



Report to Audit Committee

2020/21 Annual Report to Audit Committee

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

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

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

Ext. 4783

29 June 2021

Reason for Decision

To provide Members with the Annual Report for 2020/21 presented by the Assistant Director of Corporate Governance and Strategic Financial Management 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

The Annual Report for 2020/21 has the following sections detailed below:

- **Appendix 1:** Annual Report and Opinion of the Assistant Director of Corporate Governance and Strategic Financial Management of the System of Internal Control for the year ended 31 March 2021, to assist the Committee's review of the 2020/21 Annual Governance Statement (AGS) and to assist with the future review of the Statement of Accounts.
- **Appendix 2:** Internal Audit and Counter Fraud Team Key Performance Indicators (KPIs): 2020/21 Achievements and 2021/22 Targets.

The 2020/21 AGS is reported elsewhere on this agenda and it identifies ten significant issues for the Council to mitigate its risks during 2021/22. The progress made in mitigating these risks will be reported regularly to the Audit Committees held in the current Municipal Year.

The financial year 2020/21 was a difficult year due to the impact of the pandemic. In terms of the work of the Internal Audit Service, it resulted in an 8-month plan being agreed, as in the early part of the financial year work had to be undertaken to support the administration of business grants. As such assurance can only be given to Members based upon this work. Effort has concentrated on ensuring the work on fundamental financial systems is prioritised. In addition, the implementation of the new payroll system was supported by the Service undertaking the role of a critical friend.

Recommendations

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

2020/21 Annual Report to the Audit Committee**1. Background**

- 1.1 This report summarises the work carried out in 2020/21 and presents the Annual Report and Opinion of the Assistant Director of Corporate Governance and Strategic Financial Management on the System of Internal Control for the year ended 31 March 2021. The Annual Opinion reflects the work undertaken in the 8 month plan previously agreed by this Committee and therefore can only give assurance on 8 months of planned work.

2. Audit Opinion and Work Undertaken in 2020/21

- 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 (for Oldham this post holder is the Assistant Director of Corporate Governance and Strategic Financial Management) has provided an Annual Report in accordance with the PSIAS to support the production of the Annual Governance Statement. The financial year 2020/21 was the year the pandemic impacted on the workloads of some Internal Audit Services within local authorities including Oldham. As such the guidance produced by the Chartered Institute of Public Finance and Accountancy reflects this so the Head of Audit can only give limited assurance.
- 2.2 The overall opinion of the Assistant Director of Corporate Governance and Strategic Financial Management for 2020/21 and its professional framework is set out at **Appendix 1**.
- 2.3 **Appendix 2** to this report highlights the work undertaken by the Internal Audit and Counter Fraud Team 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 Opinion of the Assistant Director of Corporate Governance and Strategic Financial Management of the System of Internal Control for the year ended 31 March 2021; to assist the Committee's review of the 2020/21 Annual Governance.
- **Appendix 2:** Internal Audit and Counter Fraud Team: Key Performance Indicators (KPIs): 2020/21 Achievements and 2021/22 Targets.

Audit and Counter Fraud Team

**Annual Report of the Assistant Director of Corporate
Governance and Strategic Financial Management
Opinion on the System of Internal Control for the part
year from 1 August 2020 to 31 March 2021**

29 June 2021

Annual Report of the Assistant Director of Corporate Governance and Strategic Financial Management Opinion on the System of Internal Control for the part year from 1 August 2020 to 31 March 2021

1. Introduction

1.1 Background

The Internal Audit and Counter Fraud Plan for 2020/21 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 Chief Executive, 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 **Assistant Director of Corporate Governance and Strategic Financial Management (Head of Corporate Governance until 31 March 2021)** 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**.

The financial year 2020/21 was different in that the planned work of the Internal Audit Service was impacted by the pandemic. As such the Audit Plan covered an 8-month period. The work undertaken between 1 April and 31 July 2020 was supportive of effective internal control in that it supported the effective and efficient administration of business grants which were an organisational priority to support third party businesses in the Borough.

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 Internal Audit (Assistant Director Corporate Governance and Strategic Financial Management) 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 25 June 2019 detailing the role and responsibilities of the HIA. 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 Audit Committee receives a review using the balanced score card approach which discharges its responsibility for putting in place arrangements for gaining assurance about the effectiveness of that function. This report was presented to the Committee at its meeting on 10 June 2021.

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.

The financial year 2020/21 is a unique year in that it has been recognised that Internal Audit Services may not have been able to undertake a full year of planned work. As such it is recognised the Head of Internal Audit maybe only able to give an opinion of limited assurance. As Oldham could only undertake 8 months of planned work the opinion will reflect this fact.

2. Head of Internal Audit Opinion

2.1 2020/21 Opinion

The overall opinion of Oldham Council's HIA linked into the principle of limited assurance is that the overall system of Internal Control in Oldham Council is adequate: 2020/21 has been a challenging year and overall, the Council has worked with partners to provide essential services. As with all large organisations there are areas of improvement required including those identified in the Annual Governance Statement. Whilst improvements in internal control could not be sustained in some areas there were other promising improvements such as going live with a new payroll system despite the pandemic. The importance going forward is for improvements to be made in the areas identified in the Annual Governance Statement.

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;
- 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;
- 8 months planned internal audit work undertaken;
- Systems introduced within the Finance Service to administer business grants; and
- Work undertaken during the pandemic to support financial administration.

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 refreshed at Audit Committee on 10 June 2021 which is publicised on the Council's website. The Council's 2020/21 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 2021 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 2016/17) and has adopted a Local Code of Corporate Governance, which was updated on 10 June 2021.

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 key outcomes of the 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 2020/21 AGS, which identifies ten issues for the Council to mitigate risks during 2021/22. This report also highlights the progress made against the issues raised in the 2019/20 AGS, which demonstrates the Council has managed its processes well in the pandemic. Based on my experience of the Council, I believe it has improved its financial administration in certain areas during 2020/21 (implemented a new payroll system), dealt with the challenges of the pandemic (the administration of early business grants). Inevitably some areas such as front-line services were under pressure and in certain cases previous improvements in financial administration could not be sustained.

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 2019/20 Annual Governance Statement (AGS) and have been incorporated into the 2020/21 Statement.

4. 2020/21 Audit and Counter Fraud Plan

The 2020/21 Audit and Counter Fraud Plan was agreed by the Audit Committee at its September meeting. Changes to this agreed plan have been reported to and agreed by this Committee during the remainder of the financial year. The Audit Opinions agreed with managers contribute towards an element of the 2020/21 Annual Opinion along with the assessment of materiality and the response by managers to implementing the agreed recommendations.

5. Financial Management

In 2020/21, 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.
- A self-assessment against the Financial Management Code indicated that in a number of areas of recommended best practice the financial administration of the Authority is sound.

Agreed priorities for the Council's financial management in 2020/21 are reported in the 2020/21 AGS. Progress is reviewed and reported to this Committee on a regular basis.

The year-end final accounts were submitted for Audit on 6 June 2021 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 2020/21 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 2020/21 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 2020/21.

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 agreed Audit Opinions across the Council's main financial systems between 2016/17 and 2020/21.

Table 1: Key Financial Systems Final Audit Opinions 2016/17 to 2020/21

Financial System	Final Audit Opinion				
	2016/17	2017/18	2018/19	2019/20	2020/21
Accounts Payable	Adequate	Adequate	Adequate	Adequate	Adequate
Accounts Receivable	Good	Adequate	Adequate	Good	Adequate
Bank Reconciliations	Good	Good	Good	Good	Good
Cash Income	Good	Adequate	Adequate	Adequate	N/A
Council Tax	Adequate	Adequate	Adequate	Adequate	Adequate
Council Tax Reduction (from 2014/15)	Adequate	Adequate	Adequate	Good	Good
Fixed Assets	Adequate	Adequate	Adequate	Adequate	Adequate
Housing Benefits	Adequate	Inadequate	Adequate	Adequate	Adequate
Housing Rents (from 2017/18)	N/A	N/A	Adequate	Good	N/A
NDR (Business Rates)	Adequate	Adequate	Adequate	Adequate	Adequate
Payroll: Schools & Non-Schools	Weak	Weak	Inadequate	Inadequate	Inadequate
Personal Budgets and Direct Payments	Inadequate	Inadequate	Inadequate	Inadequate	Inadequate
Residential Care Payments	Inadequate	Adequate	Adequate	Adequate	Inadequate
Treasury Management	Good	Good	Good	Good	Good
Audit Opinions	2016/17	2017/18	2018/19	2019/20	2020/21
Good	4	2	2	5	3
Adequate	6	8	10	7	6
Inadequate	2	2	2	2	3
Weak	1	1	0	0	0
N/A	1	1	0	0	2
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 three 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 Council Tax Reduction, which are operated in conjunction with the Council’s strategic partner, the Unity Partnership Ltd, have demonstrated improvements particular in processing times from the interim period.
- Since the acquisition of the Unity Partnership Ltd by the Council, the system for Payroll continues to remain “Inadequate”. 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 have deteriorated having been put under considerable strain during the coronavirus pandemic. The audit opinion of the system for Residential Care Payments has

been downgraded to “Inadequate”. The audit opinion for Personal Budgets and Direct Payments also remains “Inadequate”.

- Following the 2020/21 Audits, there are no financial systems assessed as “Weak”.
- The report notes that the final reports are in the process of being finalised and all field work has been completed, with management comments.
- The Audits have been performed in a different way due to the pandemic and remote audits were required. This proved to be a more of a challenging way in completing the reviews and in the main has worked well both for Internal Audit and services being reviewed.
- As part of the audit plan a preliminary Cash Income Review will commence in July 2021 order to assess systems and controls in place for the first quarter of 2021/22. During the Pandemic cash income throughput was reduced such as in-service areas of Libraries, and schools. It is proposed the preliminary review will take these areas in account.
- Housing rents throughput is below the throughput materiality level generally used to risk assess if a review should be carried out, and as such a review was not carried out. This system will be reviewed again in order to assess if a review needs to be carried out in 2021/22 including the External Auditor’s assessment.

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 2021/22.

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 Draft Final FFS audit reviews in order to support the close-down of the 2020/21 accounts during the working at home caused by the pandemic.

6.1 Payroll System: Update

The 2020/21 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, following a review of HRP systems after the Council acquired the shares in Unity, a decision was made to implement a single HR and Payroll system to meet the ambition of the Council and its strategic partners. This was 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 was delayed by the COVID 19 pandemic and went live in the last quarter of the financial year 2020/21. The progress on the implementation of the new system will be subject to a report to the future September Audit Committee.

The project to combine the two payroll systems currently used into one was supported as a priority by assurance from both Finance and Internal Audit. The system has gone live and will be subject to audit in 2021/22.

The Draft Final 2020/21 Audit Assessment is that the systems and controls for both the Directorate and Schools payroll systems remains inadequate. It is important to note that the review covered two systems, A1 which covered the period April 2020 to December 2020 and iTrent System review over the last quarter. As such the review had to take into account both system controls in order to provide an opinion.

The audit has identified that processes have remained relatively stable, building on the progress made in the previous two financial years, however, there remain a number of areas where controls need to be improved. It is important to note that, with the implementation of the iTrent HRP system, certain issues highlighted may be fully or in part addressed by changes in operational processes and procedures.

In respect of the key controls within the payroll system in 2020/21, the Audit identified the following areas of good practice:

- There is an adequate segregation of duty between HR, payroll processing and payments, in particular with the iTrent System, where it demonstrated segregation of duties between Payroll and HR processed.
- 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.
- 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.

The Internal Audit Service supported the implementation and was part of the payroll assurance process which monitored 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 200/2021 Audit opinions for Residential Care Payments and Personal Budgets/Direct Payments was assessed as "Inadequate". Whilst there was evidence of some delivery against an improvement plan for Personal Budgets and Direct Payments, progress is not quite sufficient to improve the overall audit opinions.

Whilst the service continues to allocate resources to resolving these legacy issues, it is a complex and time-consuming process, and the pandemic has presented further challenges for the adult services.

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, monthly meetings take place between the key stakeholders within the service and Internal Audit.

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 revision. This will have to be considered as part of the fundamental financial systems 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

Due to the pandemic there was no planned internal audit undertaken in this area. In the role of Senior Information Risk Owner (reported to this Committee on 10 June 2021), the Finance Service has ensured certain improvements were made to security and control. This included ensuring the virus protection was updated for remote working and a new password posture being adopted for 2021/22.

The 2021/22 ICT Audit Plan has been agreed.

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 (in 2021/22 the Assistant Director of Corporate Governance and Strategic Financial Management). 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 Assistant Director of Corporate Governance and Strategic Financial Management attends the quarterly Information Governance Group, which will continue to meet in 2021/22. 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 10 June 2021 meeting.

8 Business Grants Assurance

An assurance report is completed on a monthly basis by the Audit and Counter Fraud team for the Department for Business, Energy and Industrial Strategy (BEIS). This details the Council involvement in investigations of grant payments suspected of being inappropriate and their recovery.

The report identifies, there are comparatively few instances of fraud but there are a small number requiring a more detailed investigation with several organisations already repaying grant payments made when challenged by the Council following post payment checks.

9 Grant Assurance Reviews

The Audit team also carry work around EU funded grant schemes and this report includes work carried out on a number of grants, a number of which relate to low carbon initiatives, which supports the Council's corporate plans.

Innova Foster:

This grant is related to local stakeholders' engagement and joint research into improvement of regional and local policies and programmes to support the growth of high-potential SMEs and assist them in growth. All partners identify, analyse, exchange knowledge, good practices about regional situation of start-ups. For example, to strengthen the productivity of enterprises, boost research and innovation, enable the shift towards a more low-carbon and environmentally friendly economy.

Coalescse:

The terms stand for 'Community Owned and Led Energy for Security Climate Change and Energy'. It attempts to 'increase the capacity for community-based approaches to local renewable energy provision across Europe in order to reduce carbon emissions, increase energy security and tackle fuel poverty whilst driving Green Growth'

Foundations:

This grant relates to building regional resilience to industrial structural change. To summarise – 'Across Europe, public bodies are pressed by an increasing need to provide preparatory support to the economic ecosystem in advance of the closure of anchor firms in their region which act as significant employers. The impacts of a closure of course go beyond direct employees and ripple, wave like throughout the regional services sector and economy. Management of such anticipated structural change requires proactive renewal of business approaches and policy supports. Regions are encouraged to introduce pilot projects based on their own strengths and to provide appropriate business supports for the re-alignment of the regional industrial base. This proactive approach by regional stakeholders is critical to building the resilience of these regions and enabling them to adapt to change'.

10 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:

2020/21 Corporate Counter Fraud Team Results

Performance Indicator/Output Measure	2020/2021
Counter Fraud Team:	
Corporate Cases - Positive Results	130
Council Tax Reduction (CTR) cases amended as a result of an investigation	117
Fraud & Error Overpayments identified as part of Corporate Cases (£)	£62,589.23
HB Fraud & Error Overpayments identified as part of a CTR investigation (£)	£74,151.58
CTR Fraud & Error Overpayments identified (£)	£108,073.84
Total Financial Outcomes from Counter Fraud Team	£244,814.65

The Team also attend the North West Heads of Audit Counter Fraud Sub Group and the Lancashire and Greater Manchester Fraud Investigators Group, delivering the programme of work, agreed by the Regional Heads of Audit, and reports outcomes and progress at their meetings.

10.1 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.

2020/21 Adults and Children's Direct Payments Audit Team Results

Performance Indicator/Output Measure	2020/2021
Direct Payment Audit Team:	
Number of Children's DP audits undertaken	184
Number of Adults' DP audits undertaken	941
Funds requested during Children's DP Audits (£)	£131,910
Funds requested during Adults' DP Audits (£)	£2,029,164
Total Financial Outcomes from Direct Payment Audit Team	£2,161,074

11 2020/21 Other Activities

In accordance with the collaboration on strategic projects, the Assistant Director of Corporate Governance and Strategic Financial Management 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 Contract Procedure Rules.

12. 2020/21 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.

- 57 Audit reports have been agreed; additional support was provided to corporate projects.
- The fieldwork to support the 2020/21 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 more 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 2021/22.
- Customer feedback obtained for 2020/21 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. As part of 2021/22 it is planned to deliver training around Internal Audits’ role and work around key projects particularly around our delivery of fundamental financial systems,

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 2021/22.
- The team delivered support for pre-implementation assurance for systems migrations.

In addition, in 2020/21 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.

12.1 2021/22 Audit and Counter Fraud Performance Targets

In 2021/22, 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:

- Implement the new Audit Management System in order to ensure reviews are carried out in an efficient way and increasing clients experience in a positive way in delivering and completing audit.
- 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 through the new Audit Management System.
- 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 2021/22 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 2020/21 and plans are in place to continue to achieve a high performance. The performance targets for 2021/22 are shown in **Appendix 2.**

**Internal Audit and Counter Fraud Team
Key Performance Indicators (KPIs): 2020/21 Achievements and 2021/22 Targets**

Performance Indicator/Output Measure	2020/21		2021/22
	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.	15%	15%	15%
Counter Fraud Team:			
Corporate Cases - Positive Results	75	130	100
CTR cases amended as a result of an investigation	100	117	100
Fraud & Error Overpayments identified as part of Corporate Cases (£)	£60,000	£62,589	£60,000
HB Fraud & Error Overpayments identified as part of a CTR investigation (£)	£300,000	£74,151	£50,000
CTR Fraud & Error Overpayments identified (£)	£90,000	£108,073	£100,000
Total Financial Outcomes from Counter Fraud	£450,000	£244,814	£210,000
Direct Payment Audit Team:			
Number of DP audits undertaken (Children)	150	184	150
Number of DP audits undertaken (Adults)	600	941	900
Funds requested during Children's PB Audits including Financial Assessment (£)	£175,000	£131,910	£125,000
Funds requested during Adults' PB Audits including Financial Assessment (£)	£900,000	£2,029,164	£1,000,000
Total Financial Outcomes from Personal Budget Audit Teams	£1,075,000	£2,161,074	£1,125,000
Total Financial Outcomes from Counter Fraud and Personal Budget Audit Teams	£1,575,000	£2,405,888	£1,335,000
Audit and Counter Fraud Team KPIs:			
% Audit and Counter Fraud Plan Completed	96%	90%	95%
Customer Service Feedback	Good	Good	Good
Days to Complete Audits and Counter Fraud Reviews	15 days	15 days	20 days