

## Report to Audit Committee

# 2021/22 Annual Report to Audit Committee

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

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

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

**21 June 2022**

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### Reason for Decision

To provide Members with the Annual Report for 2021/22 presented by the Head of Audit and Counter Fraud, and report 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 2021/22 has the following sections detailed below:

- **Appendix 1:** Annual Report and Opinion of the Head of Audit and Counter Fraud on the System of Internal Control for the year ended 31 March 2022, to assist the Committee's review of the 2021/22 Annual Governance Statement (AGS) and to assist with the future review of the Statement of Accounts.
- **Appendix 2:** Counter Fraud and Direct Payments Teams comparative data 2020/21 and 2021/22.

The 2021/22 AGS is reported elsewhere on this agenda and it identifies nine significant issues for the Council to mitigate its risks during 2022/23. The progress made in mitigating these risks will be reported regularly to the Audit Committee.

The financial year 2021/22 was again a challenging year due to the on-going impact of the pandemic. In terms of the work of the Internal Audit Service, additional work was again undertaken to support the administration of business grants. Effort was however concentrated on ensuring the work on fundamental financial systems was prioritised.

## **Recommendations**

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

**2021/22 Annual Report to the Audit Committee****1. Background**

- 1.1 This report summarises the work of Internal Audit and Counter Fraud Team carried out in the financial year 2021/22 informing the Annual Report and Opinion of the Head of Audit and Counter Fraud on the System of Internal Control for the year ended 31 March 2022.

**2. Audit Opinion and Work Undertaken in 2021/22**

- 2.1 The Public Sector Internal Audit Standards (PSIAS) came into effect on 1 April 2013 and replaced the 2006 Code of Practice. The PSIAS were subsequently revised in 2017. Therefore, from 2013/14, the Head of Internal Audit and Counter Fraud (until October 2021 this post holder was 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 2021/22 continued to see impacts arising from the pandemic including on the workloads of many Internal Audit Services within Local Authorities, including Oldham.
- 2.2 The overall opinion of the Head of Audit and Counter fraud for 2021/22 and its professional framework is set out at **Appendix 1**.
- 2.3 **Appendix 2** summarises the outcomes from the Counter Fraud and Direct Payment Teams for 2020/21 and 2021/22.

**3. Options/Alternatives**

- 3.1 The Audit Committee can either choose to accept and note the Annual Report or not to do so.

**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: John Miller

20. **Appendices**

20.1 The following Appendices are available to support this Report:

- **Appendix 1:** Annual Report and Opinion of the Head of Audit and Counter Fraud of the System of Internal Control for the year ended 31 March 2022; to assist the Committee's review of the 2021/22 Annual Governance Statement.

- **Appendix 2:** Internal Audit and Counter Fraud Team comparative data 2020/21 and 2021/22.

# **Audit and Counter Fraud Team**

**Annual Report of the Head of Audit and Counter Fraud  
and Opinion on the System of Internal Control for the  
year from 1 April 2021 to 31 March 2022**

**21 June 2022**

# Annual Report of the Head of Audit and Counter Fraud and Opinion on the System of Internal Control for the year from 1 April 2021 to 31 March 2022.

## 1. Introduction

### 1.1 Background

The Internal Audit and Counter Fraud Plan for 2021/22 was developed based on an assessment of risks to the Council including those contained in the Corporate and Service's Business Plan Risk Registers. The work aims to provide assurance to the Chief Executive and other senior officers of the Council including the Key Statutory Officers (Section 151 and Monitoring Officer) on systems and controls in place that assist the Directorates in meeting their objectives.

The work allows the Head of Internal Audit (HIA) (the Assistant Director of Corporate Governance and Strategic Financial Management until 1 October 2021 now the Head of Internal Audit and Counter Fraud) at Oldham Council, to form an overall opinion on the Governance and Risk Management arrangements in the Council and the effectiveness of the Council's internal control systems.

The opinion also takes into account advisory work undertaken (such as preventing loss on business grants administered by the Council as part of the Government's response to COVID) during the year; high priority findings from such reviews contribute to the overall opinion that is reported.

The opinion is then used to support the production of the Council's Annual Governance Statement within the Statement of Final Accounts.

During financial year 2021/22 planned work of the Internal Audit Service was again impacted by the on-going effects of the COVID-19 pandemic. The Service has continued to support effective internal control in the administration of COVID related grants to support businesses in the Borough, and to prioritise work in connection with the Authority's Fundamental Financial Systems.

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 (revised 2017). These Standards replaced the 2006 Code of Practice. From 2013/14 the Head of Internal Audit has provided an annual report in accordance with the PSIAS to support the production of the Council's Annual Governance Statement (AGS).

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

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

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

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

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

The guidance also sets out the following:

- The assurance provided by the HIA must be evidence based, in order to provide proper comfort to those who ask for it, and to improve governance arrangements. This means that Internal Audit planning must be well focused and in accordance with professional standards.
- The HIA may obtain assurance from partners and other agencies, and the HIA must understand the basis for the assurance and its adequacy, and therefore whether the HIA needs to carry out any additional review work.
- 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 report 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. A further update will be provided to Members later in this financial year.

## **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. 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 will be presented to the Committee as part of the meeting in July 2022.

### **The Annual Governance Statement (AGS)**

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 Council 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 service have reviewed all risks and assurances relating to the Council. The purpose of the opinion is to contribute to the assurances available to the Council which underpin the Council's own assessment of the effectiveness of the organisation's governance arrangements and system of internal control.

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 2021/22 Opinion**

The overall opinion of Oldham Council's HIA is that the overall system of Internal Control in Oldham Council is adequate: 2021/22 has been another challenging year and, overall, the Council has continued to work effectively 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 continue to present difficulties in some areas, in other areas there were welcome improvements, notably in connection with the new payroll system and subsequent "adequate" opinion in this area following many years of "inadequate" audit opinions. Going forward the priority 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 financial management framework of assurance;
- an assessment of the range of individual opinions arising from risk-based audit assignments, contained within the Internal Audit risk-based plan that have been reported throughout the year;
- systems introduced within the Finance Service to administer COVID related business grants.

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 9 June 2022 which is publicised on the Council's website. The Council's 2021/22 AGS is reported as part of this Audit Committee agenda elsewhere, and it sets out how the Authority has complied with the Code and meets with the requirements of the Accounts and Audit Regulations 2021. The Authority

meets the requirements of Regulation 6 (1) b of the Accounts and Audit Regulations 2015 and The Accounts and Audit (Amendment) Regulations 2021 in relation to the publication of an Annual Governance Statement. The Annual Governance Statement is subject to detailed review by the Audit Committee when they consider the both the draft and final Statement of Accounts for approval following the completion of the external audit.

The Audit Committee is embedded as a key control within the Council. It has supported improvements within Internal Audit Processes, Corporate Governance and Risk Management and on the reporting of this work. The key outcomes of Internal Audit work are reported regularly to the Audit Committee during the year and, by virtue of this Annual Report, contribute to an opinion on the overall internal control environment of the Council.

Elsewhere on this Agenda is the 2021/22 AGS, which identifies nine risk issues for the Council to mitigate during 2022/23. This report also highlights the progress made against the issues raised in the 2020/21 AGS. The Council has improved its financial administration in certain areas during 2021/22 (enhanced control around payroll systems and processes) and dealt with the ongoing challenges of the pandemic. Inevitably some front-line services have been under continued pressure and, in certain cases, improvements in financial administration fell short of what was planned.

### **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 Management Board; these are supported by Service Risk Registers included in Business Plans.

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

Reviews of current and emerging risks are presented to the Audit Committee as part of the regular update of the issues previously identified in the 2020/21 Annual Governance Statement (AGS) and have been incorporated into the 2021/22 Statement.

### **4. 2021/22 Audit and Counter Fraud Plan**

The 2021/22 Audit and Counter Fraud Plan was agreed by the Audit Committee at its meeting of 25 March 2021. 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 2021/22 Annual Opinion, along with an assessment of materiality and the response by managers to implementing the agreed recommendations.

### **5. Financial Management**

In 2021/22, 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 develop in order to align senior Finance support to Council managers in accordance with the revised structure of the Council. The Director of Finance continues to review staff resources and retention in response to changes in the team.
- In support of improved financial management, monthly revenue and capital forecast outturn statements are produced for service managers along with a full suite of financial statements for the Management Board. Monthly liaison meetings are held with External Audit for assurance planning purposes.

- A self-assessment against the Financial Management Code reported to Audit Committee on 17 January 2022 indicated that in most areas of recommended best practice the financial administration of the Authority is sound.

Whilst most systems audit opinions remained stable, there were two notable changes. The first being a significant improvement in the systems and controls surrounding the Council's payroll function which is now assessed by Internal Audit as adequate following a number of inadequate opinions over recent years. The second is downgrading of our opinion in relation to Council Tax systems which in 2021/22 has been assessed as inadequate in relation to the procedures and controls in place around debt control. These changes are discussed further in Section 6 below.

Agreed priorities for the Council's financial management in 2022/23 are reported in the 2021/22 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 2022, the deadline date for submission. In addition, all working papers supporting the financial statements have been subject to a structured, detailed and independent quality assurance process to ensure compliance with external audit guidelines. The Internal Audit team have contributed to this review.

The 2021/22 AGS highlights the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016). The Statement requires that the Chief Financial Officer should report directly to the Chief Executive and be a member of the leadership team, with a status at least equivalent to others. Until the change in Chief Executive (26 August 2021), the Director of Finance (the Chief Financial Officer and designated Section 151 officer) was not a member of the Council's Executive Management Team (EMT). However, whilst not a standing member, during the pandemic, the Director of Finance attended meetings of the EMT / Joint Leadership Team (which included senior officers of Oldham Clinical Commissioning Group). The Director of Finance was a member of and attended the meetings of the Senior Management Team which integrated EMT and all Directors via a single management meeting. All Statutory Officers had access to the Chief Executive.

From 26 August 2021 the management arrangements of the Council changed, and the line management of the Director of Finance was revised with a direct reporting line to the Chief Executive with membership of the Management Board which assumed the role of the Executive Leadership Team. This was therefore consistent with the principles of the Financial Management Standard and improved compliance with the Financial Management Code.

## 6. Fundamental Financial Systems (FFS)

In accordance with the 2021/22 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.

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 Audit Opinions across the Council's main financial systems between 2020/21 and 2021/22.

**Table 1: Key Financial Systems Final Audit Opinions 2020/21 to 2021/22**

Financial System	2020/21	2021/22
Accounts Payable	Adequate	Adequate
Accounts Receivable	Adequate	Adequate
Bank Reconciliations	Good	Good
Cash Income	N/A	Adequate
Council Tax	Adequate	Inadequate
Council Tax Reduction	Good	Adequate
Fixed Assets	Adequate	Adequate
Housing Benefits	Adequate	Adequate
NDR (Business Rates)	Adequate	Adequate
Payroll	Inadequate	Adequate
Direct Payments	Inadequate	Inadequate
Residential Care	Inadequate	Inadequate
Treasury Management	Good	Good
Audit Opinions	2020/21	2021/22
Good	3	2
Adequate	6	8
Inadequate	3	3
Weak	-	-
N/A	1	-
<b>Total</b>	<b>13</b>	<b>13</b>

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

- There are two systems assessed as “Good” Treasury Management and Bank Reconciliations.
- The systems and controls surrounding Council Tax Reduction, which during 2021/22 were operated in conjunction with the Council’s strategic partner, the Unity Partnership Ltd, were downgraded from “Good” to “Adequate” in connection with concerns over processing times during our interim stage review. From our findings at our final stage review these issues appear now to be being addressed and progress will continue to be monitored during our review in 2022/23.
- As previously reported to this Committee, systems and controls in place around Payroll have, after a number of years of “Inadequate” opinions, most recently been assessed as “Adequate”. Section 6.1 discusses the changes made to the Payroll arrangements resulting in this improved opinion.
- Adult Social Care financial systems based in the Community Health and Adult Social Care Directorate have continued to be placed under considerable strain during 2021/22. The audit opinions for both Personal Budgets and Direct Payments, and for Residential Care remain “Inadequate”. This is discussed further below at Section 6.2.
- The audit opinion in respect of the systems and controls in respect of Council Tax has reduced from “Adequate” to “Inadequate”. This downgraded opinion is wholly in relation to

the significantly increased levels of debt owing to the Council, particularly over the last two pandemic years. Other aspects of the systems and controls continue to perform adequately. Debt is discussed further at Section 6.3.

- Following the 2021/22 FFS Audits, there are no financial systems assessed as “Weak”.

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

In line with prior years, the Audit and Counter Fraud Team has continued in its professional collaboration with the Council’s External Auditors, Mazars LLP, and in completion of the annual FFS reviews in accordance with best practice, External Audit control objectives, professional standards, local risks and in support of the close-down of the 2021/22 accounts.

## **6.1 Payroll System: Update**

The Council’s Payroll processes and procedures have historically been an area of persistent weakness, as identified in a number of past Annual Governance Statements.

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

The implementation of the iTrent system, as with all new and complex systems, was challenging for the Payroll Team. The implementation of a new IT system with this level of complexity seldom runs completely smoothly, and in this case presented the additional challenge by taking place during the pandemic where revised working practices were required. Several system issues have arisen over the past 12 months. By and large these have been gradually, and successfully, resolved by the team over time. This is to be anticipated in any major system implementation.

Our review of the internal controls in connection with Payroll during 2021/22 did not highlight concerns in connection with areas we would consider to be fundamental payroll weaknesses, e.g., failure to pay employees on time, or large numbers of incorrect payments.

As a result of the improvements in internal control resulting from the implementation of the iTrent system, it is pleasing to report that the opinion on the control environment surrounding the Council’s payroll system is that this is now adequate.

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

## **6.2 Adults’ Services Financial Systems: Update**

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

The Final 2021/2022 Audit opinions for Residential Care Payments and Personal Budgets/Direct Payments were both assessed as “Inadequate”. Whilst the service continues to allocate resources to resolving ongoing issues, it is a complex and time-consuming process, and the pandemic has

presented further challenges for Adult services in addition to addressing issues which existed pre-pandemic.

The Service is in the process of implementing its “Back to Basics” programme which, in its initial stages is confirming the findings of our FFS work in this area and targeting management attention on problematic areas.

In addition, Internal Audit is in the process of engaging with the Service, and colleagues in the wider Finance Team, in order to examine how the work of the Direct Payment Auditors might be utilised more effectively by the service, and how internal procedures within the Adult Social Care Income and Payments Function may be more effectively aligned to achievement of service objectives.

Internal Audit will continue to engage with and support the service, monitor progress and report our findings to this Committee.

### **6.3 Debt recovery**

Our work in connection with the FFS reviews of Council Tax, Non-Domestic Rates and Accounts Receivable has highlighted a common theme of substantially increased levels of debt across all of these areas.

Debtors have increased significantly over the last 2 years in connection with the COVID-19 pandemic. This was partly due to the suspension of recovery activity during part of 2020/21 in line with Government guidance to aid in the Government’s efforts to support businesses, individuals and communities during the unprecedented time.

This has resulted in an inadequate opinion in respect of the Council Tax FFS review, despite the controls around the balance of activity in this area being assessed as adequate.

All of the above functions transferred back into direct Council control from the Unity Partnership on 1<sup>st</sup> April 2022. Going forward we will continue to monitor and adapt our approach to our work around debt related controls in recognition of the increased risk now posed in this area.

## **7. ICT and Information Governance**

### **7.1 ICT**

Due to the ongoing effects of the pandemic, there was no planned internal audit activity undertaken in this area during 2021/22.

As set out in the report of the Senior Information Risk Owner to the Audit Committee on 9th June 2022, cyber-criminals continue to present a risk, particularly around sending 'phishing' emails with the aim of getting users to click on a malicious link. In response to this risk the Council has:

- Issued reminders to all employees and Members requesting completion of the Council's interactive Mandatory Cyber Security training course.
- Added cyber awareness guidance to the Council intranet and circulated this to all staff.
- Initiated further work to heighten awareness of phishing emails.
- Changed its policy on password complexity to align with the recommendations of the National Cyber Security Centre (NCSC). External independent validation has shown an improvement in the Council's password posture.

- Commenced work to implement a policy and system to reduce the likelihood and impact of compromise of out of date and vulnerable legacy systems, in line with NCSC recommendations.

The Council maintains its certification in line with the Public Services Network (PSN) Accreditation & Compliance standards. The PSN is a secure network that allows local and national public sector organisations to interact and share data privately and securely. On an annual basis the Council is required to obtain certification for the forthcoming year. The Information Management Team, working with ICT Services, manage the annual PSN certification submission. The current certification runs to the 26 March 2023.

The Council is also in the process of preparing for the 2022 Data Security & Protection Toolkit Accreditation & Compliance submission which is targeted for completion by the end of June 2022.

With a return to normal operating arrangements now in train post pandemic, the ICT Audit Plan will re-commence in 2022/23 utilising specialist computer audit services provided by Salford Computer Audit Service (SCAS), a team employed by Salford MBC.

## **7.2 Information Management and Governance**

The responsibility for Information Management and Governance rests with the Council's Director of Finance, under the remit of the Assistant Director of Corporate Governance and Strategic Financial Management. The terms of reference for the Audit Committee were updated to reflect this responsibility and approved by Council in May 2018.

The Audit Committee agendas regularly include Information Governance items, such as the Data Protection Update and Senior Information Risk Officer (SIRO) Annual report, most recently presented to the 9 June 2022 Committee meeting.

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

The Information Management Team has worked with both Caldicott Guardians to raise awareness, provide training, and issue key messages to staff. Furthermore, the Information Management Team and the Children's Caldicott Guardian have analysed trends across known incidents and issued specific guidance to staff on how to minimise the risk of information being disclosed in error or shared inappropriately due to redaction issues.

## **8. Procurement and Contracts**

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

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

The Council employs a professional procurement team to assist in ensuring that all legal and regulatory requirements are adhered to when procuring goods and services. The separation of this

independent professional function from the procuring departments provides both additional segregation and oversight controls across the Council's procurement activity.

During financial year 2020/21 the Council also provided support to suppliers to preserve the supply chain where appropriate, to guarantee future service delivery.

The Council operates a multi-disciplinary gateway review process for capital projects involving senior officers from across a range of services including procurement, regeneration, finance and legal, and also the Assistant Director of Corporate Governance and Strategic Financial Management in respect of commentary on project related risk. This process provides additional robust challenge of capital programme proposals, and broad based consideration of project risk from differing professional perspectives.

## **9. Business Grants Assurance**

Until July 2021, a monthly assurance report was completed by the Audit and Counter Fraud team for the Department for Business, Energy and Industrial Strategy (BEIS). This detailed the Council's investigations of grant payments suspected of being inappropriate, and their subsequent recovery.

From August 2021, the BEIS has required the Section 151 Officer (Director of Finance) to provide evidence to support sampled payments on a range of COVID related Business Grants. Evidence provided to date provides assurance that the chosen grant payments were delivered in line with Oldham Council's Counter Fraud Policy, and the terms of the BEIS COVID Business Grants Scheme conditions.

## **10. Grant Assurance Reviews**

Over the period of the pandemic, requests for grant assurance reviews from the Greater Manchester Combined Authority (GMCA) significantly reduced. These assurance requests are now being received again and will form part of the on-going, regular assurance work undertaken in respect of a variety of GMCA grant awards.

The Audit team also carry work around European Union (EU) funded grant schemes, a number of which relate to low carbon initiatives, which support the delivery of the Council's corporate plans. In 2021/22 this included Grant Assurance work in connection with:

RED WoLF - Rethink Electricity Distribution Without Load Following - The RED WoLF project seeks to increase renewable energy usage and reduce carbon emissions in people's homes.

Coalescence - 'Community Owned and Led Energy for Security Climate Change and Energy': This grant regime 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 - The Foundations project grant relates to building regional resilience to industrial structural change.

Reduces Project - The Reduces project is funded by Interreg Europe and aims to identify the best business models in six European regions, and to research and critically assess their climate impacts and sustainability. Greater Manchester is one of the six regions.

## 11. 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 outcomes; with comparative data in Appendix 2:

### 2021/22 Corporate Counter Fraud Team Results

Performance Indicator/Output Measure	2021/22
<b>Counter Fraud Team:</b>	
Corporate Cases - Positive Results	114
Fraud & Error Overpayments identified as part of Corporate Cases (£)	£78,052
Council Tax Reduction (CTR) cases amended as a result of an investigation	74
HB Fraud & Error Overpayments identified as part of a CTR investigation (£)	£210,978
CTR Fraud & Error Overpayments identified (£)	£119,448
<b>Total Financial Outcomes from Counter Fraud Team (£)</b>	<b>£408,478</b>

Team members also attend the North West Heads of Audit Counter Fraud Sub-Group and the Lancashire and Greater Manchester Fraud Investigators Group. These groups deliver programmes of work, agreed by the Regional Heads of Audit, and report outcomes and progress at their meetings.

## 12 Audit of Direct Payments (DP)

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

### 2021/22 Adults and Children's Direct Payments Audit Team Results

Performance Indicator/Output Measure	2021/22
<b>Direct Payment Audit Team:</b>	
Number of Children's DP audits undertaken	175
Funds requested during Children's DP Audits (£)	£148,189
Number of Adults' DP audits undertaken	1,062
Funds requested during Adults' DP Audits (£)	£2,829,840
<b>Total Financial Outcomes from Direct Payment Audit Team (£)</b>	<b>£2,978,029</b>

### 13 2021/22 Other Activities

The Assistant Director of Corporate Governance and Strategic Financial Management and the Audit and Counter Fraud team also supported the following activities:

- Support for the Council and Group Governance bodies:
  - The Audit Committee;
  - Scrutiny groups;
  - MioCare’s Finance, Audit and Risk Committee; and
  - Unity Partnership Ltd Shareholder Committee.
  - Information Governance Board.

### 14. 2021/22 Internal Audit and Counter Fraud Performance

Internal Audit and Counter Fraud performance is assessed using a balanced scorecard methodology, as summarised in the tables below. This summary assessment forms part of the wider assessment conducted by the Assistant Director of Corporate Governance and Strategic Financial Management on the effectiveness of the system of internal audit on behalf of the Audit Committee.

Areas rated as “Green” are those where the Internal Audit and Counter Fraud Team’s performance is assessed as in line with best practice. Areas assessed as “Amber/Green” are those where planned improvements in Internal Audit procedures have been identified. There are no areas assessed as “Amber” or below in 2021/22.

#### Internal Audit Performance

Activity	2020/21	2021/22
Compliance with International Auditing Standards	Green	Green
Fundamental Financial Systems Reviews	Green	Green
Reporting to Audit Committee	Green	Green
Completion of 2021/22 audit plan	Amber/Green	Amber/Green
Execution of audit work	Green	Green
Relationship with External Audit	Green	Green
Audit planning process	Green	Green
Liaison with Directorates	Amber/Green	Amber/Green
Audit reporting	Green	Green
Use of automated software	Amber/Green	Amber/Green

The “Amber/Green” Internal Audit assessments, where work will continue to further improve Internal Audit performance, are discussed further below:

- Completion of the 2021/22 Annual Audit Plan

In comparison to 2020/21, the effects of the pandemic eased during 2021/22. However, the on-going effects from the first year of pandemic restrictions and additional pressures continued to be felt across the Council, including within the Internal Audit team. This has resulted in a further year of focus on traditional areas of review, principally the FFS review work to support the S151 Officer and prompt submission of the Council’s draft financial statements for audit. Going forward into 2022/23 the Annual Audit plan aims to address to a broader scope of assurance work across the Council.

- Liaison with Directorates

Whilst liaison with Officers at all levels in respect of individual review continued throughout the pandemic period, liaison in respect of planned review work has achieved lesser coverage. Regular meetings with senior Officers across the Council are planned to re-commence during 2022/23.

- Use of Automated Software

The Pentana Audit Management System is now in use within the Internal Audit team. This will be the subject of further development work during 2022/23 and beyond to explore the capabilities within the system and how these may contribute to the work of the section. Work will take place to explore whether other avenues of either systems development, or staff training, may bring further benefits to the team.

## Counter Fraud Performance

Areas rated as “Green” are those where the Internal Audit and Counter Fraud Team’s performance is assessed as in line with best practice and Fraud risks are minimised. Areas assessed as “Amber/Green” are those where an ongoing, heightened risk of Fraud exists, and controls to address this risk will remain an area of management focus. There are no areas assessed as “Amber” or below in 2021/22.

Activity	2020/21	2021/22
Level of fraud experienced by the Council	Green	Green
Transparency agenda	Amber/Green	Amber/Green
Counter Fraud Strategy	Green	Green
Systems to prevent and detect fraud	Green	Green
National Fraud Initiative (NFI)	Green	Green

- Transparency Agenda “Amber/Green”

The requirements to publish large amounts of internal data for public consumption continues to provide additional resources to fraudsters, and challenges to internal systems and controls, in respect of potential mandate fraud. Whilst a recent attempt was handled well, and a large fraud prevented by way of adherence to standard procedures and controls, this type of attempt is unlikely to become less frequent going forward and, therefore, remains an area of heightened risk to the Council.

## Summary of Performance

The Head of Audit and Counter Fraud continues to streamline the audit planning and reporting processes. In summary, during 2021/22;

- 41 Audit reviews/reports have been completed, as previously reported in the Internal Audit Update report to this Committee on 9<sup>th</sup> June 2022.
- The 2021/22 FFS reviews were again completed in accordance with a strict timeline to support the year end assurance process.
- Successful implementation and ongoing development of the Pentana Audit Management System was achieved.

- Customer feedback obtained for 2021/22 has indicated that the team is well regarded and provides a professional service.
- Significant joint working continued between the Internal Audit and the Counter Fraud teams to capture process and control improvements required to improve internal control and minimise fraud.
- As part of 2022/23 developments, it is planned to deliver further training in a range of governance and technical areas, including review of capital projects.

## **15. 2022/23 Audit and Counter Fraud Performance Targets**

In 2022/23, Internal Audit will continue to work with the Council's External Auditors and senior managers to maintain and further develop its quality of service by delivering the following:

- Completion of the annual FFS reviews identified through the audit needs assessment in support of the S151 Officer and the timely delivery of the Council's annual financial statements.
- Undertaking risk-based audit reviews across the Authority in line with areas highlighted by the Council's risk management processes, the AGS, Corporate and Recovery plans, upcoming developments/horizon scanning and liaison with Senior Officers.
- The development of the new Audit Management System in order to ensure reviews are carried out efficiently and properly recorded.
- Reviewing organisational risks and priorities with the Director of Finance and senior managers within Directorates.
- Implementing further improvements in the process to capture customer service feedback through the new Audit Management System.
- Further staff development and training in areas beyond fundamental systems reviews.
- Continued close liaison with the Counter Fraud team to improve internal control around, and minimise, fraud.
- Provide Internal Control and Counter Fraud training as required to staff across the Council.

**Counter Fraud Team**  
**Comparative performance data 2020/21 and 2021/22.**

Output Measure	Outcome	
	2020/21	2021/22
<b>Counter Fraud Team:</b>		
Corporate Cases - Positive Results	130	114
CTR cases amended as a result of an investigation	117	74
Fraud & Error Overpayments identified as part of Corporate Cases (£)	£62,589	£78,052
HB Fraud & Error Overpayments identified as part of a CTR investigation (£)	£74,151	£210,978
CTR Fraud & Error Overpayments identified (£)	£108,073	£119,448
<b>Total Financial Outcomes from Counter Fraud</b>	<b>£244,814</b>	<b>£408,478</b>
<b>Direct Payment Audit Team:</b>		
Number of DP audits undertaken (Children)	184	175
Number of DP audits undertaken (Adults)	941	1,062
Funds requested during Children's PB Audits including Financial Assessment (£)	£131,910	£148,189
Funds requested during Adults' PB Audits including Financial Assessment (£)	£2,029,164	£2,829,840
<b>Total Financial Outcomes from Personal Budget Audit Teams</b>	<b>£2,161,074</b>	<b>£2,978,029</b>
<b>Total Financial Outcomes from Counter Fraud and Personal Budget Audit Teams</b>	<b>£2,405,888</b>	<b>£3,386,507</b>