

Report to Audit Committee

2018/19 Annual Report to Audit Committee

Portfolio Holder: Cllr Abdul Jabbar MBE, Deputy Leader and Cabinet Member for Finance and Corporate Services

Officer Contact: Anne Ryans - Director of Finance

Report Author: Mark Stenson – Head of Corporate Governance

Ext. 4783

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Reason for Decision

To provide Members with the Annual Report for 2018/19 presented by the Head of Corporate Governance and report back to the Audit Committee on the matters required by International Auditing Standards, and the 2013 UK Public Sector Internal Audit Standards (Revised 2017).

Executive Summary

At selected meetings of this Audit Committee the Head of Corporate Governance reports on the Internal Control Environment in place within a number of Directorates, arising from the Internal Audit work undertaken. It is proposed to continue this process in 2019/20 and to keep this Annual Report as a summary to this Committee. This report is supported by the following Appendices:

- **Appendix 1:** Annual Report and Head of Corporate Governance Opinion of the System of Internal Control for the year ended 31 March 2019, to assist the Committee's review of the 2018/19 Annual Governance Statement (AGS) and to assist with the future review of the Statement of Final Accounts.
- **Appendix 2:** Internal Audit and Counter Fraud: 2018/19 Final Reports and other Outputs.
- **Appendix 3:** Internal Audit and Counter Fraud Team Key Performance Indicators (KPIs): 2018/19 Achievements and 2019/20 Targets.

The 2018/19 AGS is reported elsewhere on this agenda and it identifies eight significant issues for the Council to mitigate risks during 2019/20. This report supports the progress made against the issues raised in the 2017/18 AGS and demonstrates continued overall improvement in control and financial administration across the Council during 2018/19.

Recommendations

Members are requested to note the Annual Report presented by the Head of Corporate Governance and the continued developments in overall internal control and financial administration across the Council.

2018/19 Annual Report to the Audit Committee

1. Background

- 1.1 Members of this Committee agreed the 2018/19 Audit and Counter Fraud Plan at its meeting on 19 March 2018. Progress against the agreed plan has been reported regularly during the year to the Audit Committee, as part of regular Internal Audit and Counter Fraud Progress Reports.
- 1.2 This report summarises the work carried out in 2018/19 and the Annual Report and Head of Corporate Governance Opinion on the System of Internal Control for the year ended 31 March 2019. The Annual Opinion reflects the full range of Audit and Counter Fraud activity.

2. Audit Opinion

- 2.1 The Public Sector Internal Audit Standards (PSIAS) came into effect on 1 April 2013 and these Standards replaced the 2006 Code of Practice. Therefore, from 2013/14, the Head of Internal Audit has provided an Annual Report in accordance with the PSIAS to support the production of the Annual Governance Statement.
- 2.2 The overall opinion of the Head of Corporate Governance for 2018/19 and its professional framework is set out at **Appendix 1**.

3. Options/Alternatives

- 3.1 The Audit Committee can either choose to accept and note the Annual Report or not to do so. There are no other alternatives.

4. Preferred Option

- 4.1 The preferred option is that the Audit Committee accepts and notes the Annual Report.

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 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
Officer Name: Jane Whyatt
Contact No: 4773

20. **Appendices**

20.1 The following Appendices are available to support this Report:

- **Appendix 1:** Annual Report and Head of Corporate Governance Opinion of the System of Internal Control for the year ended 31 March 2019; to assist the Committee's review of the 2018/19 Annual Governance.
- **Appendix 2:** Internal Audit and Counter Fraud: 2018/19 Final Reports and other Outputs.

Appendix 3: Internal Audit and Counter Fraud Team: Key Performance Indicators (KPIs):
2018/19 Achievements and 2019/20 Targets.

Audit and Counter Fraud Team

**Annual Report and Head of Corporate Governance
Opinion on the System of Internal Control for the year
ended 31 March 2019**

6 June 2019

Annual Report and Head of Corporate Governance Opinion on the System of Internal Control for the year ended 31 March 2019

1. Introduction

1.1 Background

The Internal Audit and Counter Fraud Plan for 2018/19 was developed based on an assessment of risks contained in the Corporate and the Business Plan Risk Registers. The work aims to provide assurance to the Deputy Chief Executives and Strategic Directors on systems and controls in place that assist the Directorates in meeting their objectives.

The work allows the Head of Internal Audit (HIA), which is fulfilled by the **Head of Corporate Governance** 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 takes into account consultancy 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 Council's **Annual Governance Statement**.

Reports carrying an overall 'Inadequate/Limited' or 'Weak' Audit Opinion are reported to the Audit Committee as part of the internal audit progress report, along with the status of the high priority recommendations agreed during the audit reviews.

This report sets out the framework used to complete the Annual Opinion 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 and these Standards replaced the 2006 Code of Practice. Therefore, from 2013/14, the Head of Corporate Governance has provided an annual report in accordance with the PSIAS to support the production of the **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 HIA, in accordance with the PSIAS, is to provide an **Annual Opinion**, based upon (and limited to) 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, subject to the inherent limitations described in this report.

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

The new guidance calls on the public sector to provide the required support and recognition for HIA and the Internal Audit Teams, and present best practice guidance for the internal auditors, leadership teams and audit committees to support its effectiveness.

The publication “**The role of the head of internal audit**” sets out five 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:

- HIA in the public sector are 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.
- CIPFA declared that public sector bodies must ensure the HIA is “professionally qualified and suitably experienced” so they can “lead and direct internal audit services that is resourced to be fit for purpose.”
- It also stressed that the HIA must be a senior manager with regular and open engagement across the organisation, particularly with the leadership team and audit committee.

The guidance sets out that 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.
- A summary of assurances given and relied upon should be included in the HIA’s annual report. This report sets out third party assurance obtained; e.g. Salford Council for IT assurance.

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

The Council is accountable collectively for maintaining a sound system of internal control and is responsible for putting in place arrangements for gaining assurance about the effectiveness of that overall system. The AGS is an annual statement by the Council setting out:

- how the responsibilities of the Council are discharged with regard to maintaining a sound system of internal control that supports the achievement of policies, aims and objectives;
- the purpose of the governance arrangements as evidenced by a description of the risk management and review processes; and
- the conduct and results of the review of the effectiveness of the system of internal control, including any disclosures of significant control failures, together with assurances that actions are or will be taken where appropriate to address issues arising.

The Council’s framework of assurance should bring together all of the evidence required to support the AGS. The opinion does not imply that Internal Audit and Counter Fraud 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.

This opinion is one component that the Council considers when preparing its annual AGS. The definition of a significant issue is contained within guidance on the AGS.

2. Head of Internal Audit Opinion

2.1 2018/19 Opinion

The overall opinion of Oldham Council's HIA is that:

Reasonable assurance can be given that there are generally robust risk management and governance arrangements and sound systems of internal control, designed to meet the Council's objectives, and that controls were generally being applied consistently, in the financial year 2018/19. However, managers have agreed actions to improve controls in key areas, which are summarised in this report.

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 Code of Corporate Governance and underpinning processes;
- an assessment of the risk management arrangements and the framework of assurance; and
- 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. The opinion considers the findings of the audits conducted in the year, which are recorded in **Appendix 2** and the key outcomes are summarised in the main report.

2.2 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 website. The Council's 2018/19 AGS is reported as part of this Audit Committee agenda and it sets out how the Authority has complied with the Code and also meets with regulation 4(2) of the Accounts and Audit Regulations 2015. The Authority meets the requirements of Regulation 6 (1) b of the Accounts and Audit (England and Wales) Regulations 2015 in relation to the publication of a statement on internal control. It is subject to detailed review by the Audit Committee when they consider the final Statement of Accounts for approval.

In respect of the previous issues identified, whereby the Council was not able to demonstrate it had implemented procedures on effective Corporate Governance; then I am happy that the Council has now implemented the updated CIPFA/SOLACE Framework introduced in June 2007 (and refreshed in 2016/2017) and has adopted a Local Code of Corporate Governance, which is subject to regular updating.

The Audit Committee has now been in operation for a number of years and is now embedded as a key control within the Council. It has supported improvements within Internal Audit Processes, Corporate Governance and Risk Management and in particular on the reporting of this work. The outcome of Internal Audit work is reported regularly to the Audit Committee during the year and, by

virtue of this Annual Report, received an opinion on the overall internal control environment of the Council.

Elsewhere on this Agenda is the 2018/19 AGS, which identifies eight issues for the Council to mitigate risks during 2019/2020. This report also highlights the progress made against the issues raised in the 2017/18 AGS, which again demonstrates overall improvement in the Council. Based on my experience of the Council, I believe it has continued to improve its financial administration during 2018/19.

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 Executive Director; these are supported by Service Risk Registers.

The Service Business Plans, prepared annually, incorporate a Risk Register setting out the issues for the service. All major projects of the Council have a Risk Register, which are subject to regular review. The risks facing the organisation from third parties are included in a report produced by the Head of Corporate Governance.

Reviews of current and emerging risks are presented to the Audit Committee as part of the regular update of the issues identified in the 2017/18 Annual Governance Statement (AGS) and have been incorporated into the 2018/19 Statement.

To support an independent review of the arrangements the 2019/20 Audit and Counter Fraud Plan includes provision for a review of the Council's Risk Management arrangements. This will include an assessment of the processes to prepare the AGS, as recommended by CIPFA in their external assessment of Internal Audit in September 2017. This audit will be managed by the Audit and Counter Fraud Manager.

4. 2018/19 Audit and Counter Fraud Plan

The 2018/19 Audit and Counter Fraud Plan was agreed by the Audit Committee on 19 March 2018. Changes to this agreed plan have been reported to and agreed by this Committee during the year. The Audit Opinions agreed with managers contribute towards an element of the 2018/19 Annual Opinion along with the assessment of materiality and the response by managers to implementing the agreed recommendations. The sections to follow set out the work conducted and the key findings, as follows:

- **Section 5: Strategic Projects**
- **Section 6: Financial Management**
- **Section 7: Fundamental Financial Systems:**
 - **7.1: Payroll System: Update**
 - **7.2: Adults' Services Financial Systems: Update**
- **Section 8: ICT and Information Governance:**
 - **8.1 Computer Audits**
 - **8.2 Information Management and Governance**

5. Strategic Projects

The Head of Corporate Governance and his management team have provided appropriate governance, audit and finance support for the acquisition of the Unity Partnership Ltd. This acquisition was completed on 2 July 2018 and the support includes the following:

- liaison with legal colleagues to ensure appropriate company governance is agreed for the new company;
- collaborating with Finance colleagues to review and devise the end to end finance processes and controls at the time of acquisition, and the subsequent migration to the Agresso Finance system; and
- contributing to the review of project risks and mitigations.

In 2019/20, the team will continue to professionally collaborate with a range of colleagues to review planned business processes and controls, and will review assurance around planned changes to systems and processes.

6. Financial Management

In 2018/19, financial management and administration for the Council continued to develop and a number of systems were relatively stable, namely:

- The Finance Department structure continues to align senior Finance support to Council managers in accordance with the revised structure of the Council and the integrated health agenda. The Director of Finance continues to review team resources and retention in response to changes in the team.
- In support of improved financial management, monthly revenue and capital outturn statements are produced for service managers along with a full suite of financial statements for the Senior Management Team. Monthly liaison meetings are held with External Audit for assurance planning purposes.
- The Agresso system was integrated with HR and Payroll on 10 April 2017. This integrated system was successfully updated to Milestone 6 in February 2018 to support continued development.
- The transition of Unity Partnership Ltd's financial records and transaction processing to the Agresso Finance System was implemented on 1 April 2019, which will provide a full year of transactions recorded in this system, to support effective consolidation for group reporting purposes.

Agreed priorities for the Council's financial management in 2019/20 are reported in the 2018/19 AGS. Progress will be reviewed and reported to this Committee on a regular basis.

In line with prior years the year-end final accounts process for 2018/19 has been delivered in accordance with an earlier completion date and in line with Accounts and Audit Regulations 2015, which significantly brings forward the timetable for the closure of accounts. In addition, all working papers supporting all financial statements have been subject to a structured, detailed and independent quality assurance process to ensure compliance with external audit guidelines. The Internal Audit team have contributed to this review.

The 2018/19 AGS highlights that the Council's financial management arrangements are consistent with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016).

7. Fundamental Financial Systems (FFS)

In accordance with the 2018/19 Plan, Internal Audit continued to professionally collaborate with the Council's External Auditor, Mazars LLP, to review all material fundamental financial systems, where the annual value of transactions exceeds the annual headline materiality value for the Council of £10m in 2018/19.

Whilst the detailed outcome of these specific financial audits will be reported to this Committee as part of the agreed reporting cycle for Internal Control Matters for Directorates, **Table 1** sets out the Final agreed Audit Opinions across the Council's main financial systems between 2013/14 and 2018/19.

Table 1: Key Financial Systems Final Audit Opinions 2013/14 to 2018/19

Financial System	Final Audit Opinion					
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Accounts Payable	Adequate	Adequate	Adequate	Adequate	Adequate	Adequate
Accounts Receivable	Good	Good	Good	Adequate	Adequate	Good
Bank Reconciliations	Good	Adequate	Good	Good	Good	Good
Cash Income	Inadequate	Adequate	Good	Adequate	Adequate	Adequate
Council Tax	Adequate	Adequate	Adequate	Adequate	Adequate	Adequate
Council Tax Reduction (from 2014/15)	N/A	Adequate	Adequate	Adequate	Adequate	Good
Fixed Assets	Adequate	Adequate	Adequate	Adequate	Adequate	Adequate
Housing Benefits	Good	Adequate	Adequate	Inadequate	Adequate	Adequate
Housing Rents (from 2017/18)	N/A	N/A	N/A	N/A	Adequate	Good
NDR (Business Rates)	Good	Adequate	Adequate	Adequate	Adequate	Adequate
Payroll: Schools & Non-Schools	Inadequate	Weak	Weak	Weak	Weak	Inadequate
Personal Budgets and Direct Payments	Weak	Inadequate	Inadequate	Inadequate	Inadequate	Inadequate
Residential Care Payments	Inadequate	Inadequate	Inadequate	Adequate	Adequate	Adequate
Treasury Management	Good	Good	Good	Good	Good	Good
Audit Opinions	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Good	5	3	4	2	2	5
Adequate	3	7	6	8	10	7
Inadequate	3	2	2	2	1	2
Weak	1	1	1	1	1	0
N/A	2	1	1	1	0	0
Total FFS Review	14	14	14	14	14	14

Overall, **Table 1** highlights a relatively stable control environment, with some improvement to the agreed audit "opinions" over time. In summary:

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- There are five systems assessed as “Good” with stability around the corporate finance systems Treasury Management and Bank Reconciliations continue to be assessed as “good”. The core systems for Accounts Receivable and Council Tax Reduction, which are operated in conjunction with the Council’s strategic partner, the Unity Partnership Ltd, have demonstrated further improvements to “Good”. However, the implication is that the opportunity to review the other systems to enable an improved audit opinion (to “Good”) has not been taken.
 - Since the acquisition of the Unity Partnership Ltd by the Council, the systems for Payroll have improved to “Inadequate” from “Weak”. Section 7.1 discusses the changes made to the Payroll arrangements and the plans for the future.
 - Adults financial systems based in the Health and Adults Social Care Community Services Directorate continue to show signs of improvement in 2018/19 and the audit opinion of the system for Residential Care Payments continues to be “Adequate” and some improvements have been demonstrated in the system for Personal Budgets and Direct Payments.
 - Following the 2018/19 Audits, there are no financial systems assessed as “Weak”.

The 2018/19 review of Accounts Payable identified that, whilst there has been an improvement in control around the approval of invoices to the Unity Partnership Ltd for professional fees in Property Services; there were examples of invoices to Unity Partnership Ltd for professional fees for Highways & Transport Services, being approved by colleagues in the Unity Partnership Ltd. Going forward, managers have agreed to ensure effective segregation of duties around these payments by ensuring that these invoices are not approved by managers in the Unity Partnership Ltd. Managers will maintain a watching brief over this issue, including conducting spot checks.

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 delivered a financial systems audit engagement session with key colleagues across the partnership on 6 February 2019 and it is planned to develop this training package further in 2019/20.

In line with prior years, the Audit and Counter Fraud Team has achieved the following outcomes:

- Successful professional collaboration with the Council’s External Auditors, Mazars LLP, to ensure the completion of the review of the FFS in accordance with best practice, External Audit control objectives, professional standards and local risks. The Team also reviewed progress against agreed prior year audit recommendations.
- Delivered the Interim and Final FFS audit reviews by 29 March 2019 to support the earlier close-down of the 2018/19 accounts and to support External Audit Planning.
- Given that 2017/18 was the first year of the audit of the Housing Rents system, in 2018/19, the team took the opportunity to review the progress towards the implementation of the actions arising from the 2017/18 audit, despite the 2018/19 transaction value of £8.8m being less than the materiality level of £10m. The audit opinion arising was “Good”.

7.1 Payroll System: Update

The 2018/19 Final Audit Assessment is that the systems and controls for both the Directorate and Schools’ payroll systems, are “Inadequate”, which represents an improvement from the “Weak” ratings provided since 2014/15.

Since the acquisition of the Unity Partnership Ltd. on 2 July 2018, and, under the direction of the Head of Shared and Collaborative Services, and the Council’s People Services Team, there is demonstration of improvements to processes and procedures having been put in place, and also greater resource stabilisation. It is acknowledged that, whilst errors have been identified by the audit, and some significant legacy issues were inherited from the acquisition, the control environment for

HR & Payroll has, after a number of years and promised remediation, shown evidence of stabilising, and the checks that are being put in place are designed to identify anomalies before payroll processing.

In addition, there is now a much more stable resource structure within the HR and Payroll Service, with less reliance being placed on temporary staff than in previous years to deliver business critical tasks. Resources are regularly being reviewed and as part of the ongoing restructuring a decision has been taken to recruit a permanent Pensions Team Manager to provide the necessary focus on this area. There will also be separate HR and Payroll teams, with all three posts overseen by an Operations Manager. The revised arrangements will help to mitigate a segregation of duty risk within the Schools Payroll Team whereby the same person currently enters all new starter details. An additional historic issue affecting resilience, surrounding the lack of BACS payment cards and appropriate assignment thereof to current Unity employees, has also been addressed.

In respect of key controls within the payroll system, the Audit also identified areas of good practice and noted many improvements. However, the challenge for managers in 2019/20 is to secure improvements to the process to review and submit the Pensions Returns to the Teachers' Pensions Agency, which require urgent attention. The major disappointment during 2018/19 was the time taken to get an audit opinion for the Teaching Pension Agency annual return. This has resulted in a referral to the Pensions Regulator. However, to date, the actions undertaken by the Council seem to have proved satisfactory.

On acquisition, one of the Council's key legacy issues was determining its potential contractual liability on known issues relating to pensions administration. A specific project has been set up to assess the financial exposure of past and present shareholders to issues on contractual enrolment. This has resulted in the risk to the Council being better determined and it is now assessed at a value below the Council's materiality level. A voluntary disclosure has been made to the Pension's Regulator around known issues on Auto Enrolment. So far, the information provided by the Council seems to have negated any fines.

On 25 March 2019, the Council's Cabinet considered the report by the Deputy Chief Executive Corporate and Commercial Services and subsequently approved the procurement and implementation of a new proprietary Human Resources Payroll System.

The system is required to meet the ambition of the Council and its partners to implement a single system predicated on next generation technology on a cloud based architecture which aligned with the Council's IT and digital strategy, enabled greater efficiency and effectiveness in the delivery of support services and created an opportunity of growth of HR and payroll as a traded service in the future.

The Head of Corporate Governance is supporting the implementation, which has an accelerated timeline, including the provision of assurance resources.

7.2 Adults' Services Financial Systems: Update

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

On 11 January 2018 the "Internal Control Matters in the Health and Wellbeing Directorate" Report was presented to the Audit Committee. This report highlighted that some progress had been made towards implementing the agreed audit recommendations and that the response from managers to the findings of the audits had been positive. The Director of Adults Services (now the Managing Director Community Health and Adults Social Care [DASS]) attended the meeting and discussed the key changes to the service and the importance of internal controls to achieve their objectives.

However, the service did not sustain the improvements on the internal control environment that it made in the financial year 2016/17 and 2017/18. Therefore the Final 2018/19 Audit opinions for Residential Care Payments and Personal Budgets/Direct Payments have remained “Adequate” and “Inadequate”, respectively. Whilst there was evidence of delivery against an improvement plan for Personal Budgets and Direct Payments, progress is not quite sufficient to improve the overall audit opinions. In addition, during 2018/19, there were two potential substantial value Direct Payment frauds reported; these are under investigation at the time of writing this report. One of the cases requires a joint investigation with another Authority. These cases highlight that where controls breakdown potential significant financial loss can be incurred with the likelihood of recovery deemed to be low. Until improvements can be consistently demonstrated, the issue needs to be retained in the AGS.

However, this should be considered in the context that the service had embarked on a significant change agenda in moving to new ways of working, from 1 April 2019 with the integration of some operational arrangements with the Oldham NHS health care providers.

Internal Audit has been engaged by the service to support relevant integration activities, which are required for the service to achieve its business plan objectives. This includes support for the development of the quality assurance framework, the development of the electronic Resource Allocation System (RAS), and membership of the Adult Social Care Programme: Extending and Embedding a Personalised, Preventative Approach (EEPPA) Board, which is designed to develop the personalisation programme.

In doing so, the Council and its health service partners, are planning for health and social care operating in a system rather than within organisational boundaries. Due to these changes, systems and processes will also be subject to change as part of the financial review. These will be documented and any key control which has an impact on the audit system will be reviewed and tested.

In financial terms the provisional out-turn for the service was in line with the agreed Council aligned budget indicating the financial risk experienced in previous financial years was managed.

The Director of Finance will continue to meet with colleagues in the service and Internal Audit to monitor progress and agree any support required.

8. ICT and Information Governance

8.1 Computer Audits

The Council’s Internal Audit Service has a formal arrangement with Salford City Council to deliver a risk-based computer audit plan. Following the acquisition of the Unity Partnership Ltd by the Council on 2 July 2018, the Head of ICT has focused on developing the delivery of key strategies and plans and has supported the ICT Audit of mobile device management.

Progress is being made against the agreed actions and the IT Audit Plan in 2019/20 will respond to any residual risks.

The Council’s Internal Audit Service has a formal arrangement with Salford City Council to deliver a risk-based computer audit plan. In 2018/19, the plan included a range of IT audits for completion by the Council’s third party technical audit lead. The acquisition of Unity Partnership Ltd by the Council led to some re-profiling of audits.

The Review of Mobile Device Management was completed with an Audit Assessment of Satisfactory, with agreed recommendations around, defining log management, clarifying Intune configuration settings, device authentication actions and use of biometric data (DP issue).

However, the following three reviews were very close to completion at the time of writing this report.

- IT Governance
- Email Management
- Internet and Intranet Monitoring

To date, these audits have not identified any items of significant concern and proposed audit opinions are positive; i.e. “High” or “Satisfactory” Assurance is likely to be reported. The 2019/20 ICT Audit Plan is currently being agreed with ICT Managers.

8.2 Information Management and Governance

From 1 April 2018, the responsibility for Information Management and Governance transitioned to the Council’s Director of Finance, under the remit of the Head of Corporate Governance. The Audit Committee terms of reference was updated and approved by Council in May 2018, in order to receive reports on any key outcomes including regular Data Protection breach reports. On 7 March 2019, the Committee approved the report which set out the background and remit of the Council’s Senior Information Risk Officer (SIRO). This is a shared role between the Council’s Director of Finance and Head of Corporate Governance.

The Head of Corporate Governance attends the quarterly Information Governance Group, which will continue to meet in 2019/20. In addition the 2019/20 ICT Audit Plan will include follow up reviews of these audits and monitor emerging risks in this area.

Members of the Audit team also contributed to the implementation of the General Data Protection Regulations (GDPR), supporting the various work-streams as appropriate before the Regulations came into effect on 25 May 2018. The development of a self-assessment Assurance Framework is currently being finalised, in order to support colleagues in Information Management / Governance and managers across the Council.

9. Legal Services

9.1 Elections: Local Election Postal Votes Validation Processes

During 2018/19 the team supported the Local Election on 3 May 2018 as follows:

- conducted sample checks of postal votes prior to distribution to residents, in two tranches, ensure the integrity of the election process; and
- a review of the procedure for postal votes when received.

The sample check reviews concluded that there were no omissions or discrepancies identified regarding the documentation contained within the packs that were reviewed. This was also communicated verbally to the Director of Legal Services upon completion of the review and prior to the packs being delivered.

The conclusion, following the review of the latter activity, was the postal vote review and rejection procedure was carried out in accordance with the agreed process and was conducted by the appropriate and nominated individuals in a safe and secure environment, during the Election. The rejection criteria appeared to have been applied correctly, and no significant issues were identified

in the processes or the rejection decisions taken by the staff involved. There was no evidence, on the basis of those postal votes rejected, that postal votes accepted for the count were not genuine.

Following the review 12.4% of cases were referred to the Greater Manchester Police Single Point of Contact for further review. The outcome of the referred cases will be reported to the Director of Legal Services and Head of Elections and Land Charges.

10. Procurement

10.1 Supplier Management and Due Diligence

The Report "Internal Control Matters in the Corporate and Commercial Services Directorate" was reported to the Audit Committee on 6 September 2018. The summary of the issues arising from the review of Accounts Payable referred to agreed management actions as part of the wider procure to pay process, and the recommendations arising were discussed with Procurement Managers, to facilitate a focused review of the Procurement systems and controls in the 2018/19 financial year.

The 2018/19 Final Stage Audit Review of Accounts Payable, which commenced on 5 February 2019, concluded that good progression had been made in these areas. The details are as follows:

- **Supplier Set Up Process Due Diligence:** In 2017/18, it was identified that due diligence checks were not being performed for ad hoc suppliers which places the Council at potential financial risk. The Head of Procurement and the Audit and Counter Fraud Manager have now agreed a process where Procurement colleagues will obtain the credit report (via MINT UK), conduct a top line review of the report contents and where applicable refer to finance for review in cases of potential financial risk. The final decision would then lie with Procurement to determine whether or not to either give the preferred supplier a place on a framework or to award a contract. The arrangements for training are being fine-tuned at the time of writing this report. It has been agreed that Procurement will be responsible for the checks around the verification and validity of VAT numbers for suppliers detailed on new supplier set up forms, supported by the Budget Holder.
- **Supplier Changes Verification:** This process has now been reviewed to reflect the verification checks made. The Final Stage Audit evidenced that more details were being included on Agresso of the verifications made before changing bank details. As above, Procurement colleagues and Internal Audit have been working together to devise a supplier changes form which will now be used for all future amendment requests.

10.2 Breaches to Key Rules and Contract Procedures

The breaches to Contract Procedure Rules as detected by Internal Audit's work during 2018/19, are as follows:

- two occasions where a contract was not let in accordance with the Council's Contract Procedure Rules; and
- two occasions where contract monitoring requires improvement.

The details of these are included in the Internal Control Matters within Directorates reports which are presented to this Committee, throughout the financial year.

11. Directorate Based Reviews:

11.1 Capital Projects/Regeneration Schemes

In 2018/19 the Audit Team performed a follow up review of the actions arising from the Audit conducted in 2017/18. The objective of this review was to consider the key controls within the Capital Programme for the identification, monitoring and reporting of benefits associated with capital expenditure. The scope of the audit was to consider the following:

- the arrangements and processes to monitor the realisation of benefits on individual projects;
- the process to identify remedial action and its implementation;
- the periodic reporting to the Capital Investment Programme Board (CIPB) regarding the outcome of reviews of the capital programme and the realisation of benefits; and
- the processes around the re-phasing and reallocation of planned expenditure based on the outcomes of the periodic reviews.

The review has required engagement with managers from the Strategic Regeneration Team and other departments, along with a review of a selection of Project documents focusing on compliance with elements of the Council's Project Management methodology.

Overall, the controls surrounding the identification, monitoring and reporting of benefits associated with capital expenditure required improvement, and our opinion is therefore that the system audited was "Inadequate". Whilst it is clear that the intended benefits of each project are being defined from the outset, there is limited evidence available that the realisation of benefits is being managed, assessed and reported in line with the guidelines in the Project Management handbook. The recommendations agreed by management, included the following:

- Updating the Project Management Handbook to include guidance on developing a Benefits Management and Realisation Strategy.
- Appraising the development and delivery of Benefits Realisation Plans via the Gateway Review Process.
- Ensuring the implementation of a new project database provides the ability to record, track and report on the realisation of benefits.
- Enhancing the monitoring of benefits realisation by implementing periodic progress reporting to CIPB.

The follow-up review identified that the agreed actions are being progressed by management and an update on their implementation will be captured in early 2019/20.

Going forward into 2019/20, there has been a detailed review agreeing the revised way forward as the cost pressures on the Oldham Heritage and Coliseum project have become clearer. A revised scheme has been agreed in line with the Council's assessment of affordability.

There are no current capital projects which require bi monthly reports to be produced for the Capital Investment Programme Board. This is likely to change as the Oldham Museum of Arts/Archives (OMA) Project and implications of the Town Centre development vision moves to the implementation stage.

The risk profile has increased in this area however with the inclusion of two new projects in the capital plan (Alexandra Green Depot and Northern Roots) which, without sound project management, have the complexity to be very challenging in the future.

11.2 Informal Tenders Review: Sale of Land

The Audit Team reviewed four transactions around the sale of Council land, and, in collaboration with Legal colleagues and the Director of Economy identified some changes to the Council's Land and Property Protocols (L&PP), which are being agreed for submission for approval by Annual Council, currently planned for a future Council meeting.

In addition, the reviews identified the following actions, changes proposed are:

- Requirement for Risk Comments in Reports by the Head of Corporate Governance for projects over £50k or a significant project (using judgement).
- Whilst the project outcomes are generally sound, in the decision-making process greater transparency is required, and processes should support greater understanding of, and compliance with, Council Rules.
- A Forward Plan of Projects will be developed for stakeholder review to capture and track risks early, and to avoid surprises.
- Service managers to review compliance with the L&PP, seeking advice from Legal, as appropriate.
- The requirement to report to the Corporate Property Board (e.g. undervalue arising upon sale).
- Decision Making Thresholds to be reviewed.
- Service Managers to arrange and respond to appropriate due diligence; e.g. the value of supplier debts to the Council.

11.3 Training with Legal colleagues

Key issues were discussed with Service Managers at a training session held on 5 April 2019, which was facilitated by Internal Audit and senior Legal colleagues, in conjunction with the Director of Economy. Further training sessions may be arranged later in the year, if required.

12. Children's Services

12.1 Imprest Accounts and Cash Handling

In June 2018, the team finalised a review of Cash Controls across Children's Services. In summary, the existing controls surrounding the administration of imprest accounts and cash handling within the Children's Service are not considered to be robust, and the audit opinion therefore was that the system is "Inadequate".

The audit identified the following key actions for management to consider including:

- Undertaking a review of all existing payments being made through the Imprest accounts and confirming the circumstances under which a cash payment is acceptable, which items should be made through alternative means (such as Accounts Payable, Mosaic, or pre-payment cards), and a scheme of delegation for the approval of transactions.
- Updating existing policies and procedures surrounding Imprest Accounts to reflect the characteristics of the Children's Service and the above review, and communicating this to all Imprest Account holders.
- Agreeing minimum evidential requirements to support cash payments.
- Ensuring a robust reconciliation process with appropriate oversight from the Finance team and service management.
- Putting in place arrangements to reduce the risks to the Council regarding personal funds held on behalf of service users.

The actions agreed will be followed up as part of the 2019/20 Audit and Counter Fraud Plan. The team also issued “Cash Handling Guidelines” to managers in Children’s Services.

12.2 Audits Underway in Children’s Services

The following audits examined core controls and, at the time of writing this report, the reports were interim and the findings were being discussed with managers. The findings and the actions agreed will be followed up as part of the 2019/20 Audit and Counter Fraud Plan, and the Team’s proposed coverage of Children’s Services.

- Semi Independence Units; and
- Home to School Transport.

There is a continuing structural overspend, above the base budget, in Children’s Services. For 2018/19 this was offset by underspending and one-off savings such as a reduction in capital financing charges. This overspend was despite a significant adjustment to base funding in 2018/19 agreed at the budget meeting of 28 February 2018. There have been one-off savings made in 2018/19 to offset the structural overspend within Children’s Services. Any further overspending will require support from one-off reserves reducing the future financial resilience of the Council. This matter was considered in the production of the 2019/20 budget as part of the Director of Finance’s responsibility to set a balanced budget. There have been extra resources allocated in 2019/20 over and above those already included in the 2018/19 base budget to eliminate the Structural Deficit.

A management review of present practices to identify future efficiencies is underway but the demonstration of the effectiveness of this will take time to flow through. A specific review to the Overview and Scrutiny Performance and Value for Money Select Committee has been included in the work programme for 2019/20.

Internal Control matters in Children’s Services will be reported to a future meeting of the Audit Committee in 2019/20.

12.3 School Audit

In collaboration with Education colleagues, the team conducted one detailed school audit during the year. There was evidence of implementation progress during the audit review, and managers have responded positively to the findings of the audit. This review was rated as “Adequate” with five recommendations of a medium and low priority. The improvements required for the school were in the main around governance arrangements.

13. Community Health & Adult Social Care Service – “Oldham Cares”

13.1 Support for the Service Transformation

In addition to the financial systems reviews set out in section 7.2, the Audit and Counter Fraud team has provided support to colleagues during the change process, required to integrate health and social care. This requires Oldham Council and Oldham Clinical Commissioning Group (CCG) to work in collaboration, under the banner of (“Oldham Cares”), and share an ambition to see the greatest and fastest possible improvement in the health and wellbeing for residents by 2020.

This improvement will be achieved by:

- supporting people to be more in control of their lives;
- having a health and social care system that is geared towards wellbeing and the prevention of ill health;

-
- access to health services at home and in the community; and
 - Social care that works with health and voluntary services to support people to look after themselves and each other.

Therefore the service embarked on a significant change agenda and is moving to new ways of working, from 1 April 2019. Internal Audit has been engaged by the service to support relevant activities, which are required for the service to achieve its business plans. This includes support for the development of the quality assurance framework, the development of the electronic Resource Allocation System (RAS), and membership of the Adult Social Care Programme: Extending and Embedding a Personalised, Preventative Approach (EEPPA) Board. The purpose of the EEPPA Board is to develop the personalisation programme via five projects:

- Assessment, support planning and Resource Allocation System (RAS).
- Commissioning.
- Financial modelling.
- Panels and decision making.
- Pathways.

In doing so, both organisations are planning for health and social care operating in a system rather than within organisational boundaries. Due to these changes systems and processes will also be subject to change as part of the review. In 2019/20, the Audit and Counter Fraud Team will support the development of this integrated agenda and has already commenced work on Learning Disabilities.

Any changes to systems will be documented and any key controls which have an impact on the systems will be reviewed and tested.

13.2 Supported Living Establishments

In 2018/19, the Team reviewed controls at two establishments and agreed actions with managers, which will be followed up in 2019/20. The audits reviewed financial management systems for service users. Particular attention was paid to the financial controls in place to protect vulnerable clients and financial controls reviewed against an agreed checklist. This also included clients within these establishments where the Council manages their finances through the Client Finance Team. Advice was provided to the Service to enhance current procedures due to findings of the review.

The audit reviewed the controls within the financial systems, which includes the procedures in place for the authorisation of expenditure, the verification of personal/joint expenditure recorded to receipts retained, the reconciliation of personal/joint accounts and the maintenance of records.

The audits did not identify any significant issues and that the systems and controls are relatively sounds. The audits concluded that systems and processes within the Supported Living Accommodation are managed satisfactorily with some areas of positive working practise were noted, with the third party supplier.

14. Grant Assurance Reviews

14.1 Summary of Reviews

The Council has been successful in applying for a number of grants and one of the conditions of these grants is that they are independently reviewed and assurance statement signed by a Senior Officer of the Council.

In 2018/19, the team provided assurance for grant funding of £3.716m, which included three Strategic Transport Grant Claims and assurance statements to the value of £0.595m and £0.230m for projects attracting European grant (see **Table 2 below**). All grant reviews were delivered by the agreed due date and no significant issues were identified.

(** Although, as below and overleaf, two reviews experienced a very short delay, which was agreed with the accountable body).

Table 2: 2018/19 Strategic Grant Assurance Reviews

Ref	2018/19 Grant Name	Grant Number	Total Grant Value	Sign Off Required (* Defined below)	Grant Return Due Date	Completion Date **
1	Local Transport Capital Block Funding Pothole Action Fund 2017/18 - Tranche 1	31/2951 (Tranche 1)	£193,000.00	CEO & HOCG	30/09/2018	13/09/2018
2	Local Transport Capital Block Funding Pothole Action Fund 2017/18 - Tranche 2	31/2951 (Tranche 2)	£133,000.00	CEO & HOCG	22/03/2019 (Friday)	25/03/2019 (Monday)
3	Local Transport Capital Block Funding Flood Resilience Fund 2017/18 - Tranche 3	31/3296 (Tranche 3)	£269,000.00	CEO & HOCG	22/03/2019 (Friday)	25/03/2019 (Monday)
4	Local Growth Fund	31/3048 (Tranche 1)	£541,000.00	CEO & HOCG	31/07/2018	15/07/2018
5	Disability Facilities Grant	31/3175	£141,000.00	CEO & HOCG	30/06/2018	15/06/2018
6	Highways Maintenance Challenge Fund Tranche 1	31/2952 (Tranche 1)	£2,208,000.00	CEO & HOCG	30/09/2018	15/09/2018
7	EU Grant - Innovo Foster	EU Grant	£24,354.75	HOCG	30/07/2018	15/07/2018
8	EU Grants - Food Chains 4EU	EU Grant	£16,661.61	HOCG	30/07/2018	15/07/2018
9	EU Grants - Coalescse	EU Grant	£41,076.62	HOCG	30/07/2018	15/07/2018
10	EU Grant - Innovo Foster	EU Grant	£49,715.80	HOCG	15/03/2019	06/03/2019
11	EU Grants - Food Chains 4EU	EU Grant	£24,580.20	HOCG	15/03/2019	06/03/2019
12	EU Grants - Coalescse	EU Grant	£74,350.19	HOCG	15/03/2019	06/03/2019
	Total Grants Certified 2018/19		£3,715,739.17			

Defined as the Council's Chief Executive Officer (CEO) and the Head of Corporate Governance (HOCG) who is Oldham Council's HIA.

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These 1 day delays were required to enable the queries by the HOC to be addressed and then the outcomes to be reviewed by the CEO. This delay was agreed with the accountable body (Manchester City Council) and were timed over the weekend.

13.2 Troubled Families Assurance Review

Within the context of Devolution, an agreement was reached with Government for the remainder of Greater Manchester's (GM) allocation of funding for the delivery of the Troubled Families (TF) programme to be developed by the Greater Manchester Combined Authority (GMCA) in the GM Reform Investment Fund. This means that, from April 2017, Greater Manchester Authorities have been operating outside the existing financial framework, including the Payment by Results (PbR) model where funding was allocated on the basis of the numbers of families that had successful and positive intervention.

Under the new arrangements, the approach to managing and auditing the TF programme is guided by the overarching principles set out in the TF Framework document developed by the GMCA, together with the targets and metrics identified in the revised Troubled Families Outcomes Plan (TFOP), in accordance with six headline issues for families. Whereas the previous PbR mechanism

required a data-focused approach to audit, the new model focuses primarily on the verification of the quality assurance processes and decision making around case management.

The objective of the audit review was to provide assurance that the systems designed to support delivery of the TF programme, ensure delivery of key requirements of the GM TF Framework, focusing on six key system areas. The approach taken included interviews, review of processes, policies and procedures, and sample testing of families that had been signed off by reference to supporting evidence and compliance with eligibility criteria.

The overall audit assessment is that systems and controls for the system are “adequate”. The audit concluded that systems and processes for the Troubled Families Programme were robust and areas of good working practise were noted as follows: `

- families were attached appropriately by case workers and were in line with the Troubled Families Outcome Plan;
- good performance monitoring and reporting to ensure performance and delivery reporting in line with the TF Framework; and
- adequate evidence and audit trail for attachment reasons and progression where appropriate.

However, a number of recommendations were agreed with managers to improve existing processes and controls currently set in place. These consist of four medium and one low priority actions, regarding the data of which all had been implemented by the follow-up audit review in September 2018 which identified that all actions had been completed.

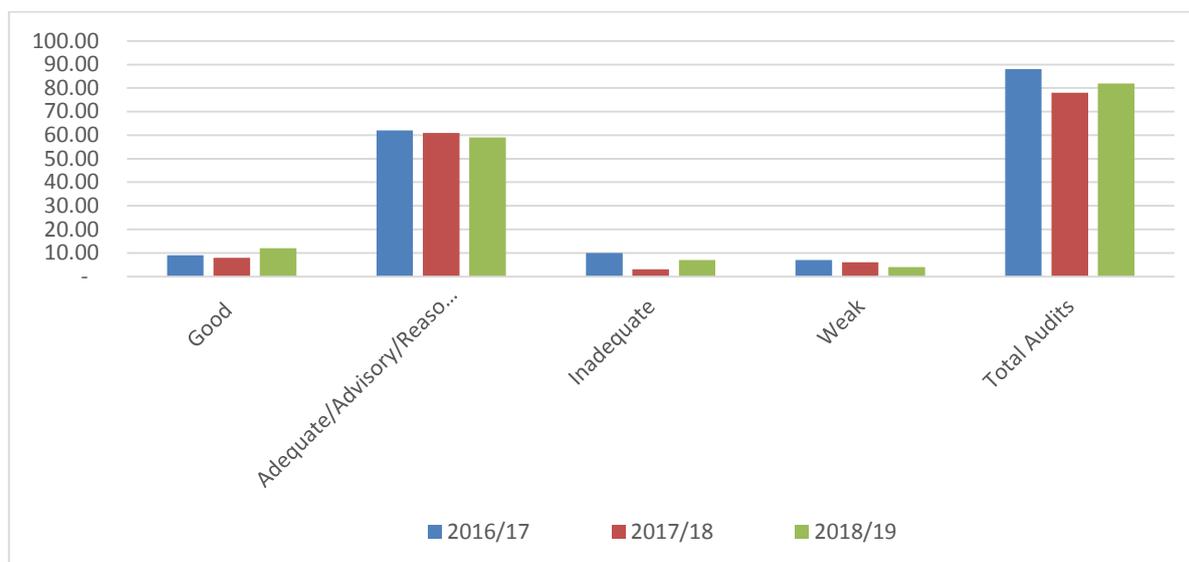
- System Case Notes: Sufficient case closure details should be included in the case notes in Council data base system, named ‘Holistix’. This should be communicated to all workers within the Council and Positive Steps.
- Family Assessments: Assessments need to be completed for all family members or a legitimate reason needs to be detailed in the case notes if it has been refused.
- Closure Outcomes: Scores need to reflect the closure outcomes for the family.
- Practitioner Access to Data: All practitioners should have access to data feeds / intelligence relating to their caseloads in order that all headline issues are identified correctly.
- Quality Assurance (QA) by Managers: The process around management QA needs strengthening with contingency arrangements in place.

14. Audit Opinions in 2018/19

14.1 Summary Opinions in Audit Reports

Appendix 1 sets out the Audit Reports, Briefing Notes and Assurance Statements issued in 2018/19 and the respective Audit Opinion, which reflect the outcomes of the audit reviews, the materiality of the findings and the response by managers to implementing the agreed actions.

Graph 1: Audit Opinions 2016/17, 2017/18 and 2018/19



The above graph demonstrates overall stability in Audit Opinions across the 3 years, with marginal increases in “Good” Audit Opinions and a marginal reduction in “Weak” Audit opinions.

The sections to follow highlight the reviews, which have concluded “Good” and “Weak” Audit Opinions and where the Team has conducted Consultancy/ Advisory work, to support managers across the business to achieve agreed objectives.

14.2 2018/19 “Good” Audit Opinions:

Table 3: Good Audit Opinions

Directorate/Audit Type	Internal Audit/Counter Fraud Report	Final Report Date	Quarter	Opinion
People and Place	Carbon Reduction Commitment (CRC)	28/09/2018	Q2	Good
Group Company	Group Company Safeguarding High Level	26/11/2018	Q3	Good
Group Company	Group Company Supported Living	26/11/2018	Q3	Good
Financial System	2018/19 Interim - Accounts Receivable	19/12/2018	Q3	Good
Financial System	2018/19 Interim - Bank Reconciliations	19/12/2018	Q3	Good
Financial System	2018/19 Interim - Council Tax Reduction	19/12/2018	Q3	Good
Financial System	2018/19 Interim - Housing Rents	19/12/2018	Q3	Good
Financial System	2018/19 Interim - Treasury Management	19/12/2018	Q3	Good
Group Company	2018 Group Company Fundamental Financial Systems	09/01/2019	Q4	Good
Financial System	2018/19 Final - Bank Reconciliations	29/03/2019	Q4	Good
Financial System	2018/19 Final - Housing Rents	29/03/2019	Q4	Good
Financial System	2018/19 Final - Treasury Management	29/03/2019	Q4	Good

The table overleaf shows that, the following systems were assessed as “Good”:

- specific (as above) financial systems;
- core business and finance systems at one of the Council’s wholly owned companies, which was audited during the year; follow-up of these actions will be conducted as part of the 2019 Internal Audit Plan for this company and reported via its agreed governance arrangements; and
- the arrangements for Carbon Reduction Commitment (CRC) were also assessed as “Good” in September 2018.

Regarding the latter audit, CRC is a mandatory carbon emissions reporting and pricing scheme to cover large public and private sector organisations in the UK. The scheme is managed on behalf of the Department of Energy and Climate Change (DECC) by the Environment Agency and the Deputy Chief Executive, People and Place is the nominated 'Senior Officer' for Oldham Council, with the Environment Agency and is supported by colleagues in the Partnerships and Policy Team.

CRC will be replaced in 2019/20 by an increase in the Climate Change Levy. The scope of the audit is to form an opinion on the level of assurance that can be placed on the accuracy of CRC submission. In addition to this other controls around the submission were reviewed, such as the maintenance of an Evidence Pack is in place. Specifically, the audit reviewed the existence of the following controls:

- the processes for collating the data to be included within the CRC submission are robust and accurate;
- new suppliers, leavers and estimates are accurately included in the submission in a timely manner; and
- the adequacy of the overall systems to confirm that it produces accurate information which supports the reported outturns.

The audit identified a number of effective processes and sound controls and the actions arising during this audit were agreed by managers and the two Low and one Medium Priority were implemented after the completion of the audit.

14.3 2018/19 “Weak” Audit Opinions

Table 4: Weak Audit Opinions

Directorate/Audit Type	Audit Review/CF Report	Final Report Date	Quarter	Opinion
Group Company	Group Company Payroll and Recruitment Review	15/10/2018	Q3	Weak
Financial System	2018/19 Interim Fundamental Financial Systems - Payroll	19/12/2018	Q3	Weak
Strategic/Corporate Review	Business Flights /Business Travel Review - Follow up	29/03/2019	Q4	Weak
Children's Services	Semi Independent Units Review 1 - Interim Statement	29/03/2019	Q4	Weak

Four Audit reviews concluded with a “Weak” opinion, including the Interim review of the Payroll system, which was also conducted as part of the equivalent review at one of the Council’s Group Companies in December 2018.

This Group Company utilises the Council’s Payroll arrangements, delivered by its strategic partner. Since the above audits were completed, many of the High Priority Payroll Actions in the Council’s Audit Action Plan, were assessed by March 2019 as implemented, as part of the Final Audit. At this

date, the Final Audit Opinion transitioned to "Inadequate", so this is likely to also lead to an improvement in the company's payroll arrangements.

The table also demonstrates that the following systems assesses as "Weak":

- the arrangements for Business Travel, including Flights, which are subject to changes in the "Click Travel" System, to lead to improvements in the process to book travel and to ensure value for money is achieved and also the Council's Business Travel Policy is awaiting approval; and
- the review of Semi Independence Units in Children's Services is being discussed with managers following the completion of the interim review. As part of the support by the Director of Finance to Children's services in 2019/20, the issues arising from this interim review will be followed up.

In general, the Inadequate and Weak opinions arise from audits where a manager has requested a review, as they seek assurance regarding the control environment and how to improve this in their service areas. As the organisation experiences faces change, these reviews support managers and are seen as proactive.

14.4 2018/19 "Advisory" / Consultancy Reports

As set out in Table 5, in 2018/19 the team issued 26 advisory and consultancy reports, these relate to briefing notes, guidance on appropriate matters where an opinion is not appropriate, including pre-implementation advice and support, Elections support and reports to senior members of staff, when a change to a key process/set of processes is proposed. These reviews are often followed up by a more detailed audit review.

The table also highlights the range of activity delivered by the Team to support colleagues in the People and Place Directorate.

Table 5: Advisory / Consultancy Reports

Directorate/Type	Audit Review/CF Report	Final Report Date	Quarter	Opinion
Corporate & Commercial Services	Local Election 3rd May 2018 - Postal Vote Data Review - 1	29/04/2018	Q1	Advisory
Corporate & Commercial Services	Local Election 3rd May 2018 - Postal Vote Data Review - 2	29/04/2018	Q1	Advisory
Corporate & Commercial Services	Local Election 3rd May 2018 - Postal Vote Verification Review	29/05/2018	Q1	Advisory
Corporate & Commercial Services	Smart Project – Group Company Acquisition: Interim Finance and Agresso Processes	07/06/2018	Q1	Advisory
Health & ASC Community Services	Disabled Facilities Grant	08/06/2018	Q1	Advisory
Corporate & Commercial Services	Smart Project - Group Company Pre Acquisition: Governance Advice	02/07/2018	Q2	Advisory
People and Place	Confidential Briefing Paper	06/09/2018	Q3	Advisory
Children's Services	Complaint - Restricted	03/10/2018	Q3	Advisory
Group Company	Smart Project – Group Company Acquisition -Shareholder Committee: Report to Cabinet	22/10/2018	Q3	Advisory
Corporate & Commercial Services	Elections - Failsworth - Postal Vote Review	15/11/2018	Q3	Advisory
People and Place	Land Sale – Confidential Report	17/12/2018	Q3	Advisory
Strategic/Corporate Review	Confidential Briefing Paper to DOF and CEO	21/12/2018	Q3	Advisory
Corporate & Commercial Services	Internal Audit Briefing Note Flight Cost Analysis for the CEO	21/12/2018	Q3	Advisory
Group Company	MioCare Group CIC - 2018 Payroll Follow Up	09/01/2019	Q4	Advisory

Directorate/Type	Audit Review/CF Report	Final Report Date	Quarter	Opinion
People and Place	Confidential Briefing Paper to Deputy Chief	09/01/2019	Q4	Advisory
People and Place	Confidential Briefing Paper	25/01/2019	Q4	Advisory
People and Place	Confidential Briefing Paper to CAE	18/02/2019	Q4	Advisory
Corporate & Commercial Services	Procurement and Finance - Direct Payments ad hoc advice to the HIA	01/03/2019	Q4	Advisory
Corporate & Commercial Services	Payroll - Bank Account Changes Ad Hoc advice to the HIA	01/03/2019	Q4	Advisory
Corporate & Commercial Services	Procurement and Finance - Supplier Due Diligence Review	01/03/2019	Q4	Advisory
People and Place	Confidential Briefing Paper to Deputy Chief Executive	13/03/2019	Q4	Advisory
People and Place	Confidential Briefing Paper to Deputy Chief Executive	13/03/2019	Q4	Advisory
People and Place	Confidential Briefing Paper to Deputy Chief Executive	13/03/2019	Q4	Advisory
Corporate & Commercial Services	Payroll - Audit Review of Functional and Non Functional Requirements	14/03/2019	Q4	Advisory
Strategic/Corporate Review	Security Breach - Confidential Report to the Director of Finance	12/03/2019	Q4	Advisory
Strategic/Corporate Review	Confidential Briefing Note to the Leader	25/03/2019	Q4	Advisory

14.5 Follow Up Reviews

These are completed periodically by the team as follows:

- The report to the Audit Committee as part of the relevant Directorate Internal Control Matters Report Programme, includes progress reports for each agreed action.
- Fundamental Financial Systems Audits progress is reported twice a year.
- Actions agreed as part of specific reviews are followed up on an ad-hoc basis.

However, the follow up reporting process relies on manual intervention. The absence of a robust Audit Management System does not facilitate alerts when Audit actions become due. This is one of the agreed functional requirements for the new solution in 2019/20.

Once the agreed solution has been determined and implemented, it will be possible to provide accurate and timely management information to colleagues, the Director of Finance, the Head of Audit and the Audit Committee.

14.6 Corporate Counter Fraud and Investigations

The Corporate Counter Fraud Team has performed well and has worked in collaboration with Internal Audit colleagues to achieve their outcomes. In 2018/19, the Team delivered high value corporate counter fraud cases, which delivered real money benefits of £0.563m to the Council, which is a significant overachievement (42%) against the target of £0.325m.

The table overleaf sets out the key performance outcomes; set out in detail in Appendix 3:

Table 6: 2018/19 Corporate Counter Fraud Team Results

Performance Indicator/Output Measure	2018/19	
	Target	Actual
Counter Fraud Team:		
Corporate Cases - Positive Results	50	87
Council Tax Reduction (CTR) cases amended as a result of an investigation	100	107
Number of cases referred to the Department for Work and Pensions, Single Fraud Investigation Service (SFIS)	150	160
Fraud & Error Overpayments identified as part of Corporate Cases (£)	£25,000	£74,450
HB Fraud & Error Overpayments identified as part of a CTR investigation (£)	£250,000	£395,566
CTR Fraud & Error Overpayments identified (£)	£50,000	£92,537
Total Financial Outcomes from Counter Fraud Team	£325,000	£562,553

In addition, the team has delivered the following specific Corporate Counter Fraud results:

- 14 Administration Penalties, one Prosecution, 6 Cautions and 86 Warning Letters have been issued to Council Tax customers reminding them of their duties to report changes in their circumstances; and
- 87 Corporate Cases created positive results around non CTR fraud/misuse including Blue Badge Fraud, Employee, Free School Meals, School Applications, Council Tax Discount and Exemption Fraud and Direct Payment Fraud.

In addition, the team is working in collaboration with Adult Social Care and other Local Authorities regarding potential direct payment fraud cases, which require significant time to assess and resolve. The team works with Internal Audit to review processes and controls around these cases, at the same time.

The Team also remains the lead for the North West Heads of Audit Counter Fraud Sub Group, delivering the programme of work, agreed by the Regional Heads of Audit, and reports outcomes and progress at their meetings.

14.7 Audit of Direct Payments (DP)

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

From 2016/17, the DP Audit Team focused on the clients where high values of funds had been recovered, to determine what actions had been made throughout the year to reduce the amounts clawed back. The risk assessment process was applied in 2018/19 which categorised audits into Red, Amber and Green, to determine the frequency of audits.

The DP Audit team verifies that spending of the DP is in line with the agreed Support Plan and that client contributions to their care have been made. This team has a dual role as a compensating control, tasked with the responsibility to recover over-payments/unrecovered client contributions and also to ensure the client is spending the agreed funds advanced in accordance with the agreed Support Plan.

The Direct Payments Audit Team continues to identify the following financial recoveries across the Directorate, which for Adults Services, is £1.154m against the target of £0.850m, set out in Table 7 below.

Table 7: 2018/19 Adults and Children’s Direct Payments Team Results

Performance Indicator/Output Measure	2018/19	
	Target	Actual
Direct Payment Audit Team:		
Number of Children’s DP audits undertaken	100	147
Number of Adults’ DP audits undertaken	500	641
Funds requested during Children’s DP Audits (£)	£100,000	£180,215
Funds requested during Adults’ DP Audits (£)	£750,000	£973,501
Total Financial Outcomes from Personal Budget Audit Team	£850,000	£1,153,717

In 2018/19, the fraud, error and misuse element represents c. 0.5% of these cases; thus c. 99.5% (c. £1.148m) was recovered, which represents real money to the Council.

Table 8: Fraud, Error and Misuse Element (%)

	2015/16	2016/17	2017/18	2018/19
Fraud, Error and Misuse Element (%)	4.5%	4.5%	2.0%	0.5%

The table above shows that the proportion of Fraud, Error and Misuse Element has fallen over time. This could indicate that individuals are using the agreed funds appropriately, internal controls are improving due to an awareness by service managers. It is apparently, therefore, that the DP Audit process, as a compensating control, is yielding longer-term and short-term benefits to the Council.

15. 2018/19 Other Activities

In accordance with the collaboration on strategic projects set out in Section 5, the Head of Corporate Governance and his management team also supported the following activities:

- Support for the Council Group Governance bodies:
 - Audit Committee;
 - Scrutiny groups;
 - MioCare’s Finance, Audit and Risk Committee; and
 - Unity Partnership Ltd Shareholder Committee.
- Pre Implementation advice re: planned systems and processes and Change Review Boards; e.g. Agresso HR and Payroll proposed changes.
- Consultancy work: the Unity “Smart” Project and support for the recruitment to the Financial Controller position and the company’s financial reporting systems.
- Information Governance Board.
- Ad hoc advice and attendance at Boards, e.g. Credit Union, Debt Panel.
- CIPFA Internal Audit Editorial Board and the CIPFA Internal Audit Special Interest Group.

16. Effectiveness of Internal Audit

16.1 2013 Public Sector Internal Audit Standards (Revised 2017)

Section 1.2 sets out that the 2013 PSIAS requires the Internal Audit service to be externally assessed by an independent professional body. Following approval by the Audit Committee on 8 September 2016, the Chartered Institute of Finance and Accountancy (CIPFA) was appointed to conduct this review. This review was undertaken on 4 and 5 September 2017.

In summary, the review concluded that the service “Generally Conforms” to the standards. In addition, the review reported that Internal Audit is a “well respected service, which follows best practice”. The Final Report was presented to the Audit Committee on 11 January 2018.

The report contained the following four recommendations, which were fully agreed by the Head of Corporate Governance.

- Replace the section entitled “Role and Purpose of Internal Audit” in the Audit Charter with the “Mission of Internal Audit”.
- Incorporate a statement to the Audit Charter to confirm whether the Service has sufficient resources to deliver an effective internal audit service to the Council.
- Review the 2018/19 Audit Plan to incorporate audits of the risk management and Annual Governance Statement processes.
- Expand the Head of Governance’s annual opinion to include the risk management and governance arrangements.

The changes to the Audit Charter were incorporated into the 2018/19 Audit Charter, which was approved by the Audit Committee on 19 March 2018. The 2018/19 Audit Charter includes a review of the process to prepare the Annual Governance Statement and the 2018/19 Annual Audit Opinion comments on the three elements of the opinion, set out in this document.

In addition, the review also identified some suggestions for change for the service to consider. These suggestions have also been agreed by the Head of Corporate Governance and they will also be implemented in 2018/19. The suggestions, and their *respective progress updates*, are:

- Evaluate the specialist computerised audit management systems that are available and obtain the one that best meets the current and future needs of the Service. *Update: This is underway at the time of writing this annual opinion, in accordance with the Council’s Financial and Contract Procedure Rules.*
- Expand the Audit Plan Report to set out how the overall internal audit service and specific types of audits will be delivered. *Update: This has been incorporated into the 2018/19 detailed plan report.*

The next external assessment is due by 31 March 2023. In an earlier item on the agenda to this Audit Committee meeting, the Head of Corporate Governance has reported a review of the effectiveness of Internal Audit in 2018/19.

16.2 Internal Audit and Counter Fraud Team Developments

During 2018/19, the Oldham Internal Audit Service continued to implement improvements in order to ensure that its work complied with the best practice as set out in the PSIAS. A report detailed elsewhere on the Agenda provides added assurance to the Audit Committee that this service is complying with best practice.

Professional developments during 2018/19 will continue in 2019/20, and will include:

- Joint working with the Unity Partnership Ltd and Council senior managers to ensure that the agreed revised controls within the Payroll and Pension systems are implemented as agreed.
- Professional collaboration with colleagues in Adults' Social Care and Integrated Health ("Oldham Cares") and Children's Social Care.
- Internal Audit and Governance Training has been delivered in 2018/19 and it is planned to continue with this in 2019/20.
- Supporting colleagues before systems are implemented and/or upgraded to ensure that the requirement for key controls is fully understood.
- Collaboration across the Audit and Counter Fraud teams which has contributed to:
 - successful joint corporate investigations;
 - creation of an updated package of risk-based and wide-ranging training and awareness for delivery to colleagues across the Council to highlight the relationship between sound internal control to the prevention of fraud and error; and
 - improved knowledge and aided succession planning across the Team.
- Extension of project management disciplines to audit reporting and tracking of actions identified during internal audit reviews to improve service delivery, timeliness, follow-up and management updates.
- Review of business requirements in order to conduct an options appraisal for the Audit Management System to ensure value for money and compliance with professional best practice.

In addition, as Head of Corporate Governance, I consulted with key officers and External Audit to determine the issues for inclusion in the Annual Governance Statement. I also reviewed a number of independent sources of assurance in preparing this document. As a consequence, reliance has been placed on the work done by the Internal Audit and Counter Fraud Service, Grant Thornton LLP (UK), Ofsted and the Commission for Social Care Inspection.

Where there was a change in systems within the Council during 2018/19, and the implementation did not go well, this was reported to the Audit Committee.

16.3 2018/19 Audit and Counter Fraud Performance

The Audit and Counter Fraud Manager continues to streamline planning and reporting across the wider team. In addition, to the good outcome of the external independent assessment by the Chartered Institute of Finance and Accountancy (CIPFA), key performance indicators and achievements are shown in **Appendix 3** which confirms that the quality of the team's deliverables continues to improve, as set out below:

- 82 Final Audit reports have been agreed and issued to recipients (target 80); additional support was provided to corporate projects.
- The team has delivered approximately 93% of the 2018/19 Audit and Counter Fraud Plan, against a target of 95%. The absence of a robust Audit Management System does not allow an accurate calculation for the year.
- 2018/19 FFS reviews were again completed in accordance with a strict timelines to support the year end assurance process.
- Time taken to issue reports is on estimated to be an average 18 days, which is slightly less of the "stretch" ahead of the target of 15 days. Reporting processes, and the associated management information will be further reviewed as part of the implementation of the Audit Management System in 2019/20.
- Customer feedback obtained for 2018/19 has indicated that the team is well regarded and provides a professional service. Manager suggestions include the need for further training around the team's role and how it can add value to the organisation.

In addition, the Internal Audit Team achieved the following:

- Significant joint working with the Counter Fraud team to capture process and control improvements required to improve internal control and minimise fraud.
- Improved audit report clearance by on-going risk assessment and improved stakeholder engagement; further efficiencies will be achieved in this area in 2019/20.
- Contributed positively to the Finance developmental initiatives and departmental “lean” reviews.
- The team delivered support for the acquisition of the shares in the Unity Partnership Ltd and provided pre-implementation assurance for systems migrations.

In addition, in 2018/19 the Team commenced recording performance in Corvu, against the newly agreed Corporate Performance Indicator, M340 (CP) which is:

% of Internal Audit Opinions resulting in Weak, Inadequate Opinions or Limited Assurance: i.e. Internal Audit outcomes, which are less than adequate should be < 15%.

Results were captured quarterly and recorded in Corvu and the final position is shown below.

Table 9: 2018/19 Corvu Reporting

2018/19 Year End Result: M340 (CP)	Actual Result	Target	Variance
As at 31 March 2019	13.0%	15.0%	+2.0%

Thus, the service overachieved this corporate target in 2018/19, and this target will be monitored in 2019/20.

16.4 2019/20 Audit and Counter Fraud Performance Targets

In 2019/20, Internal Audit will continue to work with the Council’s external auditors and senior managers to further develop its quality by delivering the following improvements:

- Review the current Audit Management System to procure a cost effective alternative.
- Further develop its pre implementation programme assurance framework in conjunction with IT Audit colleagues.
- Regular review of organisational risks and priorities with the Director of Finance and senior managers within Directorates.
- Deliver the key outcomes identified in the accredited “lean” review to further improve efficiency.
- Implement further improvements in the process to capture customer service feedback.
- Further develop the current team governance training proposition to develop joint working arrangements with the Counter Fraud team to improve internal control and minimise fraud.
- Deliver further Internal Audit and Counter Fraud training to other teams across the Council.

The Team continues to improve its communication with, and feedback to, service managers across the Council. The Audit Plan for 2018/19 involved consultation with managers and the process to consult with Directorate Management Teams to review directorate risks and plans will be developed and reviewed during the year to ensure that risks and service priorities are reflected.

Therefore the team has met or exceeded its key targets in 2018/19 and plans are in place to continue to achieve a high performance. The performance targets for 2019/20 are shown in **Appendix 3**.

16.5 Quality Assurance and Improvement Programme

Internal Audit's Quality Assurance and Improvement Program (QAIP) is designed to provide reasonable assurance to the various stakeholders of the Internal Audit activity that Internal Audit:

- Performs its work in accordance with its 2019/20 Annual Internal Audit Charter, which is consistent with the Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing (*Standards*), Definition of Internal Auditing and Code of Ethics.
- Operates in an effective and efficient manner.
- Is perceived by stakeholders as adding value and improving Internal Audit's operations.

For 2019/20, the Internal Audit and Counter Fraud Service will continue to set challenging targets for all of its key measures.

16.6 Audit Management System

Oldham Council's Internal Audit Service has built its QAIP into the current Audit Management System ("APACE") automated working papers package. Staff access is monitored and reviewed and are allocated the following access rights:

- Auditors (these staff can only prepare, but they may not authorise working papers).
- Audit and Counter Fraud Manager, Assistant Managers (x2) and Senior Auditors (these team members can prepare and authorise).

Manager access rights are allocated to four roles (five members of staff) in the Team:

- Audit and Counter Fraud Manager
- Assistant Manager – Internal Audit
- Senior Auditors (x 3)

Whilst the system cannot prevent these staff authorising their working papers, the following conventions have been agreed:

- Audit and Counter Fraud Manager will authorise all working papers produced by the Assistant Manager – Internal Audit and Senior Auditors unless the matter is urgent.
- Audit and Counter Fraud Manager can authorise his/her own work and this happens on Corporate Projects and Special Assignments.

Following the PSIAS External Inspection in September 2017, work commenced in 2018/19 to conduct a cost-benefit analysis of the alternative options to the APACE package to ensure that the system meets the Council's business and IT requirements. This implementation has experienced a short delay in 2018/19 in order to ensure that value for money is fully achieved, but will be completed in 2019/20.

16.7 File Review

Detailed File Review for audits specified in the approved Plan and Special Assignments are undertaken by either the Audit and Counter Fraud Manager or the Assistant to that post.

Staff will prepare the relevant audit working paper and, when satisfied with the quality, mark the file for review. This will be reviewed by the authorised staff who will ask for clarification of any points by

raising a review point. Once the authorised staff are satisfied that the review point has been answered they will mark the working paper as reviewed.

For audits with an overall opinion of “good / adequate” or “inadequate” the audit report can be issued without reference to the Head of Corporate Governance. All audits classed as “Weak” are reviewed by the Head of Corporate Governance prior to being sent out in draft.

A File Review Checklist is included at the front of each Audit File.

16.8 Outcome of Audit File Review

Overall three files were reviewed. These comprised two FFS files and one operational audits. In summary, the standard of work was found to be satisfactory and there was evidence that the quality of work continues to improve.

A report was discussed with the Assistant Manager – Internal Audit on the findings. The main areas for development are around the time taken to agree the audit reports with the service managers. Therefore in 2019/20, the following actions will be taken to address these issues:

- Refine the cost and benefit analysis of the main options to replace the current Audit Management System and collaborate with the Council’s ICT colleagues to implement the fully evaluated new system. This project is underway and market engagement has commenced and will incorporate the documented business requirements and the suggestions by the CIPFA PSIAS external assessment. The Audit Manual will be updated where required, once the system is implemented.
- Review the reporting of follow up progress to agreed audit recommendations including regular summary status reporting to the Council’s Audit Committee.
- Continued collaboration across the Team to deliver training and awareness across the Council, building on the successes of the training sessions in previous years.

16.9 Collaboration with Stakeholders

In addition to experiencing professionally constructive and positive working relationships with staff and managers across the Council, the team also collaborates with the Council’s External Auditors, Health Auditors and the Regional Heads of Audit. The Head of Corporate Governance would like to thank all colleagues for their assistance in 2018/19 and he is looking forward to working with them in 2019/20.

16.10 Reporting to the Audit Committee

The Audit Committee receive Audit and Counter Fraud progress reports on a regular basis, which set out team outcomes including progress against the plan. In addition, issues, recommendations and audit opinions arising from the operational and financial audit reviews within Directorates were reported in greater detail to this Audit Committee as follows. This will continue in 2019/20.

- Economy, Skills and Neighbourhoods: Matters were reported on 19 March 2018.
- Corporate and Commercial Services: Matters were reported on 6 September 2018.
- People and Place: Matters were reported on 10 January 2019.

Internal Audit and Counter Fraud: 2018/19 Final Reports and other Outputs

(FFS = Fundamental Financial Systems)

Ref	Directorate	Internal Audit /Counter Fraud Report	Report/Briefing Note	Final Report Date	Month	Quarter	Opinion
1	Corporate & Commercial Services	Local Election 3rd May 2018 - Postal Vote Data Review - 1	Briefing Note	29/04/2018	April	Q1	Advisory
2	Corporate & Commercial Services	Local Election 3rd May 2018 - Postal Vote Data Review - 2	Briefing Note	29/04/2018	April	Q1	Advisory
3	Corporate & Commercial Services	Local Election 3rd May 2018 - Postal Vote Verification Review	Briefing Note	29/05/2018	April	Q1	Advisory
4	Children's Services	Children's Services Cash Imprest and Cash Handling Review	Report	19/06/2018	June	Q1	Inadequate
5	Corporate & Commercial Services	Smart - UPL Interim Finance & Agresso Processes	Briefing Note	07/06/2018	June	Q1	Advisory
6	Health & ASC Community Services	Disabled Facilities Grant	Assurance Statement	08/06/2018	June	Q1	Advisory
7	Corporate & Commercial Services	Smart - UPL Governance pre acquisition	Briefing Note	02/07/2018	July	Q2	Advisory
8	People and Place	Troubled Families System Assurance Review	Report	17/07/2018	July	Q2	Adequate
9	People and Place	Local Growth Deal	Assurance Statement	23/07/2018	July	Q2	Reasonable Assurance
10	Health & ASC Community Services	Supported Living Establishment: 14-16 Johnson Avenue - Imagine, Act and Succeed (IAS) Services	Report	31/07/2018	July	Q2	Inadequate
11	Health & ASC Community Services	Supported Living Establishment : 392b Shaw Road – Liberty Support Services	Report	31/07/2018	July	Q2	Adequate
12	People and Place	Kingsland School	Report	10/08/2018	August	Q2	Adequate
13	People and Place	Capital Programme - Benefits Realisation	Report	14/08/2018	August	Q2	Inadequate
14	People and Place	FoodChains 4 EU	Assurance Statement	27/08/2018	August	Q2	Reasonable Assurance
15	People and Place	COALESCCE EU	Assurance Statement	27/08/2018	August	Q2	Reasonable Assurance
16	People and Place	INNOVAFOSTER	Assurance Statement	27/08/2018	August	Q2	Reasonable Assurance
17	People and Place	Confidential Briefing Paper	Briefing Note	06/09/2018	Sept	Q3	Advisory
18	People and Place	Pot Hole Action Fund Certificate of Compliance	Assurance Statement	13/09/2018	Sept	Q2	Reasonable Assurance
19	People and Place	Troubled Families System Assurance Review - follow up (MCC)	Report	26/09/2018	Sept	Q2	Adequate
20	People and Place	Carbon Reduction Commitment (CRC)	Report	28/09/2018	Sept	Q2	Good
21	Children's Services	Complaint – Restricted	Briefing Note	03/10/2018	Oct	Q3	Advisory
22	Group Company	Company CIC - Governance Review	Report	15/10/2018	Oct	Q3	Adequate

Ref	Directorate	Internal Audit /Counter Fraud Report	Report/Briefing Note	Final Report Date	Month	Quarter	Opinion
23	Group Company	Company Group CIC - Payroll and Recruitment Review	Report	15/10/2018	Oct	Q3	Weak
24	Group Company	Smart - UPL Shareholder Committee: Report to Cabinet	Report	22/10/2018	Oct	Q3	Advisory
25	Corporate & Commercial Services	Elections - Failsworth - Postal Vote Review	Briefing Note	15/11/2018	Nov	Q3	Advisory
26	Group Company	Company Group CIC - Safeguarding High Level Review	Report	26/11/2018	Nov	Q3	Good
27	Group Company	Company Group CIC - Supported Living	Report	26/11/2018	Nov	Q3	Good
28	People and Place	Confidential Briefing Paper	Briefing Note	17/12/2018	Dec	Q3	Advisory
29	FFS	2018/19 Interim - Accounts Payable	Report	19/12/2018	Dec	Q3	Adequate
30	FFS	2018/19 Interim - Accounts Receivable	Report	19/12/2018	Dec	Q3	Good
31	FFS	2018/19 Interim - Bank Recs	Report	19/12/2018	Dec	Q3	Good
32	FFS	2018/19 Interim - Cash Income	Report	19/12/2018	Dec	Q3	Adequate
33	FFS	2018/19 Interim - Council Tax	Report	19/12/2018	Dec	Q3	Adequate
34	FFS	2018/19 Interim - Council Tax Reduction	Report	19/12/2018	Dec	Q3	Good
35	FFS	2018/19 Interim - Fixed Assets	Report	19/12/2018	Dec	Q3	Adequate
36	FFS	2018/19 Interim - Housing Benefits	Report	19/12/2018	Dec	Q3	Adequate
37	FFS	2018/19 Interim - Housing Rents	Report	19/12/2018	Dec	Q3	Good
38	FFS	2018/19 Interim - NDR (Business Rates)	Report	19/12/2018	Dec	Q3	Adequate
39	FFS	2018/19 Interim – Payroll	Report	19/12/2018	Dec	Q3	Weak
40	FFS	2018/19 Interim - Personal Budgets	Report	19/12/2018	Dec	Q3	Inadequate
41	FFS	2018/19 Interim - Residential Care	Report	19/12/2018	Dec	Q3	Adequate
42	FFS	2018/19 Interim - Treasury Management	Report	19/12/2018	Dec	Q3	Good
43	Strategic/Corporate Review	Confidential Briefing Paper to DOF and CEO	Briefing Note	21/12/2018	Dec	Q3	Advisory
44	Corporate & Commercial Services	Internal Audit Briefing Note Flight Cost Analysis for the CEO	Briefing Note	21/12/2018	Dec	Q3	Advisory
45	Group Company	Company Group CIC - 2018 FFS	Report	09/01/2019	Jan	Q4	Good
46	Group Company	Company Group CIC - 2018 Payroll Follow Up	Report	09/01/2019	Jan	Q4	Advisory
47	People and Place	Confidential Briefing Paper to Deputy Chief Executive	Briefing Note	09/01/2019	Jan	Q4	Advisory
48	People and Place	Confidential Briefing Paper	Briefing Note	25/01/2019	Jan	Q4	Advisory
49	People and Place	Confidential Briefing Paper to HOCG	Briefing Note	18/02/2019	Feb	Q4	Advisory
50	Corporate & Commercial Services	Procurement and Finance - Direct Payments ad hoc advice to the HIA	Briefing Note	01/03/2019	Mar	Q4	Advisory
51	Corporate & Commercial Services	Payroll - Bank Account Changes Ad Hoc advice to the HIA	Briefing Note	01/03/2019	Mar	Q4	Advisory

Ref	Directorate	Internal Audit /Counter Fraud Report	Report/Briefing Note	Final Report Date	Month	Quarter	Opinion
52	Corporate & Commercial Services	Procurement and Finance - Supplier Due Diligence Review	Briefing Note	01/03/2019	Mar	Q4	Advisory
53	Corporate & Commercial Services	FoodChains 4 EU	Assurance Statement	06/03/2019	Mar	Q4	Reasonable Assurance
54	Corporate & Commercial Services	COALESCE EU	Assurance Statement	06/03/2019	Mar	Q4	Reasonable Assurance
55	Corporate & Commercial Services	INNOVAFOSTER	Assurance Statement	06/04/2019	Mar	Q4	Reasonable Assurance
56	People and Place	Confidential Briefing Paper to HOCGCAE	Briefing Note	13/03/2019	Mar	Q4	Advisory
57	People and Place	Confidential Briefing Paper to HOCGCAE	Briefing Note	13/03/2019	Mar	Q4	Advisory
58	People and Place	Confidential Briefing Paper to HOCG	Briefing Note	13/03/2019	Mar	Q4	Advisory
59	Corporate & Commercial Services	Payroll - Audit Review of Functional and Non Functional Requirements	Assurance Review	14/03/2019	Mar	Q4	Advisory
60	Strategic/Corporate Review	Confidential Report to the Director of Finance	Briefing Note	12/03/2019	Mar	Q4	Advisory
61	People and Place	Local Transport Capital Block Funding (Pothole Action Fund) Grant Determination (2017/18) No: 31/2951 & Local Transport Capital Block Funding (Flood Resilience Fund) Grant Determination No: 31/3296	Briefing Note	21/03/2019	Mar	Q4	Reasonable Assurance
62	People and Place	Highways Grant Certification	Assurance Statement	22/03/2019	Mar	Q4	Reasonable Assurance
63	Strategic/Corporate Review	Business Flights Review - Follow up	Report	29/03/2019	Mar	Q4	Weak
64	Strategic/Corporate Review	Briefing Note to the Leader - OGH	Briefing Note	25/03/2019	Mar	Q4	Advisory
65	FFS	2018/19 Final - Accounts Payable	Report	29/03/2019	Mar	Q4	Adequate
66	FFS	2018/19 Final - Accounts Receivable	Report	29/03/2019	Mar	Q4	Adequate
67	FFS	2018/19 Final - Bank Recs	Report	29/03/2019	Mar	Q4	Good
68	FFS	2018/19 Final - Cash Income	Report	29/03/2019	Mar	Q4	Adequate
69	FFS	2018/19 Final - Council Tax	Report	29/03/2019	Mar	Q4	Adequate
70	FFS	2018/19 Final - Council Tax Reduction	Report	29/03/2019	Mar	Q4	Adequate
71	FFS	2018/19 Final - Fixed Assets	Report	29/03/2019	Mar	Q4	Adequate
72	FFS	2018/19 Final - Housing Benefits	Report	29/03/2019	Mar	Q4	Adequate
73	FFS	2018/19 Final - Housing Rents	Report	29/03/2019	Mar	Q4	Good
74	FFS	2018/19 Final - NDR (Business Rates)	Report	29/03/2019	Mar	Q4	Adequate
75	FFS	2018/19 Final - Payroll	Report	29/03/2019	Mar	Q4	Adequate
76	FFS	2018/19 Final - Personal Budgets	Report	29/03/2019	Mar	Q4	Inadequate

Ref	Directorate	Internal Audit /Counter Fraud Report	Report/Briefing Note	Final Report Date	Month	Quarter	Opinion
77	FFS	2018/19 Final - Residential Care	Report	29/03/2019	Mar	Q4	Adequate
78	FFS	2018/19 Final - Treasury Management	Report	29/03/2019	Mar	Q4	Good
79	Children's Services	Home to School Transport – Interim Statement	Report	29/03/2019	Mar	Q4	Inadequate
80	Children's Services	Semi Independent Units Review 1 - Interim Statement	Report	29/03/2019	Mar	Q4	Weak
81	Corporate & Commercial Services	Disclosure and Barring Service (DBS) Review	Report	29/03/2019	Mar	Q4	Inadequate
82	ICT Audit	Mobile Device Management	Report	29/03/2019	Mar	Q4	Satisfactory

2018/19: Summary of Final Reports by Audit Opinion and by Directorate

Opinion	Number of Reports	Directorate/Service	Number of Reports
Good	12	Council Group Company	7
Adequate/Reasonable/satisfactory	33	Corporate & Commercial Services	15
Inadequate	7	Health & Adults Social Care Community Services	3
Weak	4	People and Place	20
Advisory	26	Fundamental Financial Systems (FFS)	28
		Strategic/Corporate Review	5
		Children's Services	4
2018/19 Total	82		82

Internal Audit and Counter Fraud Team
Key Performance Indicators (KPIs): 2018/19 Achievements and 2019/20 Targets

Performance Indicator/Output Measure	2017/18	2018/19		2019/20
	Actual	Target	Actual	Target
Corporate KPI M340 (CP): % of Internal Audit Opinions resulting in Weak, Inadequate Opinions or Limited Assurance; i.e. % of audits outcomes which are less than Adequate.	N/A	15%	15%	15%
Counter Fraud Team:				
Corporate Cases - Positive Results	67	50	87	75
CTR cases amended as a result of an investigation	68	100	107	100
Number of cases referred to SFIS	150	150	160	150
Fraud & Error Overpayments identified as part of Corporate Cases (£) (new for 2018/19)	N/A	£25,000	£74,450	£60,000
HB Fraud & Error Overpayments identified as part of a CTR investigation (£)	£164,246	£250,000	£395,566	£300,000
CTR Fraud & Error Overpayments identified (£)	£59,896	£50,000	£92,537	£90,000
Total Financial Outcomes from Counter Fraud	£224,142	£325,000	£562,553	£450,000
Direct Payment Audit Team:				
Number of DP audits undertaken (Children)	126	100	147	150
Number of DP audits undertaken (Adults)	814	500	641	600
Funds requested during Children's PB Audits including Financial Assessment (£)	£191,442	£100,000	£180,215	£175,000
Funds requested during Adults' PB Audits including Financial Assessment (£)	£1,337,931	£750,000	£973,501	£900,000
Total Financial Outcomes from Personal Budget Audit Teams	£1,529,373	£850,000	£1,153,716	£1,075,000
Total Financial Outcomes from Counter Fraud and Personal Budget Audit Teams	£1,753,515	£1,175,000	£1,716,269	£1,575,000
Audit and Counter Fraud Team KPIs:				
% Audit and Counter Fraud Plan Completed	96.25%	96%	93% (** estimated)	96%
Customer Service Feedback (2018/19 is an internal assessment with amended methodology)	4.8	4.8	Good	Good
Days to Complete Audits and Counter Fraud Reviews	18 days	15 days	15 days	15 days
No of Final Audit and Counter Fraud Reports	78	80	83	80