

Report to Audit Committee

2023/24 Annual Report to Audit Committee

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

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27 June 2024

Reason for Decision

The Audit Committee's Terms of Reference state that:

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

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

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

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

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

Executive Summary

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

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

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

Recommendations

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

2023/24 Annual Report to the Audit Committee

1. Background

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

2. Audit Opinion and Work Undertaken in 2023/24

2.1 In accordance with the Public Sector Internal Audit Standards (PSIAS), the Head of Internal Audit and Counter Fraud provides an Annual Report and Opinion to support the production of the Council's Annual Governance Statement (AGS).

2.2 The overall opinion of the Head of Audit and Counter fraud for 2023/24 and its professional framework is set out at **Appendix 1**.

2.3 **Appendix 2** summarises the outcomes from the Counter Fraud and Direct Payment Teams for 2020/21 to 2023/24.

3. Options/Alternatives

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

4. Preferred Option

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

5. Consultation

5.1 N/A.

6. Financial Implications

6.1 N/A.

7. Legal Services Comments

7.1 N/A.

8. Cooperative Agenda

8.1 N/A.

9. Human Resources Comments

9.1 N/A.

10. Risk Assessments

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

11. **IT Implications**

11.1 N/A.

12. **Property Implications**

12.1 N/A.

13. **Procurement Implications**

13.1 N/A.

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

14.1 N/A.

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

15.1 N/A.

16. **Equality Impact Assessment Completed**

16.1 No.

17. **Forward Plan Reference**

17.1 N/A.

18. **Key Decision**

18.1 No.

19. **Background Papers**

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

File Ref: Background papers are included as Appendices 1 and 2
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20. **Appendices**

20.1 The following Appendices are available to support this Report:

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

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

Audit and Counter Fraud Team

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

27 June 2024

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

1. Introduction

1.1 Background

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

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

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

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

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

1.2 2013 Public Sector Internal Audit Standards (Revised 2017)

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

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

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

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

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

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

The guidance also sets out the following:

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

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

1.3 Roles and Responsibilities

Reviewing the System of Internal Audit

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

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

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

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

The Annual Governance Statement (AGS)

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

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

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

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

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

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

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

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

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

2. Head of Internal Audit Annual Audit Opinion

2.1 2023/24 Opinion

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

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

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

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

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

2.2 Basis of the Opinion

The basis for forming the Annual Opinion is as follows:

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

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

2.3 CIPFA/SOLACE Code of Corporate Governance

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

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

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

3. Risk Management

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

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

4. 2023/24 Audit and Counter Fraud Plan

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

5. Financial Management

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

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

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

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

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

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

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

“Significant savings plans are in train to help address the budgetary challenges over the next twelve to twenty-four months, however over the projected MTF5, residual budget gaps remain. One of the greatest challenges the Council will face is ensuring that programmes are kept to plan to ensure delivery in line with expected timescales. Slippage from this will undoubtedly present challenges.

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

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

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

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

Social Care

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

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

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

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

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

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

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

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

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

Debt Recovery

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

Payroll

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

6. Fundamental Financial Systems (FFS)

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

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

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

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

| | | | |
|--------------|-----------|-----------|-----------|
| N/A | 2 | - | 1 |
| Total | 15 | 15 | 15 |

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

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

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

6.1 Payroll System: Update

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

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

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

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

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

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

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

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

6.2 Adults' Services Financial Systems: Update

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

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

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

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

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

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

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

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

The service continues to face challenges in the following areas:

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

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

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

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

6.3 Debt recovery

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

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

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

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

6.4 Children's Services

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

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

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

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

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

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

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

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

7. ICT and Information Governance

7.1 ICT

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

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

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

The SCAS review of Vulnerability Management concluded that,

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

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

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

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

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

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

The Council maintains its certification in line with the Public Services Network (PSN) Accreditation & Compliance standards. The PSN is a secure network that allows local and national public sector organisations to interact and share data privately and securely. On an annual basis the Council is required to obtain certification for the forthcoming year. The Information Management Team, working with ICT Services, manage the annual PSN certification submission. The current certification runs to the 24 March 2025

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

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

7.2 Information Management and Governance

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

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

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

The Information Management Team has worked with both Caldicott Guardians to raise awareness, provide training, and issue key messages to staff. Furthermore, the Information Management Team and the Caldicott Guardians have analysed trends across known incidents and issued specific guidance to staff in relation to any trends identified.

8. Procurement and Contracts

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

9. Corporate Counter Fraud and Investigations

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

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

Corporate Counter Fraud Team Results

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

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

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

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

10 Audit of Direct Payments (DP)

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

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

Adults and Children's Direct Payments Audit Team Results

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

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

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

11 Other Activities

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

12 Internal Audit and Counter Fraud Service effectiveness

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

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

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

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

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

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

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

| Standard / Area Assessed | Level of Conformance |
|--------------------------|----------------------|
| Mission Statement | Generally Conforms |

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

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

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

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

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

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

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

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

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

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

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

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

Summary of Internal Audit and Counter Fraud Performance

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

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

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

13 2023/24 Audit and Counter Fraud Performance Targets

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

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

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

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

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

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

14 Conclusion

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

Appendix 2

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

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