed to be to the downside as a rate cut may come sooner than expected, but then more broadly balanced over the medium term.
- 2.4.7 The US Federal Reserve also pushed up rates over the period, reaching a peak range of between 5.25-5.50% in August 2023, where it has stayed since. US policymakers have maintained the relatively dovish stance from the December Federal Open Market Committee meeting and at the meeting in March, economic projections pointed to interest rates being cut by a total of 0.75% in 2024.
- 2.4.8 Following a similarly sharp upward trajectory, the European Central Bank increased rates to historically high levels over period, pushing its main refinancing rate to 4.5% in September

2023, where it has remained. Economic growth in the region remains weak, with a potential recession on the cards, but inflation remains sticky and above the ECB's target, putting pressure on policymakers on how to balance these factors.

Financial Markets

- 2.4.9 Sentiment in financial markets remained uncertain and bond yields continued to be volatile over the year. During the first half of the year, yields rose as interest rates continued to be pushed up in response to rising inflation. From October they started declining again before falling sharply in December as falling inflation and dovish central bank attitudes caused financial markets to expect cuts in interest rates in 2024. When it emerged in January that inflation was stickier than expected and the BoE and the Federal Reserve were data dependent and not inclined to cut rates soon, yields rose once again, ending the period some 50+ bps higher than when it started.
- 2.4.10 Over the financial year, the 10-year UK benchmark gilt yield rose from 3.44% to peak at 4.75% in August, before then dropping to 3.44% in late December 2023 and rising again to 3.92% (28th March 2024). The Sterling Overnight Rate (SONIA) averaged 4.96% over the period to 31st March.

Credit Review

- 2.4.11 In response to an improving outlook for credit markets, in January 2024 Arlingclose moved away from its previous temporary stance of a 35-day maximum duration and increased its advised recommended maximum unsecured duration limit on all banks on its counterparty list to 100 days.
- 2.4.12 Earlier in the period, S&P revised the UK sovereign outlook to stable and upgraded Barclays Bank to A+. Moody's also revised the UK outlook to stable, Handelsbanken's outlook to negative, downgraded five local authorities, and affirmed HSBC's outlook at stable while upgrading its Baseline Credit Assessment. Fitch revised UOB's and BMO's outlooks to stable.
- 2.4.13 In the final quarter of the financial year, Fitch revised the outlook on the UK sovereign rating to stable from negative based on their assessment that the risks to the UK's public finances had decreased since its previous review in October 2022, the time of the mini- budget.
- 2.4.14 Moody's, meanwhile, upgraded the long-term ratings of German lenders Helaba, Bayern LB and LBBW on better solvency and capital positions, despite challenges from a slowing German economy and exposure to the commercial real estate sector.
- 2.4.15 Credit default swap prices began the financial year at elevated levels following the fallout from Silicon Valley Bank and collapse/takeover of other lenders. From then the general trend was one of falling prices and UK lenders' CDS ended the period at similar levels to those seen in early 2023. Earlier in the year some Canadian lenders saw their CDS prices rise due to concerns over a slowing domestic economy and housing market, while some German lenders were impacted by similar economic concerns and exposure to commercial real estate towards the end of the period, with LBBW remaining the most elevated.
- 2.4.16 Heightened market volatility is expected to remain a feature, at least in the near term and, credit default swap levels will be monitored for signs of ongoing credit stress. As ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remain under constant review.

2.3 The Oldham Council Treasury Position

- 2.3.1 On 31 March 2023, the Authority had net borrowing of £91.319m arising from its revenue and capital income and expenditure. This had risen to £144.396m by the end of 2023/24.
- 2.3.2 The actual and planned level of capital expenditure are the drivers of borrowing for capital purposes. Appendix 1 shows the actual level of capital expenditure at the end of 2022/23 and 2023/24. It also shows the financing including the level of prudential borrowing.
- 2.3.3 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while balance sheet resources are the underlying resources available for investment. These factors are summarised in Table 1 below.

Table 1 - Balance Sheet Summary

	31 March 2023	31 March 2024
	£'000	£'000
General Fund CFR	465,723	488,980
Total CFR	465,723	488,980
Less: Other debt liabilities PFI	204,339	193,890
Borrowing CFR	261,384	295,090
External borrowing	160,996	181,110
Internal borrowing	100,388	113,980
Less: Usable Balance Sheet Resources	(154,194)	(132,737)
Less: Working capital	(15,871)	(17,957)
Net Investments	(69,677)	(36,714)

- 2.3.4 Table 1 shows the CFR for 2023/24 is £488,890m, an increase of £23.257m compared to £465.723m at the end of 2022/23, but a slight reduction compared to the CFR of £490.527m approved in the 2024/25 Treasury Management Strategy at the 2024/25 Budget Council meeting. The CFR excluding other debt liabilities relating to Private Finance Initiative schemes is forecast at £295.090m an increase of £33.706m compared to the position at the end of 2022/23.
- 2.3.5 The table clearly highlights that the Council borrowing is well below the CFR and the Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (CFR) has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy has been prudent in recent years as investment returns have been low and counterparty risk is still an issue that needs to be considered. This along with raising interest rates for external debt means that the Council will continue to analyse and assess the market to determine the optimum time to externally borrow.
- 2.3.6 The treasury management position as at 31 March 2024 and the change over the year is shown in Table 2 below.

Table 2 - Treasury Management Summary

Borrowing/Investments	31 March 2023 Balance £'000	Movement £'000	31 March 2024 Balance £'000	31 March 2024 Average Rate %
Long-term borrowing				
- Public Works Loan Board	35,241	-	35,241	2.81%
- Lender Option Borrowing Option	85,500	-	85,500	4.33%
- Other	40,001	-	40,001	4.03%
Short-term borrowing	254	20,114	20,368	6.20%
Total Borrowing	160,996	-	181,110	-
Long-term investments	13,896	(542)	13,354	5.16%
Short-term investments	20,000	(10,000)	10,000	5.28%
Cash and cash equivalents	35,780	(7,220)	13,360	4.95%
Total Investments	69,676	(32,962)	36,714	
Net Borrowing (total borrowing less total investments)	91,319		144,396	

As can be seen in the table above, short term borrowing has increased by 20.114m in the 2023/24 financial year; this borrowing was undertaken in March when cash levels reduced during the latter part of the financial year. Overall, the level of investments have decreased £32.962m since the end of 2022/23 due to the use of cash to fund the capital programme whilst interest rates are high for long term borrowing.

2.4 Borrowing

- 2.4.1 CIPFA's 2021 Prudential Code is clear that Local Authorities must not borrow to invest primarily for financial return and that it is not prudent for Local Authorities to make any investment or spending decision that will increase the capital financing requirement and so may lead to new borrowing, unless directly and primarily related to the functions of the Authority.
- 2.4.2 Public Works Loan Board (PWLB) loans are no longer available to Local Authorities planning to buy investment assets primarily for yield unless these loans are for refinancing purposes.
- 2.4.3 Oldham Council has not invested in assets primarily for financial return or that are not primarily related to the functions of the Council, and it has no plans to do so in future.
- 2.4.4 The chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Authority's long-term plans change being a secondary objective. The Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio.
- 2.4.5 Interest rates have seen substantial rises over the last two years, although these rises have now begun to plateau.
- 2.4.6 Gilt yields fell in late 2023, reaching April 2023 lows in December 2023 before rebounding to an extent in the first three months of 2024. Gilt yields have remained volatile, seeing upward pressure from perceived sticker inflation at times and downward pressure from falling

inflation and a struggling economy at other times.

- 2.4.7 On 31 March, the PWLB certainty rates for maturity loans were 4.74% for 10-year loans, 5.18% for 20-year loans and 5.01% for 50-year loans. Their equivalents on 31st March 2023 were 4.33%, 4.70% and 4.41% respectively.
- 2.4.8 As at 31 March Oldham Council held £181.110m of loans. Short term borrowing was undertaken during the final quarter of the financial year. Outstanding loans on 31 March (borrowing position) are summarised in Table 3 below.

Table 3 - Borrowing Position

Borrowing Sources	31 March 2023 Balance £'000	Movement £'000	31 March 2024 Balance £'000	31 March 2024 Weighted Average Rate %	31 March 2024 Weighted Average Maturity (years)
Public Works Loan Board	35,241	-	35,241	2.81%	17.37
Banks (LOBO)	85,500	-	85,500	4.33%	42.67
Banks (fixed-term)	40,000	-	40,000	4.03%	45.30
Local Authorities (short - term)		20,114	20,114	6.20%	
Local Bonds (long-term)	1	-	1	1.00%	-
Local Bonds (short-term)	22	-	22	0.00%	-
Local Charitable Trusts (short-term)	231	-	231	1.94%	1
Total Borrowing	160,996	-	181,110		

LOBO Loans

- 2.4.10 Oldham Council continues to hold £85.500m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate and terms or to repay the loan at no additional cost.
- 2.4.11 With market interest rates having risen, the probability of LOBOs being called has been higher than in the recent past. A total of £50.500m of LOBO loans had annual/semi-annual call option dates during the year, however no lender exercised their option.
- 2.4.12 Currently Oldham Council has £55.500m LOBO loans with call dates within the next 12 months. Of this sum, £30.500m is held with Dexia Finance over 5 loans, and the remaining £25.500m is 4 separate loans with four other providers, Danske Bank and KA Finanz, FMS Wertmanagement and KBC Bank. At the time of writing no call options have been exercised.
- 2.4.13 Council officers have liaised with treasury management advisors, Arlingclose, over the likelihood of the options being exercised for LOBO's within the loan portfolio. If the option is exercised the Authority plans to repay the loan at no additional cost. If required, the Authority will repay the LOBO loans with available cash or by borrowing from alternative sources or the PWLB, always providing that overall savings can be demonstrated.
- 2.7.1 As the Council is now operating in a higher interest rate environment, there may in the 2024/25 financial year, be opportunities to repay the Council's historical LOBO borrowing. The Council will investigate all opportunities and will ensure any repayments create revenue savings.

2.5 Treasury Investment Activity

- 2.5.10 CIPFA published a revised the Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes on 20 December 2021. These define treasury management investments as investments that arise from the organisation’s cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business.
- 2.5.11 At 31 March the Council held £36,714m invested funds, representing income received in advance of expenditure plus balances and reserves held. During 2023/24, the Authority’s investment balances ranged between £27.548m and £96.259m due to timing differences between income and expenditure. The investment position is shown in Table 4 below.

Table 4 - Treasury Investment Position

Investment Placements	31 March 2023 Balance £'000	Movement £'000	31 March 2024 Balance £'000	31 March 2024 Income Return %
Banks & building societies (unsecured)	10,000	(10,000)	-	4.06%
Government (incl. Local Authorities)	10,000	-	10,000	5.28%
Money Market Funds	35,780	(22,420)	13,360	5.10%
Property Pooled Fund	13,896	(542)	13,354	5.16%
Total investments	69,676	(32,962)	36,714	

- 2.5.3 Both the CIPFA Code and Government guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Authority’s objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
- 2.5.4 As demonstrated by the liability benchmark in this report, the Authority expects to be a long-term borrower and new treasury investments are therefore primarily made to manage day-to-day cash flows using short-term low risk instruments. The existing portfolio of strategic pooled funds will be maintained to diversify risk into different sectors and boost investment income.
- 2.5.5 Bank Rate increased by 1% over the period, from 4.25% at the beginning of April 2023 to 5.25% by the end March 2024. Short term rates peaked at 5.7% for 3-month rates and 6.7% for 12-month rates during the period, although these rates subsequently began to decline towards the end of the period. Money Market Rates also rose and were between 5.28% and 5.29% by the end of March 2024
- 2.5.6 The Council in previous years has invested £15.000m in the Churches, Charities & Local Authorities (CCLA) pooled property fund. As this is a longer-term investment short-term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and long-term price stability. This fund generated an average total return of £0.518m, 5.16% income return.

- 2.5.7 Investor sentiment for UK commercial property remained subdued with caution showed by buyers and sellers. With interest rates and bond yields remaining relatively high and investors demanding higher yields, property prices remained under pressure. The outlook for offices remains challenging from changing working practices. This was evident in the decrease in the capital value of the Councils CCLA property fund by £0.542m in the year to 31 March 2024..
- 2.5.8 The combination of the above had a negative effect on the value of the Council's property funds since March 2023. Income returns have however increased to 5.16% compared to 4.25% at the beginning of the year.
- 2.5.9 The change in the Authority's funds' capital values and income return over the year to 31 March is shown in Table 4.
- 2.5.11 The Council's investments have no defined maturity date, but are available for withdrawal after a notice period, but their performance and continued suitability in meeting the Councils medium- to long-term investment objectives are regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years; but with the confidence that over a three to five-year period total returns will exceed cash interest rates.

Statutory Override

- 2.5.12 In April 2023 the Department for Levelling Up, Housing and Communities published the full outcome of the consultation on the extension of the statutory override on accounting for gains and losses on pooled investment funds. The override has been extended for 2 years until 31 March 2025, but no other changes have been made; whether the override will be extended beyond the new date is unknown but commentary to the consultation outcome suggests not. The Council will discuss with Arlingclose the implications for the investment strategy and what the future implications will be for the investment strategy and what action may need to be taken. Any future Treasury Management Strategies will be revised accordingly.

2.6 Treasury Team Performance

- 2.6.1 The Treasury Team measures the financial performance of its treasury management activities both in terms of its impact on the revenue budget and its relationship to benchmark interest rates, as shown in Table 5 below.

Table 5 – Treasury Team Performance

	Budgeted Performance Rates / Benchmark SONIA Return %	Benchmark SONIA Return % Plus 5%	Actual Return %
Budgeted Annual Investment Rates	4.40%		4.98%
Overnight SONIA	4.96%	5.21%	5.10%

- 2.6.2 The budgeted investment rate of 4.40% above included within the annual strategy for 2023/24 was based on the average rate over the full financial year as expectations were for a number of interest rate rises to take place during 2023/24. The actual rate achieved in the 2023/24 exceeds this budgeted rate.

- 2.6.3 Previously the benchmark return was measured on the London Interbank Bid Rate (LIBID)

which was a forward-looking interest rate. The Bank of England replaced LIBID with SONIA in December 2021. SONIA is calculated differently to LIBID in that it is a backward looking rate, based on actual results. The benchmark of SONIA plus 5% has not been achieved however the actual rate achieved for overnight investments over the year is higher than the average SONIA rate over the period.

2.6.4 The Director of Finance reports that all treasury management activities undertaken during the year complied fully with the principles in the Treasury Management Code and the Council's approved Treasury Management Strategy. Compliance with specific investment limits is demonstrated in Table 6 below.

Consultations

2.6.5 In December DLUHC published two consultations: a "final" consultation on proposed changes to regulations and statutory guidance on MRP closing on 16th February and a "call for views" on capital measures to improve sector stability and efficiency closing on 31st January.

2.6.6 Draft regulations and draft statutory guidance are included in the MRP consultation. The proposals remain broadly the same as those in June 2022 – to limit the scope for authorities to (a) make no MRP on parts of the capital financing requirement (CFR) and (b) to use capital receipts in lieu of a revenue charge for MRP.

2.6.7 In its call for views on capital measures, Government wishes to engage with councils to identify and develop options for the use of capital resources and borrowing to support and encourage 'invest-to-save' activity and to manage budget pressures without seeking exceptional financial support. Whilst Government has identified some options including allowing authorities to capitalise general cost pressures and meet these with capital receipts, there is no commitment to take any of the options forward.

2.6.8 Oldham Council officers have responded to the consultation with it's views and impact any changes will have.

Table 6 - Investment Limits

Investment Limit	Maximum during 2023/24 £'000	Actual Position at 31 December 2023 £'000	Maximum Allowable in 2023/24 £'000	Compliance Yes/No
Any single organisation, except the UK Government	10,000	-	30,000	Yes
Any group of organisations under the same ownership	10,000	-	20,000	Yes
Any group of pooled funds under the same management	13,617	13,354	15,000	Yes
Unsecured investments with building societies	-	-	20,000	Yes
Money Market Funds	71,330	10,040	80,000	Yes
Strategic Pooled Funds	13,617	13,354	15,000	Yes

2.6.8 Compliance with the Operational Boundary and Authorised Limit for external debt is

demonstrated in Table 7 below.

Table 7 – Operational Boundary and Authorised Limit

Borrowing /Limits	Actual Position at 31 March 2024 £'000	2023/24 Operational Boundary £'000	2023/24 Authorised Limit £'000	Compliance Yes/No
Borrowing	180,110	297,500	312,000	Yes
PFI and Finance Leases	193,890	194,750	197,250	Yes
Total Gross Borrowing / Limit	375,000	492,250	509,750	Yes

- 2.6.9 The Operational Boundary represents the expected borrowing position for the Council for the year and was set at £508.500m.
- 2.6.10 The Authorised Limit is the “affordable borrowing limit” required by Section 3 of the Local Government Act 2003 and for 2023/24 was set at £533.500m. Once this has been set, the Council does not have the power to borrow above this level although it can be revised if required.
- 2.6.11 Since the Operational Boundary is a management tool for in-year monitoring it is not significant if the Operational Boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure. No breaches have occurred, and it is not anticipated that there will be any breaches in 2023/24.

2.7 Treasury Management Prudential Indicators

- 2.7.2 As required by the 2021 CIPFA Treasury Management Code, the Authority monitors and measures the following treasury management prudential indicators.

Liability Benchmark

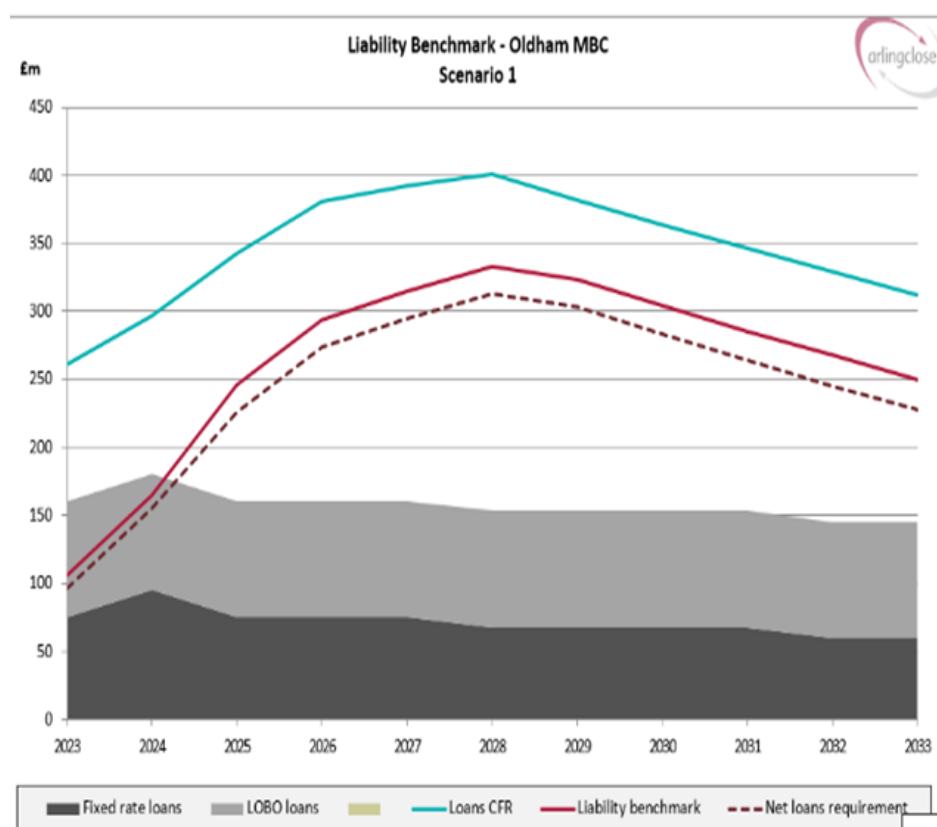
- 2.7.3 This new indicator compares the Authority’s actual existing borrowing against a liability benchmark that has been calculated to show the lowest risk level of borrowing. The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. It represents an estimate of the cumulative amount of external borrowing that the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level of £10.000m, the level required to manage day-to-day cash flow. This is increasing in 24/25 to £20.000m.

Table 8 - Liability Benchmark

Liability Benchmark Measurement	31 March 2023 Actual £'000	31 March 2024 Actual £'000	31 March 2025 Forecast £'000	31 March 2026 Forecast £'000
Loans CFR	261,384	296,775	334,491	371,000
Less: Balance sheet resources	171,168	150,694	105,186	95,186
Net loans requirement	90,216	146,081	229,305	275,814
Plus: Liquidity allowance	10,000	10,000	20,000	20,000
Liability benchmark	100,216	156,081	249,305	295,814
Existing /forecast borrowing	160,996	180,110	229,305	275,814

2.7.4 As demonstrated by the liability benchmark in the table above, the Council expects to be a long-term borrower to finance the expected capital spend. There could be timing differences between when the Council externally borrows compared to when the expenditure is required due to the nature of capital works, but new treasury investments are therefore primarily made to manage day-to-day cash flows using short-term low risk instruments. The existing portfolio of strategic pooled funds will be maintained to diversify risk into different sectors and boost investment income.

2.7.5 Following on from the medium-term forecast above, the long-term liability benchmark assumes capital expenditure funded by borrowing. Minimum Revenue Provision on new capital expenditure is forecast based on a 25 year asset life. This is shown in the chart below together with the maturity profile of the Authority's existing borrowing



2.7.6 Table 9 below sets out the maturity structure of borrowing at the end of 2023/24 compared to the upper and lower limits set in the Treasury Management Strategy for 2023/24.

Table 9 - Maturity Structure of Borrowing

Borrowing Timeframe	Upper Limit	Lower Limit	31 December 2023 Actual	Compliance Yes/No
Under 12 months	40%	0%	38.14%	Yes
12 months and within 24 months	40%	0%	3.44%	Yes
24 months and within 5 years	40%	0%	13.75%	Yes
5 years and within 10 years	40%	0%	3.44%	Yes
10 years to 20 years	50%	0%	3.44%	Yes
20 years to 30 years	50%	0%	3.44%	Yes
30 years to 40 years	50%	0%	3.44%	Yes
40 years to 50 years	50%	0%	3.44%	Yes
50 years to 60 years	50%	0%	30.93%	Yes

2.7.7 Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment. In the case of LOBO loans, the next option date has been used as the measure to determine if it is potentially repayable.

Long-term Treasury Management Investments

2.7.8 The purpose of the Long-Term Treasury Management indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The prudential limits on the long-term treasury management limits are set out in the table below.

Table 10- Limit / Actual Investments exceeding one year

Limit /Actual Investments Exceeding One Year	2023/24	2024/25	2025/26	No fixed date
Limit on principal invested beyond year end	£50m	£50m	£50m	£50m
Actual principal invested beyond year end	£15m	-	-	-
Compliance – Yes/No?	Yes	N/A	N/A	N/A

2.7.8 Long-term investments with no fixed maturity date include strategic pooled funds. For the Council, this is currently the CCLA Property Fund. Long term investments exclude money market funds and bank accounts with no fixed maturity date as these are considered short-term investments.

3 Options/Alternatives

3.1 In order that the Council complies with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management the Audit Committee has no option other than to consider and approve the contents of the report. Therefore, no options/alternatives have been presented.

4 Preferred Option

- 4.1 The preferred option is that the contents of the report are agreed and recommended to Cabinet for approval.
- 5 Consultation**
- 5.1 There has been consultation with the Council's, Treasury Management Advisors, Arlingclose in the production of this report.
- 5.2 The presentation of the Treasury Management Outturn Report to the Audit Committee for detailed scrutiny on 27 June 2024 will be in compliance with the requirements of the CIPFA Code of Practice. The report will then be presented to Cabinet and then subsequently Council for approval.
- 6 Financial Implications**
- 6.1 All included within the report.
- 7 Legal Services Comments**
- 7.1 None.
- 8 Co-operative Agenda**
- 8.1 The Council ensures that any Treasury Management decisions comply as far as possible with the ethos of the Co-operative Council.
- 9 Human Resources Comments**
- 9.1 None.
- 10 Risk Assessments**
- 10.1 There are considerable risks to the security of the Authority's resources if appropriate treasury management strategies and policies are not adopted and followed. The Council has established good practice in relation to treasury management which has previously been acknowledged in both Internal and the External Auditors' reports presented to the Audit Committee.
- 11 IT Implications**
- 11.1 None.
- 12 Property Implications**
- 12.1 None.
- 13 Procurement Implications**
- 13.1 None.
- 14 Environmental and Health & Safety Implications**
- 14.1 None.
- 15 Community cohesion, including crime and disorder in accordance with section 17 of the Crime and Disorder Act 1998**
-

15.1 None.

16 Oldham Equality Impact Assessments, including implications for Children and Young People

16.1 Not Applicable

17 Key Decision

17.1 Yes

18 Key Decision Reference

18.1 **FLC**

19 Background Papers

19.1 The following is a list of the 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 that Act.

File Ref: Background papers are contained with Appendix 1
Officer Name: James Postle

20 Appendix 1 - Prudential and Treasury Indicators

Appendix 1 - Prudential and Treasury Indicators

The following tables shows a summary of the prudential indicators for 2023/24.

Capital Expenditure

Capital Expenditure/Financing	2022/23 £'000	2023/24 £'000
Expenditure		
General Fund services	58,577	81,147
HRA	210	64
Total Capital Expenditure	58,787	81,211
Financing		
Grants & Contributions	(32,411)	(32,621)
Prudential Borrowing	(16,868)	(40,448)
Revenue	(237)	(1,606)
Capital Receipts	(9,271)	(6,538)
Total Financing	(58,787)	(81,211)

Capital Financing Requirement (CFR)

Capital Financing Requirement	31 March 2023 Actual £'000	31 March 2024 Actual £'000
General Fund Services	465,723	488,980
Total CFR	465,723	488,980

Gross Borrowing and the Capital Financing Requirement

Gross Borrowing / CFR	31 March 2023 £'000	31 March 2024 £'000
Gross Borrowing (incl. PFI & leases)	365,335	375,000
Capital Financing Requirement	465,723	488,980

Debt and the Authorised Limit and Operational Boundary

Debt	Debt at 31 March 2024	2023/24 Operational Boundary	2023/24 Authorised Limit	Compliance? Yes/No
	£'000	£'000	£'000	
Borrowing	181,110	297,500	312,500	Yes
PFI and Finance Leases	193,890	194,750	197,250	Yes
Total Debt	354,748	492,250	509,750	

Proportion of Financing Costs to Net Revenue Stream

Financing Cost/Net Revenue Stream	2022/23 £'000	2023/24 £'000
Financing costs (£m)	24,124	19,424
Proportion of net revenue stream	8.81%	6.50%



Oldham
Council

Report to Audit Committee

Draft 2023/24 Annual Statement of Accounts

Portfolio Holder: Councillor Abdul Jabbar MBE – Cabinet Member for Value for Money & Sustainability

Officer Contact: Sarah Johnston – Director of Finance

Report Author: James Postle – Senior Finance Manager

Contact: james.postle@oldham.gov.uk

27 June 2024

Purpose of the Report

To present to the Audit Committee, the draft Statement of Accounts for 2023/24 for consideration.

Executive Summary

The Council's Statement of Accounts for 2023/24 was published on the Council's website on 7th June 2024 along with the Notice of Public Inspection. These can be viewed via the attached link:

https://www.oldham.gov.uk/downloads/file/8015/statement_of_accounts_-_202324

A presentation outlining the key issues as presented in the accounts will be provided to members at the meeting.

Recommendation

That members of the Audit Committee note the Council's draft Statement of Accounts for 2023/24.

Report to Audit Committee

Annual Report of the Audit Committee to Council

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

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

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

27 June 2024

Purpose of Report

CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022, states that:

To discharge its responsibilities effectively, the committee should:

- ***report annually on how the committee has complied with the position statement, discharged its responsibilities, and include an assessment of its performance. The report should be available to the public.***

Attached to this report is the proposed Annual Report of the Audit Committee to be submitted to a future meeting of full Council.

Executive Summary

It is considered good practice for the Audit Committee to submit an annual report to full Council. The attached Appendix 1 details the annual report which it is proposed, subject to comment from this Committee, to present to a future meeting of full Council.

Recommendations

That Members of the Audit Committee comment on the proposed Annual Report and endorse its submission to a future meeting of the Council.

Appendix 1

Report to Council

Annual Report of the Audit Committee to Council

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

Officer Contact: Sarah Johnston, Director of Finance

Report Author: Sarah Johnston, Director of Finance

Reason for Decision

CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022, states that:

To discharge its responsibilities effectively, the committee should:

- ***report annually on how the committee has complied with the position statement, discharged its responsibilities, and include an assessment of its performance. The report should be available to the public.***

The Council's Audit Committee is a key component of this Authority's governance framework. Its function is to provide an independent review and assurance role to support good governance and sound public financial management. This report has been prepared for full Council to advise of the work undertaken by the Committee in the financial year 2023/24 and for Council to note the views of the Committee on internal control.

Executive Summary

To discharge its role, the Audit Committee met on seven separate occasions during the municipal year 2023/24 undertaking the work detailed in this report.

The Committee's annual work programme is built around its responsibilities for corporate governance, internal audit, external audit, risk management, fraud and corruption, Treasury Management, and the review of the annual Statement of Accounts. This report summarises the work undertaken by key programme area for the financial year 2023/24.

This report is to inform Members of the work of the Audit Committee in the previous financial year and to report on the Committee's assessment of its own effectiveness against the CIPFA Position Statement and associated guidance.

Recommendation

That Council accepts the Annual Report of the Audit Committee.

Annual Report of the Audit Committee to Council

1 Background

- 1.1 The Council's Audit Committee is a key component of this Authority's governance framework. Its function is to provide an independent review and assurance role to support good governance and sound public financial management.
- 1.2 The purpose of the Committee is to provide, to those charged with governance, independent assurance on the adequacy of the internal control environment / governance processes, integrity of financial reporting and adequacy of the risk and information management framework.
- 1.3 To discharge its role, the Audit Committee met on seven separate occasions during the municipal year 2023/24 undertaking the work detailed in this report.

2 Work of the Committee during 2023/24 in accordance with the Committee's Terms of Reference

- 2.1 The Committee's work programme was built around its responsibilities for corporate governance, internal audit, external audit, risk management, fraud and corruption, Treasury Management, Information Governance, and the review of the annual Statement of Accounts.
- 2.2 The paragraphs below outline the work undertaken in each of the key areas of responsibility.

Statement of Accounts

- 2.3 The Council produced its draft Statement of Accounts for the financial year 2022/23 for submission to the External Auditor on 31st May 2023. The accounts were considered by the Audit Committee at its meeting on 27 June 2023. Whilst not a statutory requirement for the Audit Committee to review the draft Statement of Accounts it is considered good practice that appropriate scrutiny occurs at this stage. It provides Members with the opportunity to ask detailed questions and seek assurances before the accounts are finalised.
- 2.4 Many local Authorities across the UK are experiencing significant delay in the completion of both their annual financial statements and the associated audit work in connection with those statements. Whilst Oldham submitted its latest 2023/24 annual financial statements to its external auditor one week beyond the deadline, the Council remains in a significantly better position than many others.

Audit Completion Report

- 2.5 At its meeting on 26 March 2024 the Audit Committee considered the Auditor's Annual Report produced by the External Auditor to the Council (Mazars LLP) which set out the draft findings of the audit of the 2022/23 Statement of Accounts. Overall, the findings of the External Auditor continue to be positive, including the value for money judgement, as per previous financial years, reflecting the good practice adopted by Oldham in preparing its accounts and in its stewardship of public funds.

Reserves Policy

- 2.6 Linked into the approval of the Final Accounts and the ongoing financial resilience of the Council, the Audit Committee reviewed the proposed Reserves Policy at its meeting on 27 June 2023. The Audit Committee considered and approved the Reserves Policy.

Annual Governance Statement and Local Code of Corporate Governance

- 2.7 The main purpose of the Annual Governance Statement (AGS) is to provide the necessary assurance that a reliable framework is in place for the financial year that aligns to the Statement of Accounts. A separate report on the Annual Governance Statement for 2022/23 was presented alongside the draft Statement of Accounts at the meeting on 27 June 2023. Throughout the municipal year updates were submitted to the Committee outlining the progress made on the key issues for improvement that had been identified and whether there were further issues to inform the production of the AGS for 2023/24. The Annual Governance Statement complies with the framework set out in the Chartered Institute of Public Finance and Society of Local Authority Chief Executives (CIPFA/SOLACE) guidance. The conclusion supported by the work of the External Auditor was that the statement meets the requirement set out in the CIPFA/SOLACE guidance.
- 2.8 The Committee also reviewed the Local Code of Corporate Governance at its meeting on 8 June 2023. It is considered good practice to review the Code as a minimum every two years.

Partnership Governance

- 2.9 An emerging challenge for all Councils to consider is whether they have appropriate oversight, from a governance perspective, over the partnerships in which they have a financial and operational interest. There have been several matters reported in the public domain which has highlighted that in other public bodies those charged with the provision of this oversight have not fully understood the risk. The Audit Committee therefore considered reports on 8 June 2023 and 5 September 2023 on the wider risks from entities in which the Council has an interest.

Internal Audit and Annual Report of the Chief Internal Auditor

- 2.10 The Internal Audit service was provided in-house during 2023/24 with specialist support from Salford City Council for computer audit. The Committee received regular quarterly updates on Internal Audit and Counter Fraud progress, and an update to the Audit Charter at its meeting on 26 March 2024. At its meeting on 27 June 2023, it reviewed the system of internal audit for the financial year 2022/23 in line with good practice. In accordance with expected professional standards, which requires a review of the Internal Audit Service every five years, CIPFA were commissioned to undertake an External Quality Assurance review which was completed in March 2023. This reviewed whether Internal Audit Practices adopted by the Service in Oldham conformed with the requirements of the Public Sector Internal Audit Standard. The outcome, which was reported in the municipal year 2023/24 was that the Service "Generally Conforms to the Standard". As such the work undertaken by internal audit is in line with best practice as "Generally Conforms to the Standard" is the highest rating.
- 2.11 At the meeting which considered the draft Statement of Accounts on 27 June 2023, the Audit Committee considered the Annual Report of the Head of Audit for 2022/23. This highlighted that the overall control environment was adequate during 2022/23. The report did however highlight the challenges associated with the internal control environment in Social Care and Payroll.

Treasury Management

- 2.12 Recent corporate failings of other local authorities reported in the public domain have identified the importance of appropriate independent scrutiny of Treasury Management which is therefore a key task of the Audit Committee. In line with recently updated best practice the

Audit Committee now receives quarterly, as opposed to half yearly, reports on Treasury Management.

Senior Information Risk Owner (SIRO)/ Information Governance

- 2.13 Another key role in the Governance Framework is the SIRO who considers the Council’s risks in relation to information governance and when information is disclosed, often inadvertently, to an individual who has no right to access that data. This role is undertaken by the Director of Finance who submits a half yearly report to the Audit Committee detailing breaches.

Risk Management

- 2.14 The Audit Committee reviewed the Council’s risk management arrangements during the year. Effective risk management can have a major impact on the successful achievement of the objectives, policies, and strategies of the Authority. In particular, the Audit Committee concentrated on reviewing the Corporate Risk Register.

3 Audit Committee self-assessment and review of its own effectiveness.

- 3.1 CIPFA’s Position Statement: Audit Committees in Local Authorities and Police 2022, contains two self-assessment questionnaires for the Committee to complete each year to assist the Committee in conducting a self-assessment of the Committee’s own effectiveness.
- 3.2 Members of the Committee met with the Head of Internal Audit and Counter Fraud on 6 March 2024 in order to discuss and complete these self-assessment tools, and to develop an action plan to improve the effectiveness of the Committee over the coming municipal year.
- 3.3 The completed questionnaires are reproduced as Annexes 1 and 2 to this report. The outcome of the self-assessment is very positive, with the Committee able to demonstrate high levels of adherence to best practice (Annex 1) and high levels of effectiveness (Annex 2). Areas where potential improvements have been identified are highlighted in yellow, and associated actions to implement improvements are noted in the annexes.
- 3.4 A summary of the actions identified for the Committee to take forward during the year is shown in the table below:

Audit Committee Effectiveness Review 2023/24 – Action Plan for improvement.

No.	Action
1	Explore opportunities to liaise across Greater Manchester with other Local Authority Audit Committee Chairs to share knowledge and experience as required.
2	Review protocol for inviting Officers to appear at Audit Committee.
3	Committee to receive reports for information on results from other assurance providers, e.g. Ofsted, CQC etc.
4	Committee to meet privately with both Internal and External Auditors during 2024/25.
5	Review plain English induction sheet for new Members outlining the role and functions of the Committee based on the Committee’s Terms of Reference.

6	A self-assessment of Member skills and knowledge based on the Committee's Terms of Reference to be circulated and completed and utilised to identify additional Member training and development needs.
7	Update the Committee's Terms of Reference to make explicit, rather than implicit, reference to the Committee's role in reviewing the Council's ethical framework as part of its review work in connection with the Council's wider governance arrangements.
8	Seek feedback from the Cabinet Portfolio Holder and Council following presentation of the Committee's annual report to full Council.

3.5 These actions will be taken forward during 2024/25 and their implementation reviewed as part of the Committee's subsequent annual review process.

4 Options

4.1 There are two options as follows:

- a) Accept the Annual Report of the Audit Committee.
- b) Reject the Annual Report of the Audit Committee and request an alternative style of report.

Preferred Option

Option (a) at 4.1 is the preferred option, that the proposed Annual Report of the Audit Committee is accepted by Council.

5 Consultation

5.1 There has been consultation with the Audit Committee on the preparation of this report.

6 Financial Implications

6.1 There are no specific financial implications arising from this report.

7 Legal Services Comments

7.1 There are no direct legal implications arising from the report.

8 Co-operative Agenda

8.1 The Annual Report of the Audit Committee has been prepared to support the Council in its delivery of the cooperative agenda.

9 Human Resources Comments

9.1 There are no specific human resources implications.

10 Risk Assessments

10.1 The Council is required to prepare an Annual Report on the operation of its Audit Committee. The report does not identify any specific risks to identify to full Council.

11 IT Implications

11.1 There are no specific IT implications.

12 Property Implications

12.1 There are no specific property implications.

13 Procurement Implications

13.1 There are no specific procurement implications.

14 Environmental and Health & Safety Implications

14.1 There are no specific Environmental and Health & Safety Implications.

15 Equality, community cohesion and crime implications

15.1 There is no specific equality, community cohesion and crime implications.

16 Equality Impact Assessment Completed?

16.1 N/A.

17 Key Decision

17.1 No.

18 Key Decision Reference

18.1 N/A

19 Background Papers

19.1 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:

Background papers are shown as the Annexes to this report.

Officer Name: Sarah Johnston
Contact: sarah.johnston@oldham.gov.uk

20 Appendices

Annex 1 - Self-assessment of good practice
Annex 2 - Self -assessment of effectiveness

Annex 1 - Self-assessment of good practice

This annex provides a high-level review that incorporates the key principles set out in CIPFA's Position Statement and this publication. Where an audit committee has a high degree of performance against the good practice principles, it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective audit committee. A regular self-assessment should be used to support the planning of the audit committee work programme and training plans. It will also inform the annual report.

Good practice questions	Does not comply	Partially complies and extent of improvement needed			Fully complies
	Major	Significant	Moderate	Minor	None
Scoring of answers	0	1	2	3	5
Audit committee purpose and governance					
1 Does the authority have a dedicated audit committee that is not combined with other functions (e.g. standards, ethics, scrutiny)?					5
2 Does the audit committee report directly to the governing body (PCC and chief constable/full council/full fire authority, etc)?					5
3 Has the committee maintained its advisory role by not taking on any decision-making powers?					5
4 Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's 2022 Position Statement?					5
5 Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee?					5

6 Does the audit committee escalate issues and concerns promptly to those in governance and leadership roles?					5
7 Does the governing body hold the audit committee to account for its performance at least annually?					5
8 Does the committee publish an annual report in accordance with the 2022 guidance, including:					5
• compliance with the CIPFA Position Statement 2022.					5
• results of the annual evaluation, development work undertaken and planned improvements					5
• how it has fulfilled its terms of reference and the key issues escalated in the year?					5
Functions of the committee					
9 Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement as follows?					
Governance arrangements					5
Risk management arrangements					5
Internal control arrangements, including: • financial management • value for money • ethics and standards • counter fraud and corruption				3	
Annual governance statement					5
Financial reporting					5
Assurance framework					5
Internal audit					5
External audit					5
10 Over the last year, has adequate consideration been given to all core areas?					5
11 Over the last year, has the committee only considered agenda items that align with its core functions or selected wider functions, as set out in the 2022 guidance?					5

12 Has the committee met privately with the external auditors and head of internal audit in the last year?	0				
Membership and support					
13 Has the committee been established in accordance with the 2022 guidance as follows?					
• Separation from executive					5
• A size that is not unwieldy and avoids use of substitutes					5
• Inclusion of lay/co-opted independent members in accordance with legislation or CIPFA's recommendation					5
14 Have all committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled?			2		
15 Has an evaluation of knowledge, skills and the training needs of the chair and committee members been carried out within the last two years?				3	
16 Have regular training and support arrangements been put in place covering the areas set out in the 2022 guidance?					5
17 Across the committee membership, is there a satisfactory level of knowledge, as set out in the 2022 guidance?			2		
18 Is adequate secretariat and administrative support provided to the committee?					5
19 Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?					5
Effectiveness of the committee					
20 Has the committee obtained positive feedback on its performance from those				3	

interacting with the committee or relying on its work?					
21 Are meetings well chaired, ensuring key agenda items are addressed with a focus on improvement?					5
22 Are meetings effective with a good level of discussion and engagement from all the members?				3	
23 Has the committee maintained a non-political approach to discussions throughout?					5
24 Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?					5
25 Does the committee make recommendations for the improvement of governance, risk and control arrangements?					5
26 Do audit committee recommendations have traction with those in leadership roles?					5
27 Has the committee evaluated whether and how it is adding value to the organisation?					5
28 Does the committee have an action plan to improve any areas of weakness?					5
29 Has this assessment been undertaken collaboratively with the audit committee members?					5
Sub totals	0	0	4	12	170

Total score is 186 out of a maximum of 200, with 7 areas of potential development identified. The proposed actions to address these areas where less than full compliance has been identified are shown in the table below:

Question	Level of Compliance	Proposed action to reach full compliance
<p>9 Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement as follows?</p> <ul style="list-style-type: none"> • ethics and standards 	3	<p>Action – Update the Committee's Terms of Reference to make explicit, rather than implicit, reference to the Committee's role in reviewing the Council's ethical framework as part of its review work in connection with the Council's wider governance arrangements.</p>
<p>12 Has the committee met privately with the external auditors and head of internal audit in the last year?</p>	0	<p>Action – Committee to meet privately with both Internal and External Auditors during 2024/25.</p>
<p>14 Have all committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled?</p>	2	<p>Committee Membership is not based solely on skills and knowledge, political balance of the Committee is a consideration.</p> <p>Action – Develop a short, plain English induction sheet outlining the role and functions of the Committee based on the Committee's Terms of Reference.</p>
<p>15 Has an evaluation of knowledge, skills and the training needs of the chair and committee members been carried out within the last two years?</p>	3	<p>Action – A self-assessment of Member skills and knowledge based on the Committee's Terms of Reference to be circulated and completed and utilised to identify additional Member training and development needs.</p>
<p>17 Across the committee membership, is there a satisfactory level of knowledge, as set out in the 2022 guidance?</p>	2	<p>See Action above.</p>
<p>20 Has the committee obtained positive feedback on its performance from those interacting with the committee or relying on its work?</p>	3	<p>Action – Committee to seek feedback from the Cabinet Portfolio Holder and Council following presentation of annual report to full Council.</p>
<p>22 Are meetings effective with a good level of discussion and engagement from all the members?</p>	3	<p>No proposed action – Member comments and questions on all aspects of Committee business are actively sought and welcomed at each meeting and levels of engagement have been good throughout 2023/24. Inevitably some Members contribute more frequently than others.</p>

Annex 2 – Self evaluation of effectiveness

AREAS WHERE THE AUDIT COMMITTEE CAN HAVE IMPACT BY SUPPORTING IMPROVEMENT	EXAMPLES OF HOW THE AUDIT COMMITTEE CAN DEMONSTRATE ITS IMPACT	SELF-EVALUATION BY OLDHAM COUNCIL'S AUDIT COMMITTEE AS TO HOW THE COMMITTEE DEMONSTRATES ITS IMPACT	KEY INDICATORS OF EFFECTIVE ARRANGEMENTS	SELF-EVALUATION BY OLDHAM COUNCIL AUDIT COMMITTEE OF IT'S STRENGTHS, WEAKNESSES AND PROPOSED ACTIONS
<p>PROMOTING THE PRINCIPLES OF GOOD GOVERNANCE AND THEIR APPLICATION TO DECISION MAKING.</p>	<ul style="list-style-type: none"> Supporting the development of a local code of governance. Providing a robust review of the AGS and the assurances underpinning it. Supporting reviews/audits of governance arrangements. Participating in self-assessments of governance arrangements. Working with partner audit committees to review governance arrangements in partnerships. 	<ul style="list-style-type: none"> The Council has a Local Code of Corporate Governance presented to the Audit Committee in June 2024. The AGS and in-year updates are regularly reported to the Audit Committee. Annual Audit Plan 2024/25 contains reviews of Risk Management and Standards of Conduct, Corporate Performance management, the and the Corporate Risk Register. Review of the compilation of the AGS is also planned for 2024/25. The Council's ongoing self-assessment of it's Partnership Governance arrangements has previously been reported to the Committee. The Committee has received reports during 2023/24 on both FPRs and CPRs The Head of Audit and Counter Fraud sits on Miocare Finance Audit and Resources Committee. Action - Chair to liaise across GM to share knowledge and experience as required. 	<ul style="list-style-type: none"> Elected members, the leadership team and senior managers all share a good understanding of governance, including the key principles and local arrangements. Local arrangements for governance have been clearly set out in an up-to-date local code. The authority's scrutiny arrangements are forward looking and constructive. Appropriate governance arrangements established for all collaborations and arm's-length arrangements. The head of internal audit's annual opinion on governance is satisfactory (or similar wording). 	<ul style="list-style-type: none"> Structures are generally sound. One weakness with Audit Committees generally is the length of tenure linked to electoral cycle. The Council has a Local Code of Corporate Governance last presented in June 2024. The Council's Scrutiny Committees have recently been restructured. Also, from the recent peer review, Action 8. Build on early progress to improve Overview and Scrutiny: <ul style="list-style-type: none"> Undertake review of capacity and structure of Constitutional Services to best support Overview and Scrutiny (March/April 2024) Review Overview and Scrutiny elements of member training programme (March 2024) Develop forward plan of Scrutiny items ahead of new municipal year (May 2024) The Partnership Dashboard Report and reports on specific partnership risk areas (e.g. Northern Roots) have been reported to Audit Committee during 2023/24. Annual CAE opinion reported in June 2024 is Adequate.

<p>CONTRIBUTING TO THE DEVELOPMENT OF AN EFFECTIVE CONTROL ENVIRONMENT.</p>	<ul style="list-style-type: none"> • Encouraging ownership of the internal control framework by appropriate managers. • Actively monitoring the implementation of recommendations from auditors. • Raising significant concerns over controls with appropriate senior managers. 	<ul style="list-style-type: none"> • DASS and HR Employment Services Manager have both addressed the Audit Committee during the year in relation to audit review findings. • Recommendation tracker has been added to the regular Internal Audit and Counter fraud progress report. • DASS and HR Employment Services Manager have both addressed the Audit Committee during the year in relation to inadequate opinions on audit reviews. 	<ul style="list-style-type: none"> • The head of internal audit's annual opinion over internal control is that arrangements are satisfactory. • Assessments against control frameworks such as CIPFA's FM Code have been completed and a high level of compliance identified. • Control frameworks are in place and operating effectively for key control areas – for example, information security or procurement. 	<ul style="list-style-type: none"> • Annual CAE opinion of Internal Control published in June 2024 is Adequate. • Assessment against FM code completed by CFO and presented to Audit Committee January 2022 and September 2023. A high level of compliance was identified. • Control frameworks are in place and operating effectively for key control areas. Where these are not currently in place the Council is working towards addressing these areas, as evidenced by the recommendation tracker and DASS and HR Employment Services Manager appearances at Audit Committee. • Action - Review protocol for inviting Officers to appear at Audit Committee.
<p>SUPPORTING THE ESTABLISHMENT OF ARRANGEMENTS FOR THE GOVERNANCE OF RISK AND FOR EFFECTIVE ARRANGEMENTS TO MANAGE RISKS.</p>	<ul style="list-style-type: none"> • Reviewing risk management arrangements and their effectiveness, e.g. risk management maturity or benchmarking. • Monitoring improvements to risk management. • Reviewing accountability of risk owners for major/strategic risks. 	<ul style="list-style-type: none"> • The Corporate Business Planning Process supports the production of the Corporate Risk Register. The Corporate Risk Register is reported regularly to the Audit Committee. 	<ul style="list-style-type: none"> • A robust process for managing risk is evidenced by independent assurance from internal audit or external review. 	<ul style="list-style-type: none"> • IA Review of Corporate Risk register is currently underway, and results will be reported to Committee in due course.

<p>ADVISING ON THE ADEQUACY OF THE ASSURANCE FRAMEWORK AND CONSIDERING WHETHER ASSURANCE IS DEPLOYED EFFICIENTLY AND EFFECTIVELY.</p>	<ul style="list-style-type: none"> • Reviewing the adequacy of the leadership team's assurance framework. • Specifying the committee's assurance needs, identifying gaps or overlaps in assurance. • Seeking to streamline assurance gathering and reporting. • Reviewing the effectiveness of assurance providers, e.g. internal audit, risk management, external audit. 	<ul style="list-style-type: none"> • During the 2023/24 The Audit Committee has received reports on the following elements of the Council's assurance framework: the AGS, the Local Code of Corporate Governance, The Annual Report and Opinion, and regular reports on Partnership Governance and Risks. • The Committee has identified its own assurance needs and gaps in assurance and requested a specific report on Northern Roots governance issues and other partnerships. • The Chair of the Committee has recently met with Scrutiny Committee Members to discuss and agree reporting arrangements in respect of the Towns Fund funded projects. • The Committee receives regular reports from both internal and external audit on progress throughout the year. It also receives the annual report and opinion from the CAE and the external Auditors audit completion report. • FRC Audit Quality and Inspection Report 2022/23 for Mazars LLP found an improvement in the quality rating from the previous year with no audits reviewed requiring significant improvement. 	<ul style="list-style-type: none"> • The authority's leadership team have defined an appropriate framework of assurance, including core arrangements, major service areas and collaborations and external bodies. 	<ul style="list-style-type: none"> • During the 2023/24 The Audit Committee has received reports on the following elements of the Council's assurance framework: the AGS, the Local Code of Corporate Governance, The Annual Report and Opinion, and regular reports on Partnership Governance Risks. • Action – Committee to receive reports on results from other assurance providers, e.g. Ofsted, CQC etc.
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		<ul style="list-style-type: none"> The Committee receives an annual review of the system of Internal Audit. In March 2023 an External Quality Assessment was conducted by CIPFA and the results reported to the Committee. 		
<p>SUPPORTING EFFECTIVE EXTERNAL AUDIT, WITH A FOCUS ON HIGH QUALITY AND TIMELY AUDIT WORK.</p>	<ul style="list-style-type: none"> Reviewing and supporting external audit arrangements with focus on independence and quality. Providing good engagement on external audit plans and reports. Supporting the implementation of audit recommendations. 	<ul style="list-style-type: none"> FRC Audit Quality and Inspection Report 2022/23 for Mazars LLP found an improvement in the quality rating from the previous year with no audits reviewed requiring significant improvement. Liaison is good, though the Committee did not meet privately with the External Auditor during 2023/24. External Auditor attends all Audit Committee meetings and provides a regular update and opinion reports to the Committee on their work. 	<ul style="list-style-type: none"> The quality of liaison between external audit and the authority is satisfactory. The auditors deliver in accordance with their audit plan, and any amendments are well explained. An audit of high quality is delivered. 	<ul style="list-style-type: none"> Liaison is good, though the Committee did not meet privately with the External Auditor during 2023/24. The External Auditor did not deliver in line with their external audit plan for 2020/21, 2021/22 due to a number of national and local factors outside the control of the local audit team. Accounts for 2022/23 signed off during March 2024, with a return to normal timescales expected from 2023/24 onwards. FRC Audit Quality and Inspection Report 2022/23 for Mazars LLP found an improvement in the quality rating from the previous year with no audits reviewed requiring significant improvement. Action – Committee to meet privately with the External Auditor going forward.

<p>SUPPORTING THE QUALITY OF THE INTERNAL AUDIT ACTIVITY, IN PARTICULAR UNDERPINNING ITS ORGANISATIONAL INDEPENDENCE.</p>	<ul style="list-style-type: none"> • Reviewing the audit charter and functional reporting arrangements. • Assessing the effectiveness of internal audit arrangements, providing constructive challenge and supporting improvements. • Actively supporting the quality assurance and improvement programme of internal audit. 	<ul style="list-style-type: none"> • The Audit Committee reviews the Audit Charter, including reporting arrangements, annually. • The Committee receives an annual review of the system of Internal Audit. In March 2023 an External Quality Assessment was conducted by CIPFA which found the service to conform to the PSIAS standards in all areas, including independence and objectivity. 	<ul style="list-style-type: none"> • Internal audit that is in conformance with PSIAS and LGAN (as evidenced by the most recent external assessment and an annual self-assessment). • The head of internal audit and the organisation operate in accordance with the principles of the CIPFA Statement on the Role of the Head of Internal Audit (2019). 	<ul style="list-style-type: none"> • The Committee receives an annual review of the system of Internal Audit. In March 2023 an External Quality Assessment was conducted by CIPFA which found the service to conform to the PSIAS standards in all areas, including independence and objectivity. • The organisation and HIA operate in accordance with the CIPFA statement.
<p>AIDING THE ACHIEVEMENT OF THE AUTHORITY'S GOALS AND OBJECTIVES BY HELPING TO ENSURE APPROPRIATE GOVERNANCE, RISK, CONTROL AND ASSURANCE ARRANGEMENTS.</p>	<ul style="list-style-type: none"> • Reviewing how the governance arrangements support the achievement of sustainable outcomes. • Reviewing major projects and programmes to ensure that governance and assurance arrangements are in place. • Reviewing the effectiveness of performance management arrangements. 	<ul style="list-style-type: none"> • During 2023/24 the Audit Committee has received reports on the following elements of the Council's assurance framework: the AGS, the Local Code of Corporate Governance, The Annual Report and Opinion, and regular reports on Partnership Governance and Risks, including a report on the governance arrangements in respect of the Northern Roots partnership. • IA Review of Corporate Performance Reporting planned to report during 2024/25. 	<ul style="list-style-type: none"> • Inspection reports indicate that arrangements are appropriate to support the achievement of service objectives. • The authority's arrangements to review and assess performance are satisfactory. 	<ul style="list-style-type: none"> • During the 2023/24 The Audit Committee has received reports on the following elements of the Council's assurance framework: the AGS, the Local Code of Corporate Governance, The Annual Report and Opinion, and regular reports on Partnership Governance Risks. • IA Review of Corporate Performance Reporting planned to report in 2024/25.

<p>SUPPORTING THE DEVELOPMENT OF ROBUST ARRANGEMENTS FOR ENSURING VALUE FOR MONEY.</p>	<ul style="list-style-type: none"> • Ensuring that assurance on value-for-money arrangements is included in the assurances received by the audit committee. • Considering how performance in value for money is evaluated as part of the AGS. • Following up issues raised by external audit in their value-for-money work. 	<ul style="list-style-type: none"> • External Audit reports on VFM assessment to the Audit Committee. • AGS and updates are regularly reported to the Audit Committee. IA Review of the compilation of the AGS planned for 2024/25. • VFM assessments have been as follows from Mazars: <ul style="list-style-type: none"> • 2020/21 – “There are no significant weaknesses to report.” • 2021/22 – “work on the Council’s arrangements to deliver value for money We received the Council’s updated self assessment of its arrangements in late November. We are completing our fieldwork on the Council’s arrangements for the 2021/22 financial year, and intend to report the findings from our work on the Council’s value for money arrangement in our final Audit Completion Report. There are no matters arising from the fieldwork completed to date to report to the Committee.” • 2022/23 – “Based on the above considerations we are satisfied there is not a significant weakness in the Council’s arrangements in 	<ul style="list-style-type: none"> • External audit’s assessments of arrangements to support best value are satisfactory. 	<ul style="list-style-type: none"> • VFM assessments have been as follows from Mazars: <ul style="list-style-type: none"> • 2020/21 – “There are no significant weaknesses to report.” • 2021/22 – “work on the Council’s arrangements to deliver value for money We received the Council’s updated self assessment of its arrangements in late November. We are completing our fieldwork on the Council’s arrangements for the 2021/22 financial year, and intend to report the findings from our work on the Council’s value for money arrangement in our final Audit Completion Report. There are no matters arising from the fieldwork completed to date to report to the Committee.” • 2022/23 – “Based on the above considerations we are satisfied there is not a significant weakness in the Council’s arrangements in relation to financial sustainability/governance/ improving economy, efficiency and effectiveness.
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		<p>relation to financial sustainability/governance/ improving economy, efficiency and effectiveness.</p>		
<p>HELPING THE AUTHORITY TO IMPLEMENT THE VALUES OF GOOD GOVERNANCE, INCLUDING EFFECTIVE ARRANGEMENTS FOR COUNTERING FRAUD AND CORRUPTION RISKS.</p>	<ul style="list-style-type: none"> • Reviewing arrangements against the standards set out in the <i>Code of Practice on Managing the Risk of Fraud and Corruption</i> (CIPFA, 2014). • Reviewing fraud risks and the effectiveness of the organisation's strategy to address those risks. • Assessing the effectiveness of ethical governance arrangements for both staff and governors. 	<ul style="list-style-type: none"> • The Council's Counter Fraud, Anti-Bribery Strategy and Counter Fraud Response Plan is presented to the Audit Committee each year and is written in line with the CIPFA Code. • The Council's Fraud and Loss risk Assessment and the Council's self-assessment of it's performance against the FFCL 2020-25 Checklist are reported to The Audit Committee each year. The Annual Audit Plan is constructed with the results the FFCL self-assessment in mind. • IA Review of Standards of Conduct planned to report during 2024/25. 	<ul style="list-style-type: none"> • Good ethical standards are maintained by both elected representatives and officers. This is evidenced by robust assurance over culture, ethics and counter fraud arrangements. 	<ul style="list-style-type: none"> • IA Review of Standards of Conduct planned to report during 2024/25. • Recruitment review planned to report during 2024/25 as a result of FFCL 2020-25 self-assessment. • Other actions from FFCL 2020-25 self-assessment include: <ul style="list-style-type: none"> • Explore options for inclusion of a separate fraud and corruption risk register in the Council's Corporate risk management framework. • Explore opportunities to publicise the Counter Fraud, Anti-Bribery Strategy and Counter Fraud Response Plan more widely across the Authority. • Examine current communications policy in this area. • Conduct a staff survey in connection with whistleblowing.

<p>PROMOTING EFFECTIVE PUBLIC REPORTING TO THE AUTHORITY'S STAKEHOLDERS AND LOCAL COMMUNITY AND MEASURES TO IMPROVE TRANSPARENCY AND ACCOUNTABILITY.</p>	<ul style="list-style-type: none"> • Working with key members/the PCC and chief constable to improve their understanding of the AGS and their contribution to it. • Improving how the authority discharges its responsibilities for public reporting – for example, better targeting the audience and use of plain English. • Reviewing whether decision making through partnership organisations remains transparent and publicly accessible and encourages greater transparency. • Publishing an annual report from the committee. 	<ul style="list-style-type: none"> • All Committee reports to Audit Committee are reviewed by the Cabinet Member for Finance and Corporate resources, and the AGS itself is signed by both the Leader and CEX. • In respect of improving how the Authority discharges its responsibilities for public reporting, Members have questioned the need for inclusion of the AGS update and Corporate Risk reports in the private part of the Committee's agendas. • The Committee receives regular reports on the risks posed other Council by Partnership arrangements with 3rd parties, and will receive further reports on these arrangements going forward. • The Committee publishes an annual report to full Council on its work for the year. 	<ul style="list-style-type: none"> • The authority meets the statutory deadlines for financial reporting with accounts for audit of an appropriate quality. • The external auditor completed the audit of the financial statements with minimal adjustments and an unqualified opinion. • The authority has published its financial statements and AGS in accordance with statutory guidelines. • The AGS is underpinned by a robust evaluation and is an accurate assessment of the adequacy of governance arrangements. 	<ul style="list-style-type: none"> • Yes, the authority meets the statutory deadlines for financial reporting with accounts for audit of an appropriate quality. • The External Auditor has completed the audit of the financial statements with an unqualified opinion and minimal adjustments with the recent exceptions of National and local issues around valuation of fixed assets and the Greater Manchester Pension Fund actuarial valuation – both beyond the control of either the Council or the External Auditor. • The authority has published its 2023/24 financial statements and AGS one week after statutory guidelines which, while not ideal, in the current climate remains significantly ahead of many Local Authorities in the closure and auditing of many previous years' financial statements. • An IA review of the compilation of the AGS is planned to report in 2024/25.
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Report to Audit Committee

Proposed Audit Committee Work Programme for 2024/25

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

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

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

27 June 2024

Purpose of Report

Attached to this report is the proposed Audit Committee Work Programme for the year ahead, 2024/25.

Executive Summary

The proposed Audit Committee Work Programme is subject to regular review by the Committee. Attached at Appendix 1 is the suggested programme of work going forward.

The report will be presented by the Head of Internal Audit and Counter Fraud.

Recommendations

That Members of the Audit Committee endorse the proposed Audit Committee Work Programme.

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Audit Committee Work Programme for the 2024/25 Municipal Year

Appendix 1

2024/25		
Meeting Date & Venue	Agenda Item	Summary of Report Issue
Thursday 27 June 2024 at 6.00 pm	Update from the Council's External Auditors.	A verbal update from the Council's External Auditors, Mazars, on progress on their audit of the Council's 2023/24 Annual Financial Statements.
	Local Code of Corporate Governance.	This is an update to the previously agreed Local Code of Corporate Governance.
	Internal Audit and Counter Fraud Progress Report Q4 2023/24	An update report on the progress made by the Internal Audit Service.
	Proposed Audit Committee Work Programme for 2024/25	This report detailing the proposed work programme for 2023/24 including actions required to support the approval of the Statement of Final Accounts which are not yet closed.
	2023/24 Annual Audit and Opinion Report to Audit Committee	This is the Annual Report of the Chief Internal Auditor on the overall Internal Control Environment of the Council for the financial year 2023/24.
	Draft 2023/24 Annual Statement of Accounts	This is the report to the Audit Committee on the draft Statement of Accounts which also details the outturn for the financial year 2023/24.
	Treasury Management Review 2023/24	The annual review of Treasury Management for 2023/24 by the Audit Committee.
	Self-Assessment of the work undertaken by the Audit Committee during 2023/24, and Annual Report to Council.	The outcome of the workshop for Members held on 6 th March 2023 to undertake their assessment of the Committee's effectiveness during the year 2023/24 and draft Annual Report to full Council on the work of the Committee for the year including the Committee's action plan for self-development.
	Private Report; Update on the Corporate Risk Register	A report on the Corporate Risk Register to 31 March 2024.

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Thursday 25 July 2024, 6.00pm.	Draft Audit Strategy Memorandum	A Draft Audit Strategy Memorandum produced by the External Auditor for their audit of the Council's 2023/24 Annual Financial Statements.
	Audit Committee Chair – Charged with Governance, Management Processes and Arrangements.	The draft response of the Audit Committee Chair to provide key assurances to support the Audit Process which are then discussed by the Committee.
	Director of Finance – Charged with Governance, Management Processes and Arrangements.	The draft response of the Director of Finance to provide key assurances to support the Audit Process which are then discussed by the Committee.
	Treasury Management Update Quarter 1 Monitoring Report	A report outlining Treasury Management activity in Quarter 1 of 2024/25.
	Internal Audit and Counter Fraud Progress Report Q1 2024/25	An update report on the progress made by the Internal Audit Service.
	Partnership Dashboard	An update on the Council's governance arrangements associated with its major partnerships.
	Private Report; Update on the Corporate Risk Register	A report on the Corporate Risk Register to 30 June 2024.
	Private Report; Senior Information Risk Owner update	This updates the Audit Committee on the key matters relating to data protection and information security breaches to 30 June 2024.
Thursday 28 November 2024, 6.00 pm	Update on External Audit Matters	An update produced by the External Auditor of issues to be brought to the attention of this Committee.
	Audit Completion Report	This report details the Audit Completion report on completion of the audit.

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	2023/24 Statement of Final Accounts	This report provides an update on the 2023/24 draft Statement of Accounts and associated issues arising from the external audit.	
	Treasury Management Mid-Year Review 2024/25	The planned scrutiny of the 2024/25 Treasury Management Mid-Year review before submission to Cabinet.	
	Proposed Audit Committee Work Programme for 2023/24	This report detailing the proposed work programme for 2023/24 including actions required to support the approval of the 2023/24 Statement of Accounts.	
	Private Report; Update on the Annual Governance Statement for 2023/24 and new issues for 2024/25.	This updates the Audit Committee on key matters included within the Annual Governance Statement.	
Page 115	Thursday 30 January 2025, 6.00pm	External Audit Progress Report	An update produced by the External Auditor of issues to be brought to the attention of this Committee.
		External Audit of Teachers' Pensions Agency Return 2022/23	This report considers the feedback following the external audit of the Teachers' Pension Agency return.
		Treasury Management Strategy Statement 2025/26	This report sets out the proposed Treasury Management Strategy for 2025/26 to support the Corporate Objectives of the Council.
		Q3 Treasury Management Update	A report outlining Treasury Management activity in Quarter 3 of 2024/25.
		Internal Audit Progress Report 2023/24 Q3 2024/25	This is the routine report on the progress made against the agreed audit and counter fraud plan.
		Updated Audit Committee Work Programme for 2024/25.	A report detailing the proposed work programme for 2024/25.
		Private Report; Update on the Corporate Risk Register	A report on the Corporate Risk Register to 30 December 2024.

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	Private Report; Senior Information Risk Owner update	This updates the Audit Committee on the key matters relating to data protection and information security breaches to 30 December 2024.
Thursday 27 March 2025, 6.00pm	External Audit Progress Report	An update produced by the External Auditor of issues to be brought to the attention of this Committee.
	2024/25 Final Accounts – Proposed Accounting Policies and Critical Judgements	In line with best practice, approval is sought for the significant accounting policies and critical judgements to be adopted in preparation for the completion of the 2024/25 Statement of Accounts.
	Housing Benefit Subsidy Audit 2023/24	This report considers the feedback on the external audit of the Housing Benefit Subsidy Grant claim.
	Internal Audit Charter 2025/26	An updated Internal Audit Charter for the financial year 2025/26.
	2025/26 Internal Audit and Counter Fraud Plan	The proposed plan of work for the financial year 2025/26 to enable review by the Committee.
	Audit Committee Work Programme for 2024/25 and a proposed programme for the future financial year – 2025/26.	A report detailing the 2024/25 work programme and proposed work programme for 2025/26.
	2025/26 Internal Audit and Counter Fraud Plan	The proposed plan of work for the financial year 2025/26 to enable review by the Committee.
	Private Report; Update on the Corporate Risk Register	An update on the Corporate Risk Register as of 31 December 2024 to include issues during the period to March 2025.

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