

Report to Audit Committee

2019/20 Annual Report to Audit Committee

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

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Reason for Decision

To provide Members with the Annual Report for 2019/20 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 2020/21 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 2020, to assist the Committee's review of the 2019/20 Annual Governance Statement (AGS) and to assist with the future review of the Statement of Final Accounts.
- **Appendix 2:** Internal Audit and Counter Fraud Team Key Performance Indicators (KPIs): 2019/20 Achievements and 2019/20 Targets.

The 2019/20 AGS is reported elsewhere on this agenda and it identifies nine significant issues for the Council to mitigate risks during 2019/20. This report supports the progress made against the issues raised in the 2018/19 AGS and demonstrates an appropriate level of control and financial administration across the Council during 2019/20.

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.

2019/20 Annual Report to the Audit Committee**1. Background**

- 1.1 This report summarises the work carried out in 2019/20 and presents the Annual Report and Head of Corporate Governance Opinion on the System of Internal Control for the year ended 31 March 2020. The Annual Opinion reflects the full range of Audit and Counter Fraud activity.

2. Audit Opinion and Work Undertaken in 2019/20

- 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. They were subsequently revised in 2017. 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 2019/20 and its professional framework is set out at **Appendix 1**.
- 2.3 **Appendix 2** to this report highlights the work undertaken by Internal Audit and Counter Fraud to support the overall opinion detailed in this report.

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 1 and 2
Officer Name: Sabed Ali
Contact No: 4891

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 2020; to assist the Committee's review of the 2019/20 Annual Governance.

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- **Appendix 2:** Internal Audit and Counter Fraud Team: Key Performance Indicators (KPIs): 2019/20 Achievements and 2020/21 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 2020**

23 June 2020

Annual Report and Head of Corporate Governance Opinion on the System of Internal Control for the year ended 31 March 2020

1. Introduction

1.1 Background

The Internal Audit and Counter Fraud Plan for 2019/20 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 Executive, Strategic Directors and Managing 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. They were revised in 2017. 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.

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. A paper was presented to the Audit Committee around the HIA on 25 June 2019 detailing its role and responsibilities. This concluded the Council complied with the main principles in respect of the role of the Head of Internal Audit.

1.3 Roles and Responsibilities

Reviewing the System of Internal Audit

The Council is responsible for maintaining a sound system of internal control which is reviewed by Internal Audit. In order to review the System of Internal Audit the Committee undertakes a review by using the balanced score card approach which discharges its responsibility for putting in place arrangements for gaining assurance about the effectiveness of that function.

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 2019/20 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 2019/20. 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.

2.3 CIPFA/SOLACE Code of Corporate Governance

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

It has adopted a Local Code of Corporate Governance which is publicised on the Council website. The Council's 2019/20 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 and The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 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 was updated on 20 January 2020.

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 2019/20 AGS, which identifies nine issues for the Council to mitigate risks during 2019/2020. This report also highlights the progress made against the issues raised in the 2018/19 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 2019/20.

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 Member of the Executive Management Team; these are supported by Service Risk Registers included in Business Plans.

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 2018/19 Annual Governance Statement (AGS) and have been incorporated into the 2019/20 Statement.

4. 2019/20 Audit and Counter Fraud Plan

The 2019/20 Audit and Counter Fraud Plan was agreed by the Audit Committee on 7 March 2019. Changes to this agreed plan have been reported to and agreed by this Committee during 2019/20. The Audit Opinions agreed with managers contribute towards an element of the 2019/20 Annual Opinion along with the assessment of materiality and the response by managers to implementing the agreed recommendations.

5. Financial Management

In 2019/20, 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.

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

The year-end final accounts were submitted for Audit on 31 May 2020 during the period of home working undertaken by the Council as a result of the pandemic. 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 2019/20 AGS highlights the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016). It also highlights that the Director of Finance (the Chief Finance Officer and designated Section 151 officer) is a member of and attends the meetings of the Senior Management Team which integrates the Executive Management Team (EMT) and all Directors via a single management meeting and that all Statutory Officers have access to the Chief Executive and one to one (1:1) sessions as required. The Council considers that its management arrangements are appropriate in the context of compliance with the CIPFA Statement.

6. Fundamental Financial Systems (FFS)

In accordance with the 2019/20 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 £10.7m in 2019/20.

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 2015/16 and 2019/20.

Table 1: Key Financial Systems Final Audit Opinions 2015/16 to 2019/20

Financial System	Final Audit Opinion				
	2015/16	2016/17	2017/18	2018/19	2019/20
Accounts Payable	Adequate	Adequate	Adequate	Adequate	Adequate
Accounts Receivable	Good	Good	Adequate	Adequate	Good

Financial System	Final Audit Opinion				
	2015/16	2016/17	2017/18	2018/19	2019/20
Bank Reconciliations	Adequate	Good	Good	Good	Good
Cash Income	Adequate	Good	Adequate	Adequate	Adequate
Council Tax	Adequate	Adequate	Adequate	Adequate	Adequate
Council Tax Reduction (from 2014/15)	Adequate	Adequate	Adequate	Adequate	Good
Fixed Assets	Adequate	Adequate	Adequate	Adequate	Adequate
Housing Benefits	Adequate	Adequate	Inadequate	Adequate	Adequate
Housing Rents (from 2017/18)	N/A	N/A	N/A	Adequate	Good
NDR (Business Rates)	Adequate	Adequate	Adequate	Adequate	Adequate
Payroll: Schools & Non-Schools	Weak	Weak	Weak	Inadequate	Inadequate
Personal Budgets and Direct Payments	Inadequate	Inadequate	Inadequate	Inadequate	Inadequate
Residential Care Payments	Inadequate	Inadequate	Adequate	Adequate	Adequate
Treasury Management	Good	Good	Good	Good	Good
Audit Opinions	2015/16	2016/17	2017/18	2018/19	2019/20
Good	2	4	2	2	5
Adequate	8	6	8	10	7
Inadequate	2	2	2	2	2
Weak	1	1	1	0	0
N/A	1	1	1	0	0
Total	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:

- 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”. Housing Rents has also increased 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 6.1 discusses the changes made to the Payroll arrangements and the plans for the future.
- Adult Social Care financial systems based in the Community Health and Adult Social Care Directorate continue to show signs of improvement made in previous financial years and the audit opinion of the system for Residential Care Payments continues to be “Adequate”. However, the previous year improvements made in the system of administration for Personal Budgets and Direct Payments could not be sustained.
- Following the 2019/20 Audits, there are no financial systems assessed as “Weak”.

The 2019/20 review of Accounts Payable identified that, there has been an improvement in control around the approval of invoices to the Unity Partnership Ltd for professional fees in Property Services. As part of the testing no invoices were approved by Unity Partnership Ltd. Managers have agreed and maintained the control to ensure effective segregation of duties around these payments, by ensuring that these invoices are not approved by managers in the Unity Partnership Ltd.

For those systems which have been assessed as “Adequate” for a number of years, managers are encouraged to develop appropriate plans to facilitate the required improvement to “Good”. To support this, Internal Audit will continue to deliver financial systems audit engagement session with key colleagues across the partnership it is planned to develop this training package further in 2020/21.

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 completion of the interim FFS reviews and completed the fieldwork and production of Final FFS audit reviews by 29 March 2019 to support the close-down of the 2019/20 accounts during the working at home caused by the pandemic.
- The audit of the Housing Rents system, in 2019/20 resulted in an audit opinion of “Good”.

6.1 Payroll System: Update

The 2019/20 Final Audit Assessment is that the systems and controls for both the Directorate and Schools' payroll systems, remained “Inadequate”, despite continued improvement on some processes during the financial year.

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 and a Pensions Team Manager has been in place throughout the year to provide the necessary focus on this area.

In addition, following a review of HRP systems after the Council acquired the shares in Unity, a decision has been made to implement a single HR and Payroll system to meet the ambition of the Council and its strategic partners. This is predicated on next generation technology on a cloud-based architecture that aligns with the Council's IT and digital strategy, enables greater efficiency and effectiveness in the delivery of support services and creates opportunity for growth of HR and payroll as a traded service in the future.

Following approval by Cabinet in March 2019, a preferred provider (iTrent) was procured. Following a review. The February 2020 People Programme Board agreed that the implementation date for the self-service elements would be April 2020 for the Council and MioCare Payrolls, with all payroll elements planned for implementation in summer 2020.

The implementation of the new system has been delayed by the COVID 19 pandemic and is currently programmed for the Autumn of 2020. The progress on the implementation of the new system will be subject to a report to the September Audit Committee.

The project to combine the two payroll systems currently used into one will continue to be supported by assurance from both Finance and Internal Audit.

The Final 2019/20 Audit Assessment is that the systems and controls for both the Directorate and Schools payroll systems are inadequate.

The audit has identified that processes have remained relatively stable, building on the progress made in 2018/19, however there remain a number of areas where controls need to be improved. It is important to note that, with the impending implementation of the iTrent HRP system, certain issues noted may be fully or in part addressed by changes in operational processes and procedures. The impact of the new system on the control environment will be assessed as part of pre and post implementation assurance in 2020/21.

In respect of the key controls within the payroll system in 2019/20, the Audit identified the following areas of good practice:

- There is an adequate segregation of duty between HR, payroll processing and payments.
- There is adequate documentation retained to verify the setting up of and payment to new starters on the systems.
- Auto-enrolment of new starters into a pension scheme takes place in line with policy and regulations.
- Regular and timely reconciliations of the payroll and accounting systems occurs.
- Records are retained to show the quality assurance and review of payroll transactions, and the subsequent approval of the salary payments by the Head of Shared & Collaborative Services.
- Critical errors and warnings are reviewed prior to running the payroll.
- BACS and CHAPS payments made outside of the normal monthly payroll proposal are approved and can be verified to supporting documentation.
- Employees subject to NJC Green book terms and conditions received a 2% cost of living increase from 1 April 2019 in line with the agreements in place at that time
- A revised policy on salary overpayments was communicated to all staff in November 2019. There is also increased oversight by management regarding overpayments of salary, reasons why they occurred, and recovery action taken.

The Head of Corporate Governance is supporting the implementation and is part of the payroll assurance process which monitors progress of the Payroll implementation progress.

6.2 Adults' Services Financial Systems: Update

The Community Health and Adults' Social Care Team (part of "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.

The Final 2019/20 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.

It is noted that a number of previously agreed recommendations have progressed well and marked as complete which is demonstrated by the 2019/20 Follow Up. Whilst the service continues to allocate resources to resolving these legacy issues, it is a complex and time-consuming process.

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 quality assurance framework, review of electronic Resource Allocation System (RAS). In addition, progress meetings have been arranged to mark progress around the FFS Action Plan with the Interim Assistant Director, Community Business Services

The Council and its health service partners are planning for health and social care operating in an integrated 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.

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

7. ICT and Information Governance

7.1 Computer Audits

Progress is being made against the agreed actions and the IT Audit Plan in 2020/21 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 2019/20, the plan included a range of IT audits for completion by the Council's third-party technical audit lead.

To date, these audits have not identified any items of significant concern and proposed audit opinions are positive; i.e. "High" or "Satisfactory" Assurance. The 2020/21 ICT Audit Plan is currently being agreed with ICT Managers.

7.2 Information Management and Governance

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 terms of reference of the Audit Committee was updated and approved by Council in May 2018, in order to receive reports on any key outcomes including regular Data Protection breach reports.

The Head of Corporate Governance attends the quarterly Information Governance Group, which will continue to meet in 2020/21. The Audit Committee agendas regularly include Information Governance items, such as the Data Protection Update and Senior Information Risk Officer (SIRO) Annual report presented to the 4 June 2020 meeting.

8. Legal Services

8.1 Elections: Local Election and General Postal Votes Validation Processes

Local Election

Local and Parish Elections will be held on 2 May 2019 in Oldham covering all 20 wards within the borough.

As part of an agreed approach with the Director of Legal Services, Internal Audit provided an independent review of postal vote packs to ensure the integrity of the election process. A review was carried out on Wednesday 17 April 2019.

The review concluded that the postal vote 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.

General Election

As part of an agreed approach with the Director of Legal Services, Internal Audit provided an independent review of postal vote packs as part of a suite of checks to review the integrity of the General Election process. Accordingly, a review was carried out on Thursday 27 November 2019 to ensure the integrity of the postal vote packs received earlier that morning from the third-party printing. The work undertaken by the team was as follows:

- conducted sample checks of postal votes prior to distribution to residents, in two tranches, to 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 issued to electors.

The review concluded that the postal vote 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.

9. Directorate Based Reviews:

9.1 Capital Projects/Regeneration Schemes

A review was undertaken around selected projects agreed with the service. This has highlighted issues, which are currently being discussed, this will improve the management of future projects.

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

10.1 Support for the Service Transformation

The Audit and Counter Fraud team continues to provide 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 to 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, monitoring 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 2020/21, the Audit and Counter Fraud Team will support the development of this integrated agenda. Particularly in relation to recovery of direct payments in both organisations.

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

10.2 Oldham Cares: Joint Audit Review of the Governance arrangements supporting the Integrated Learning Disability Service

The formal devolution of the £6 billion budget for health and social care commissioning to the Greater Manchester Health and Social Care Partnership (GMHSCP), which is a coalition of 37 NHS organisations and local authorities occurred in April 2016.

The task of the GMHSCP is to oversee the devolution of the region’s health and social care services and its aim is to achieve the biggest, fastest improvement to the health and wellbeing of the Greater Manchester region. The Partnership is made up of local NHS organisations and Councils, as well as representatives from NHS England and NHS Improvement, emergency services, the voluntary sector, Health-watch and others including the Mayor of Greater Manchester.

Within the governance framework of the GMHSCP, the GM Health and Care Board approved the GM Learning Disability Strategy on 13 July 2018. The report sets out the key messages which included the following:

- A joint governance structure has been developed and implemented to oversee the Learning Disabilities (LD) activity in GM; this structure will be accountable for the delivery of the strategy.
- The strategy and plans have been agreed by GM Directors of Adult Social Care (ASC) services, CCG Directors of Commissioning and the Greater Manchester Combined Authority (GMCA) wider leadership team.
- The Board agree that there should be a separate strategy for autism.
- The organisation, Pathways Associates, supports the GM work and the development of Strategic Priorities.
- The 10 Strategic Priorities are aligned to GM ASC Transformation Programme (also known as the Transforming Care Programme).

A review of the effectiveness of the governance and decision-making processes to support the GM LD Strategy was required. This was a joint review between Oldham Council's Internal Audit service and audit colleagues nominated by Pennine Care colleagues. The aim was to provide assurance that the joint service was on track and to identify any joint actions to address any agreed areas where improvement may be required.

OMBC's Internal Audit Service collaborated with PCFT's Contracting & Service Development Manager to conduct the joint detailed review over a period August /September 2019. This was an advisory piece of work with recommendations agreed by the service.

The review has highlighted that there have been several key developments since a Memorandum of Understanding between OMBC and PCFT was established in March 2017, which provided a sound basis for effective governance. However, there are a number of aspects of the integration that need to be addressed in order for the Health and Social care teams to be more closely aligned and to embed more effective governance. Internal Audit are working with the service in order to implement the actions identified with the service. A follow up will be shortly arranged but progress may be limited due the service pressure around Covid-19.

11 Grant Assurance Reviews

11.1 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 2019/20, the team provided assurance for grant funding around Local Transport Capital Block Funding and Local Growth Fund around Strategic Transport Grant Claims and assurance statements. For projects attracting European grant all grant reviews were delivered by the agreed due date and no significant issues were identified.

11.2 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 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.

Under the new arrangements, the approach to managing and auditing the TF programme are 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). Whereas the previous PbR mechanism required a data-focussed approach to audit, the new model focusses primarily on the verification of the quality assurance processes and decision making around case management.

The six headline issues for families to be attached on are (as per TFOP);

- Parents and children involved in crime or antisocial behaviour,
- Children who have not been attending school regularly,
- Children who need help,
- Worklessness and Financial Exclusion
- Violence within the family, and
- Parents and children with a range of health problems.

This initial audit was to provide assurance over whether Districts' TF programme meet the requirements set out in the GM TF framework.

The objective of the audit review was to provide assurance that systems designed to support delivery of the TF programme and ensure delivery of key requirements of the GM TF Framework. Specifically, the audit focussed on the following key system areas:

- Attachments – The referral/engagement process identifies eligible families, meeting at least two of the six criteria specified.
- Single Keyworker – Families are allocated a single caseworker who holds the family plan and coordinates other services.
- Whole family assessment and plan –The assessment and planning process identifies the needs of all family members and the means of addressing them.
- Progress monitoring – Agreed family actions are recorded, with the outcomes monitored and these demonstrate progress made in line with the TFOP.
- Sign-off and case closure - Cases are subject to appropriate managerial oversight, challenge and supervision.
- Performance reporting – arrangement for performance monitoring and reporting ensure performance and delivery reporting in line with the TF Framework.

Internal Audit has reviewed the systems designed to support the delivery of the TF programme, and is able to provide reasonable, not absolute assurance, over data systems and processes in place to confirm the eligibility of families engaged in the programme in line with the Troubled Families Outcome Plan.

12 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.

The tables below set out the key performance outcomes; set out in detail in Appendix 2:

2019/20 Corporate Counter Fraud Team Results

Performance Indicator/Output Measure	2019-2020
Counter Fraud Team:	
Corporate Cases - Positive Results	390
Council Tax Reduction (CTR) cases amended as a result of an investigation	87
Fraud & Error Overpayments identified as part of Corporate Cases (£)	£52,450
HB Fraud & Error Overpayments identified as part of a CTR investigation (£)	£227,305
CTR Fraud & Error Overpayments identified (£)	£101,617
Total Financial Outcomes from Counter Fraud Team	£381,372

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.

12.1 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.

The DP 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.

2019/20 Adults and Children's Direct Payments Team Results

Performance Indicator/Output Measure	2019-2020
Direct Payment Audit Team:	
Number of Children's DP audits undertaken	229
Number of Adults' DP audits undertaken	956
Funds requested during Children's DP Audits (£)	£197,705
Funds requested during Adults' DP Audits (£)	£1,681,566
Total Financial Outcomes from Personal Budget Audit Team	£1,879,271

13 2019/20 Other Activities

In accordance with the collaboration on strategic projects, 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.
- Information Governance Board.
- The update of the Finance Procedure Rules
- CIPFA Internal Audit Editorial Board and the CIPFA Internal Audit Special Interest Group.

14. 2019/20 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.

- 55 Final Audit reports have been agreed; additional support was provided to corporate projects.
- The fieldwork to support the 2019/20 FFS reviews were again completed in accordance with a strict timeline 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 than the "stretch" 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 2019/20 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 2020/21.
- The team delivered support for pre-implementation assurance for systems migrations.

In addition, in 2019/20 the Team continued recording performance in Corvu, against the 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.

14.1 2019/20 Audit and Counter Fraud Performance Targets

In 2020/21, 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 reviews of organisational risks and priorities with the Director of Finance and senior managers within Directorates.
- 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 preparation of the Audit Plan for 2019/20 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 2019/20 and plans are in place to continue to achieve a high performance. The performance targets for 2019/20 are shown in **Appendix 2**.

Appendix 2

Internal Audit and Counter Fraud Team Key Performance Indicators (KPIs): 2019/20 Achievements and 2020/21 Targets

Performance Indicator/Output Measure	2018/19	2019/20		2020/21
	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	87	75	390	100
CTR cases amended as a result of an investigation	107	100	87	100
Fraud & Error Overpayments identified as part of Corporate Cases (£) (new for 2019/20)	£74,450	£60,000	£52,450	£60,000
HB Fraud & Error Overpayments identified as part of a CTR investigation (£)	£395,566	£300,000	£227,305	£250,000
CTR Fraud & Error Overpayments identified (£)	£92,537	£90,000	£101,617	£100,000
Total Financial Outcomes from Counter Fraud	£562,553	£450,000	£381,372	£410,000
Direct Payment Audit Team:				
Number of DP audits undertaken (Children)	147	150	229	150
Number of DP audits undertaken (Adults)	641	600	956	900
Funds requested during Children's PB Audits including Financial Assessment (£)	£180,250	£175,000	£197,705	£175,000
Funds requested during Adults' PB Audits including Financial Assessment (£)	£973,501	£900,000	£1,681,566	£900,000
Total Financial Outcomes from Personal Budget Audit Teams	£1,153,716	£1,075,000	£1,879,271	£1,050,000
Total Financial Outcomes from Counter Fraud and Personal Budget Audit Teams	£1,716,269	£1,575,000	£2,260,643	£1,460,000
Audit and Counter Fraud Team KPIs:				
% Audit and Counter Fraud Plan Completed	93%	96%	93% (** estimated)	96%
Customer Service Feedback (2019/20 is an internal assessment with amended methodology)	Good	Good	Good	Good
Days to Complete Audits and Counter Fraud Reviews	15 days	15 days	15 days	15 days