



## Report to Audit Committee

# 2024/25 Head of Audit Annual Report and Opinion to Audit Committee

**Portfolio Holder:** Councillor Abdul Jabbar MBE, Deputy Leader and Cabinet Member for Finance, Corporate Services & Sustainability

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

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**30 June 2025**

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### 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 2024/25 on the Systems of Governance and Internal Control for the year ended 31 March 2025 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 2017) and Local Government Application Note (LGAN).

### Executive Summary

The report summarises the work of Internal Audit and Counter Fraud Team carried out for the financial year 2024/25 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 2025.

The Annual Report for 2024/25 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 2025, to assist the Committee's review of the 2024/25 Annual Governance Statement (AGS) and to assist with the review of the Statement of Accounts.
- **Appendix 2:** Counter Fraud Service comparative data 2021/22 to 2024/25.

## **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.

**2024/25 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 2024/25 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 2025.

**2. Audit Opinion and Work Undertaken in 2024/25**

- 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 2024/25 and its professional framework is set out at **Appendix 1**.
- 2.3 **Appendix 2** summarises the outcomes from the Counter Fraud Service for 2021/22 to 2024/25.

**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 Systems of Governance and 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 Systems of Governance and 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 2025; to assist the Audit Committee's review of the 2024/25 Annual Governance Statement.
- **Appendix 2:** Counter Fraud Service comparative data 2021/22 to 2024/25.



# Audit and Counter Fraud Team

**Annual Report of the Head of Audit and Counter Fraud and Opinion on the Systems of Governance and Internal Control for the year from 1 April 2024 to 31 March 2025**

**30 June 2025**

# Annual Report of the Head of Audit and Counter Fraud and Opinion on the Systems of Governance and Internal Control for the year 1 April 2024 to 31 March 2025.

## 1. Introduction

### 1.1 Background

- 1.1.1 The Internal Audit and Counter Fraud Plan for 2024/25 was developed based on an assessment of risks to the Council including those contained in the Corporate Plan and Corporate Risk Registers. The work plan aims to provide assurance to the Chief Executive and other senior officers of the Council, including key Statutory Officers (Section 151 and Monitoring Officers), on systems and controls in place that assist the Council in meeting its objectives.
- 1.1.2 This work allows the Head of Internal Audit and Counter Fraud at Oldham Council to form an overall opinion on the Governance and Internal Control arrangements within the Council, and the effectiveness of those systems.
- 1.1.3 The opinion also considers any advisory work undertaken during the year. High priority findings from such reviews contribute to the overall opinion that is reported.
- 1.1.4 This 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 2024/25.
- 1.1.5 This report sets out the framework used to complete the Annual Opinion on the Systems of Governance and 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

- 1.2.1 The Public Sector Internal Audit Standards (PSIAS) came into effect on 1 April 2013. 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).
- 1.2.2 For the year 2024/25, the 2013 PSIAS and Local Government Application Note (LGAN) remain the applicable standards. From 1<sup>st</sup> April 2025 the work of Internal Audit at Oldham Council is governed by the **Global Internal Audit Standards 2024 and UK Local Government Application Note 2024**. These replace the PSIAS and LGAN. This update to the standards is discussed further in Section 14 of this report.
- 1.2.3 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.
- 1.2.4 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.”.

- 1.2.5 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.
- 1.2.6 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 also sets out individual and organisational 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.
- 1.2.7 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.
- 1.2.8 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**

- 1.3.1 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.
- 1.3.2 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 2023 by CIPFA.



- 1.3.3 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).
- 1.3.4 The outcome of the 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 2024/25. The outcomes of the most recent EQA review, and progress against CIPFA’s single low priority recommendation and eight further “advisory points” are detailed at Section 14 of this report. The outcome of the latest 2024/25 annual self-assessment against the PSIAS notes no substantive change to the arrangements in place since the 2023 external review by CIPFA. The Internal Audit Service therefore remained fully in conformance with the requirements of the PSIAS during 2024/25.
- 1.3.5 In preparation for the introduction of the new Global Internal Audit Standards (GIAS) in April 2025, a self-assessment of the Internal Audit Service against the new GIAS 2024 and LGAN 2024 has also taken place.
- 1.3.6 The actions required to maintain the Internal Audit Service in full conformance with the updated Standards are discussed further at Section 14 of this report.

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

- 1.3.7 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 and 2025 Addendum.
- 1.3.8 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.
- 1.3.9 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.
- 1.3.10 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.
- 1.3.11 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).
- 1.3.12 The AGS sets out how the Authority has complied with the Code of Corporate Governance and meets the requirements of the Accounts and Audit Regulations 2015 which require all relevant bodies to prepare an Annual Governance Statement.
- 1.3.13 The Council’s whole framework of assurance is used to bring together all of the evidence required to support the AGS.
- 1.3.14 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.

- 1.3.15 The Head of Internal Audit's Annual Opinion does not imply that the Internal Audit and Counter Fraud service have reviewed all risks 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 2024/25 Opinion

- 2.1.1 The financial year 2024/25 has been another challenging year for Local Government as a whole, with a number of Council's experiencing well publicised financial challenges. Inevitably some front-line services have been under continued pressure and, in certain cases, improvements in financial administration fell short of what was planned.
- 2.1.2 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 systems of Internal Control in Oldham Council for the year ending 31 March 2025 provided **Limited** assurance. There have been no impairments to the independence or objectivity of the Head of Internal Audit in arriving at this opinion.
- 2.1.3 The overriding audit concerns taken into account in arriving at this opinion are set out in brief below and discussed in more detail in the sections which follow:

#### Financial Management

- 2.1.4 The Council has made insufficient progress in addressing areas of persistent control weakness in five Fundamental Financial Systems over a number of years. These are Payroll, Direct Payments and Community Homecare Payments, Residential Care Payments, Children's Social Care Payments and Debt Recovery. Payroll and Social Care Payments represent a significant portion of the Council's annual expenditure. Issues identified in Debt Recovery systems span all of the Council's direct income streams. All five of these audit reviews provided **Limited** assurance on the effectiveness of internal controls in these areas. These findings, in combination, indicate the Council faces potential risks to the achievement of its financial and corporate objectives by failing to address the issues identified in successive Internal Audit Reports. In addition, the Council has again relied upon reserves in order to fund an overspend against its annual budget in 2024/25. The ongoing use of reserves for this purpose was highlighted as an area of concern by the Council's former Director of Finance in the Authority's 2023/24 financial statements.

#### ICT

- 2.1.5 Secure and reliable ICT is fundamental to both front line operational services and corporate support services throughout the Council. Without functioning and reliable systems in place no modern organisation can operate either effectively, or in some cases at all. Three of the four specialist ICT reviews which reported on arrangements in place during 2024/25 provided **Limited** assurance over the controls in place in connection with IT Supplier Management, Cloud Service Management and Physical & Environmental Controls.

#### Procurement

- 2.1.6 The Council has a duty to seek to obtain Best value in its procurement of goods and services on behalf of its residents. Our work in 2023/24 in connection with the Council's Contract Register arrangements received an "Inadequate" (Limited assurance) opinion. Legislation

in this area has recently changed with the introduction of the Procurement Act 2023 (effective 1<sup>st</sup> April 2025) and our follow up work on progress against our previous recommendations in connection with the Council's Contract register arrangements was partially re-focussed towards the Council's performance in complying with the requirements of the Procurement Act 2023.

- 2.1.7 The Procurement Act 2023 places additional requirements on all Local Authorities to publish a forward plan of procurement activity for all contracts in excess of £2m. Our findings from our follow up work in this area are that the Council appears to have met the publication requirements of the Procurement Act 2023 by the required deadline date. However, work in connection with the compilation of the Council's own internal Contracts Register continues and, as a result, our opinion in this area remains that the controls in place continue to provide **Limited** assurance that the Council is achieving best value in procurement and that procurement activity is aligned to the Council's corporate objectives and goals. We will continue to monitor developments in liaison with the Interim head of Procurement and follow-up again on this ongoing work in due course.

### **Systems of Governance**

- 2.1.8 Three audit reports were issued in 2024/25 in connection with systems which are fundamental in ensuring good governance across the Council, and where systems and controls examined provided **Limited** assurance. All three systems are essential components in ensuring openness and accountability in decision making and corporate performance.

- 2.1.9 These reports are in connection with the Council's use of

- The Modern.gov system used to record and publish its Delegated Decision Reports and ensure open and accountable decision making.
- Its Corporate Performance Management System used to track the Council's progress against its corporate and service objectives and ensure achievement of corporate objectives.
- The systems and controls in place to both recruit and discipline Council staff in a manner which protects the organisation, its staff and residents from the risk of loss or harm.

## **2.2 Basis of the Opinion**

- 2.2.1 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.

- 2.2.2 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**

- 2.3.1 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" and Addendum 2025.
- 2.3.2 The Council has adopted a Local Code of Corporate Governance which is publicised on the Council's website. The Council's 2024/25 AGS forms part of the Draft Annual Financial Statements 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 Regulations 2015. The Authority meets the requirements of the Accounts and Audit Regulations 2015 in relation to the publication of an AGS.
- 2.3.3 The 2024/25 AGS identifies the key risk issues for the Council to mitigate during 2025/26.

### **3. Risk Management**

- 3.1 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.
- 3.2 The Service Business Plans, prepared annually, incorporate a Risk Register setting out the risks for each Service. Reviews of current and emerging risks are presented to the Audit Committee as part of the regular update of the issues.

### **4. 2024/25 Audit and Counter Fraud Plan**

- 4.1 The 2024/25 Audit and Counter Fraud Plan was agreed by the Audit Committee at its meeting of 26 March 2024. Updates on progress have been reported to the Audit Committee during the 2024/25 financial year. The Audit Opinions agreed with managers contribute towards the 2024/25 Annual Opinion.

### **5. Financial Control and Resilience**

- 5.1 In 2024/25, financial management, administration and governance for the Council underwent a number of staffing changes. In addition to the Council seeking applications for voluntary redundancy across all service areas, it also appointment of a number of new staff to key posts including:
- Chief Executive.
  - Interim Director of Finance and S151 Officer.
  - Monitoring Officer.
  - Interim Assistant Director of Human Resources and Organisational Development.
  - Assistant Director of Governance
  - Interim Director of IT and Digital
  - Assistant Director of Policy, Performance and Corporate Leadership.
- 5.2 The Council is cognisant that a number of these appointments are on an interim basis and is taking steps to appoint permanent staff to a number of key roles during 2025/26.
- 5.3 During 2024/25 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.

- 5.4 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.
- 5.5 The year-end final accounts for 2024/25 were submitted for audit by the statutory deadline. 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.
- 5.6 The 2023/24 AGS identified the Council's financial position and financial resilience at that time as the most significant governance issue facing the Council. The 2023/24 AGS also set out the actions the Council was 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 MTFS, 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.”*
- 5.7 Progress against these actions during the latest financial year is reported in the 2024/25 AGS which is presented as part of the Council's Annual Financial Statements for the year.
- 5.8 In terms of overall financial outcomes against budget for the year 2024/25 the unaudited financial results are shown in the table below:

2024/25 Directorate	Budget £000	Actual £000	Variance £000
Community Health and Adult Social Care	76,739	87,571	10,832
Children's Services	70,705	81,408	10,703
Public Health	23,054	21,552	(1,502)
Place and Economic Growth	67,001	72,084	5,083
Corporate Services	36,392	33,539	(2,853)
Capital, Treasury and Technical Accounting	32,946	19,365	(13,580)

Net Expenditure	306,837	315,520	8,682
Financing			1,472
Overall Variance			10,155
Use of Reserves to support 2024/25 position			(10,155)

5.9 The table above shows that the Council exceeded its annual budget again in 2024/25 by over £10m. This overspend was, as in previous years, funded from the Council's reserve balances.

5.10 In the explanatory foreword to the Council's 2023/24 Financial statements, the Council's former Director of Finance and S151 Officer wrote:

*"When setting its budget for 2023/24, the Council approved the use of £11.5m of Earmarked Reserves to support additional expenditure in those services facing increasing levels of demand, in particular Children's Services. Unexpected and unprecedented pressures in Children's, but also other services meant that a further contribution from reserves of £16m was required. This is a concerning situation and the Council's current reliance on reserves to fund annual expenditure must be addressed as a matter of urgency."*

5.11 Should the use of reserves to support revenue expenditure continue, the Council risks the prospect of reduced financial resilience in future periods.

## 6.1 Fundamental Financial Systems (FFS)

6.1.1 In accordance with the 2024/25 Plan, Internal Audit continued to review all material fundamental financial systems.

6.1.2 The table below sets out the Final Audit Opinions across the Council's main financial systems between 2020/21 and 2024/25.

6.1.3 Until March 2025 the four audit opinion levels used by the Internal Audit Service were **Good**, **Adequate**, **Inadequate**, and **Weak**. As of April 2025 the service has replaced these with the standard opinion levels and definitions in CIPFA's published guidance on: **Internal Audit Engagement Opinions: Setting common definitions**. This guidance recommends the following 4 opinion levels when issuing an audit opinion on individual audit reviews.

- **Substantial Assurance** "A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited."
- **Reasonable Assurance** "There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited."
- **Limited Assurance** "Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited."
- **Weak/No Assurance** "Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk

management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.”

- 6.1.4 The previous audit opinion levels in use at Oldham of Good, Adequate, Inadequate, and Weak utilised broadly similar definitions to the above. The four opinion levels are, therefore, directly comparable across years.

### Fundamental Financial Systems Audit Opinions 2020/21 to 2024/25

Financial System	2021/22	2022/23	2023/24	2024/25
Accounts Payable	Adequate	Adequate	Adequate	Reasonable
Accounts Receivable	Adequate	Adequate	Adequate	Reasonable
Treasury Management	Good	Good	Good	Reasonable
Bank Reconciliations	Good	Good	Good	Substantial
Income Control	Adequate	Good	Adequate	Reasonable
Council Tax	Inadequate	Adequate	Adequate	Reasonable
Council Tax Reduction	Adequate	Adequate	Adequate	N/A
Fixed Assets	Adequate	Adequate	Adequate	Reasonable
Housing Benefits	Adequate	Adequate	N/A	N/A
NDR (Business Rates)	Adequate	Adequate	Adequate	Reasonable
Payroll	Adequate	Inadequate	Inadequate	Limited
Direct Payments & Homecare	Inadequate	Weak	Inadequate	Limited
Residential Care Payments	Inadequate	Inadequate	Inadequate	Limited
Children's Social Care	N/A	Inadequate	Inadequate	Limited
Debt Recovery	N/A	Inadequate	Inadequate	Limited
Audit Opinions	2021/22	2022/23	2023/24	2024/25
Good / Substantial Assurance	2	3	2	1
Adequate / Reasonable Assurance	8	6	7	7
Inadequate / Limited Assurance	3	4	5	5
Weak / Weak Assurance	-	1	-	-
N/A	2	-	1	2
<b>Total</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>

- 6.1.5 Overall, the table above highlights a relatively stable control environment in respect of the Council's Fundamental Financial Systems:
- 6.1.6 However, the five reviews receiving opinions of Limited assurance have done so for a number of successive years. A number of the recommendation made in connections with these reviews have been re-iterated during this period. This lack of progress in addressing recommendations over successive years is a cause for concern.
- 6.1.7 For those systems which have been assessed as Adequate / Reasonable for a number of years, managers are encouraged to develop appropriate plans to facilitate the required



improvement to Substantial assurance. To support this, Internal Audit will continue to deliver financial systems audits and engage with key colleagues to facilitate this improvement.

- 6.1.8 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, Forvis 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 2024/25. We will however keep this position under review and return to the area should we feel that this is necessary in the future.
- 6.1.9 Similarly, the Council Tax Reduction review is now undertaken as part of the overall audit review of Council Tax in order to streamline audit work within the service.

## 6.2 Payroll

- 6.2.1 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 was the first full financial year the Council had operated this system.
- 6.2.2 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.
- 6.2.3 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 / Reasonable.
- 6.2.4 However, the Payroll Service has experienced ongoing issues in the retention and replacement of key staff over the last three review periods, 2022/23, 2023/24 and 2024/25. 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.
- 6.2.5 In light of the above, and despite the Service's continued acceptable performance in ensuring employees are paid, by and large, correctly and on time, the 2024/25 audit opinion is that the systems and controls in connection with the payroll administration continue to provide **Limited** assurance in light of the system's relative materiality and importance.
- 6.2.6 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.



### 6.3 Adults' Social Care Services – Direct Payments & Homecare, and Residential Care Payments.

- 6.3.1 The Community Health and Adults' Social Care (CHASC) Service directly manages two of the Council's fundamental financial systems; the systems for payments of Direct Payments and Community Homecare, and the Residential Care Payment system.
- 6.3.2 The 2024/25 Audit opinions for both Residential Care Payments and Direct Payments and Homecare continue to be assessed as providing **Limited** assurance. Whilst the service continues to allocate resources to resolving ongoing issues, the repeated nature of a number of recommendations over successive periods is a cause for concern.
- 6.3.3 In respect of Residential Care Payments systems during 2024/25, it was noted that some progress had been made in addressing the recommendations made in the previous audit report. However, six of the ten recommendations we have made this year have been made previously. Three of these are high priority recommendations, and three are medium priority.
- 6.3.4 In respect of Direct Payments and Home Care systems during 2024/25, it was noted that some progress had been made in addressing the recommendations made in the previous audit report. However, four of the eight recommendations we have made this year have been made in previous audit reports. Three of these recommendations made previously are high priority and one is medium priority.
- 6.3.5 The Service has made some progress in the year in:
- Addressing the increasing numbers of open workflow items year on year, though a number of historic items still require review.
  - Maintaining their above GM average performance in completion of statutory annual care reviews, though work is still required on those more than two years overdue.
- 6.3.6 The Service continues to face challenges in the following areas:
- Duplicate payments.
  - Duplicate client records.
  - Ensuring all clients have the appropriate care agreement on file.
  - Making timely payments to providers of care to avoid large back dated payments.
  - Recording adequate details to support the issue of credit notes.
  - High costs of "Out of borough" care placements.
  - Backlogs of client financial assessment.
  - Backlogs in re-assessment of clients in short stay accommodation.
- 6.3.7 Therefore the audit opinion remains that internal controls in these areas continue to provide **Limited** assurance.

### 6.4 Children's Services

- 6.4.1 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 / Limited.

- 6.4.2 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.
- 6.4.3 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.
  - 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.
- 6.4.4 Despite the results of the 2022/23 review having been well received by the Service, our work in 2023/24 found limited evidence of progress against the recommendations made in 2022/23. As a result, our opinion in this area remained Limited.
- 6.4.5 Our 2024/25 review found that of the eleven recommendations agreed for improvement in 2023/24, three have been implemented. Eight recommendations have been carried forward to 2024/25 and re-iterated. Our opinion remains that internal controls in this area provide **Limited** assurance.

## 6.5 Debt recovery

- 6.5.1 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 2024/25 as shown in the table below which, in the case of NNDR and Council Tax, shows the debt outstanding at 31<sup>st</sup> March each year relating to prior years, i.e. historic debt excluding in-year debt.

	18/19	19/20	20/21	21/22	22/23	23/24	24/25
	(£m)	(£m)	(£m)	(£m)	(£m)	(£m)	(£m)
<b>Council Tax</b>	24.53	28.43	32.89	33.56	34.40	38.24	43.12
<b>NNDR</b>	6.29	7.61	9.24	9.38	8.51	7.80	10.02
<b>Sundry Debtors</b>	16.17	15.76	18.16	23.57	23.44	27.46	28.67
<b>Total</b>	<b>46.99</b>	<b>51.80</b>	<b>60.29</b>	<b>66.51</b>	<b>66.35</b>	<b>73.50</b>	<b>81.81</b>

- 6.5.2 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.
- 6.5.3 However, the continued increase in outstanding debt at the year-end 2024/25 provides **Limited** assurance that the Council has made sufficient progress in this area to date.

## 7. ICT and Information Governance

- 7.1 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 2026.

- 7.2 The submission of the Council's Data Security and Protection (DSP) annual mandatory accreditation was made in June 2024 and, at the time of writing, the accreditation process in 2025 is ongoing.
- 7.3 The business-critical risks associated with cyber-attack are well publicised. The responsibility for Information Management and Governance rests with the Council's Director of Corporate Resources as the Senior Information Risk Officer (SIRO). The Audit Committee agendas regularly include the Senior Information Risk Officer (SIRO) report. 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).
- 7.4 Specialist IT audit work undertaken on the Council's behalf by Salford Council's Computer Audit Service (SCAS) continued in respect of 2024/25 with the following reviews completed:
- National Cyber Security Centre Cyber Assessment Framework – **Reasonable Assurance**
  - IT Supplier Management – **Limited Assurance**
  - Cloud Service Management – **Limited Assurance**
  - Physical Security & Environmental Controls – **Limited Assurance**
- 7.5 Audit review work in connection in connection with Security Incident Management and Response, and with Payment Card Industry Data Security Standards (PCI-DSS) has also commenced.
- 7.6 Secure and reliable ICT is critical in providing assurance over good governance, internal control, client safety and client financial security across all areas of Council activity. Weaknesses in this area should be addressed as a matter of priority to provide assurance that the Council can continue to provide vital public services, in addition to safeguarding assets, data and resources.
- 7.7 With two out of three ICT reviews reporting in 2024/25 receiving Limited assurance opinions our opinion in respect of the safeguards and controls surrounding the Council's ICT arrangements during 2024/25 are that they provided **Limited** assurance that the Council is safeguarding services in this area.

## 8. Procurement

- 8.1 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 additional segregation and oversight controls across the Council's procurement activity.
- 8.2 During our review of the Council's Contracts Register in 2023/24, the departure of the Head of Procurement in that 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.

8.3 Also noted were 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.

8.4 The Council took steps to address these issues and:

- The Procurement Service transferred to sit within the remit of the Director of Finance.
- A new Interim Head of Procurement is now in place since March 2024.
- An independent review of the Council's Procurement Function was undertaken by STAR Procurement.

8.5 The wide-ranging independent review of the Council's Procurement Function undertaken by STAR Procurement during 2024/25 contained, among a range of other findings, the following:

*"A number of [internal] audits have taken place which have been linked to procurement with similar themes and outcomes emerging. There is little collective ownership in responding and dealing with issues/actions raised. More proactive action required, working with Audit colleagues on a planned audit plan to identify areas for improvement and concern to deliver improvement."*

8.6 The requirements of the Procurement Act 2023 came into force on 1<sup>st</sup> April 2025. The Act makes mandatory the publication of certain information in respect of upcoming Council contracts over £2m over an 18 month forward timeline.

8.7 In light of this, in following up our previous review of the Council's Contract Register which received an Inadequate / Limited assurance opinion in 2022/23, we have conducted a high-level review of the Council's compliance with the Procurement Act 2023 and a follow up review of the 2023 Contracts Register Audit in conjunction with the Interim Head of Procurement.

8.8 The Interim Head of Procurement reports that the Council has met the mandatory publication requirements of the Act insofar as all upcoming contracts over £2m which the Procurement Service have been made aware of by procuring Services of have been published as required by the Act.

8.9 However, from both our follow-up work on the 2022/23 Contracts Register audit report during 2024/25, and as self-reported by the Interim Procurement Manager in June 2025, work in connection with the Council's own internal Contracts Register to record the pipeline of upcoming contracts below the mandatory publication threshold remains ongoing.

8.10 Therefore, our opinion in respect of the Council's Contracts Register arrangements remains that they provide **Limited** assurance that the Council is ensuring it obtains best value in procurement, and that procurement is aligned with the Council's objectives and policies across all areas of service delivery.

## 9. The Council's Delegated Decision Recording System

9.1 Under Section 101 of the Local Government Act 1972, non-executive functions of the Council may be delegated to Officers by the Council, Committees and Sub-Committees.

- 9.2 The Scheme of Delegation sets out who is responsible for various “levels” of decision in Part 3 of the Council’s Constitution, “Responsibility for Functions”. Decisions made under delegated powers are the subject of a Delegated Decision Report outlining the background, options and reason for the decision being taken.
- 9.3 When reaching the decision outlined in the delegated report, officers are required to consult with Members and other Officers as appropriate. This must include the Director of Legal Services (Monitoring Officer) and Director of Finance (S151 Officer).
- 9.4 The Council’s decision recording system, Modern.Gov, holds records on all the meetings held as part of Council business, alongside any decisions reached. The decisions should also include a delegated report and any background papers, with items restricted as appropriate.
- 9.5 Findings from the Internal Audit review of the reports available to support delegated decisions found that:
- In a number of cases, full details of the decision-making process were not always clear from the reports reviewed.
  - Staff receive limited training around how to upload decision reports and the relevant decision thresholds.
  - There is no formal Quality Assurance process to review reports prior to publishing on Modern.gov. This presents a risk of “exempt information” being published inadvertently.
  - A number of decisions reviewed were not supported by an appropriate decision report.
  - Whilst audit trail functionality and in-system document editing are available via modern.gov, this is not currently utilised by the Council.
- 9.6 These findings reflect a risk that the Council is not ensuring openness and accountability in its decision making and recording processes; that sensitive information may be shared inadvertently, and; in some cases, decisions may be progressed in the absence of complete and accurate information. As a result of our findings as set out above, our opinion is that controls in connection with the Council’s Delegated Decision Recording provide **Limited** assurance on the transparency and accountability of the Council’s decision making processes and records

## 10. The Council’s Corporate Performance Management System

- 10.1 The Local Government Act 1999 requires that Council services are: ‘responsive to the needs of citizens, of high quality and cost-effective, and fair and accessible to all who need them’. Statutory guidance on the Council’s ‘best value duty’ places Authorities under a general duty to: *‘make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency, and effectiveness’*.
- 10.2 The Council’s Corporate Plan 2024-2027 sets out the Council’s priorities for the Borough in connection with improving the outcomes for Oldham’s citizens and businesses. Oldham, in line with many other Local Authorities is faced with a range of challenges in achieving its corporate objectives and in delivering key services. Effective performance management and measurement helps to ensure success in meeting these challenges and to identify areas of underperformance.
- 10.3 Up to December 2023, the Council’s corporate performance management system was CorVu, purchased in 2008 and implemented in 2010, with a requirement for a rolling 3-year

maintenance licence. The last licence renewal expired in December 2023, with the product being discontinued after this period. The CorVu system provided automated reports from data within the system; and performance management modules to monitor corporate measures, projects, actions, and risks.

- 10.4 As CorVu reached the end of its life in December 2023, the Council conducted research into viable alternatives. The research concluded that there was no viable product available to replace CorVu. The Council intended on utilising Power BI as a method of bridging the gap until a suitable alternative is found.
- 10.5 Currently, Corporate Performance Reports (CPR) are being presented via PowerPoint in an effort to provide more nuance to each services performance. These reports also include comments from the portfolio holder. For some services with quantifiable KPIs, PowerBI dashboards are also being utilised.
- 10.6 Findings from the Internal Audit review of the current arrangements to support corporate performance management and reporting identified that:
- KPI data is submitted without supporting documentation. The process is considered to be collaborative and challenge is limited.
  - There are instances of incomplete KPI records for certain services.
  - The KPIs currently reported are those agreed upon by service managers, potentially leading to an incomplete or skewed view of service performance.
  - Some instances of services failing to submit complete and timely business plans were reported during the course of the review.
- 10.7 These findings reflect a risk that the Council may not be able to measure performance in a way which is open, accountable, comparable, or in line with the Council's corporate and service objectives and identified risks. As a result of our findings as set out above, our opinion is that controls in connection with Council's Corporate Performance Management provide **Limited** assurance in connection with the applicability, robustness and accuracy of the Council's performance management reporting processes.

## 11. The Council's Recruitment and Disciplinary Procedures

- 11.1 Human Resources, a part of Corporate Resources, plays a critical role in providing a fully integrated strategic, advisory, and support function to service managers. Its purpose is to enable effective people management across the council, aligning with the objectives of the Council and supporting the delivery of corporate priorities and goals.
- 11.2 Findings from the Internal Audit review of the current arrangements in place to support recruitment vetting and disciplinary procedures in order to prevent and detect fraud, theft and financial and other misconduct by Council staff identified:
- No centrally held records of employment references are held in connection with staff employed in maintained schools.
  - Failure to follow up on unsatisfactory employment references was found.
  - Disclosure and Barring Service (DBS) check outcomes are unavailable to recruiting managers during the initial selection process up to and including final candidate selection and making a firm offer of employment.
  - A lack of training for disciplinary hearing Chairpersons presents a risk to the consistency, fairness, and legal compliance of disciplinary processes.
  - Half of all cases of Gross Misconduct cases examined which were found to be proven at a formal disciplinary hearing did not result in dismissal.



- In respect the cases which did not result in dismissal the other sanctions imposed were either a final written warning, a letter of concern or a management instruction. The distinction between these sanctions is unclear.
- Over 80% of Gross Misconduct cases examined involving fraud or theft by employees had received no referral to the Counter Fraud Service.

11.3 These findings reflect a risk that the Council is failing to adequately protect itself, its staff and residents from the risk presented by employing, or retaining, staff who have demonstrated challenges in adhering to acceptable standards of behaviour in either previous employments (by way of references and DBS checks), or have been proven to have conducted themselves in a manner considered to be classifiable as Gross Misconduct in the course of their duties for the Council. As a result of our findings as set out above, our opinion is that controls in connection with the Council's Recruitment and Disciplinary Procedures provide **Limited** assurance in connection with the effectiveness and consistency of these systems.

## 12. Conclusions and 2024/25 Annual Audit Opinion

12.1 In conclusion, from our independent audit review work in connection with the Council's systems of governance and internal control examined in relation to the financial year 2024/25, we have concluded that the Council has received **Limited** assurance over the effectiveness of these controls in the following areas:

### Financial Control and Resilience

12.2 Internal control arrangements in connection with five of the Council's Fundamental Financial Systems received **Limited** assurance opinions, and have done for successive years. Three of these systems in connection with Adult's and Children's Social care services support areas of delivery which have provided significant expenditure budget challenges for the Council for 2024/25 and prior years. One system, Debt Recovery, directly impacts the financial health of the Council where significant and increasing levels of debt, across all areas, remain unpaid.

### ICT

12.3 Three of the four specialist ICT reviews which reported in respect of 2024/25 provided **Limited** assurance over the controls in place in connection with IT Supplier Management, Cloud Service Management and Physical Security & Environmental Controls. Secure and reliable ICT is fundamental to both front line operational services and corporate support services throughout the Council. Without functioning and reliable systems in place no modern organisation can operate either effectively, or in some cases at all.

### Procurement

12.4 Work in connection with the compilation of the Council's own internal Contracts Register continues into 2025/26, having initially been raised as an area for improvement during 2022/23. As a result, our opinion in this area remains that the controls in place continue to provide **Limited** assurance that the Council is achieving best value in procurement and that procurement activity is aligned to the Council's corporate objectives and goals.

## **Decision Making**

- 12.3 Findings from our review of the Council's Delegated Decision Recording System reflect a risk that the Council is not ensuring openness and accountability in its decision making and recording processes; that sensitive information may be shared inadvertently and, in some cases, decisions may be progressed in the absence of complete and accurate information. As a result of our findings, our opinion is that controls in connection with the Council's Delegated Decision Recording System provide **Limited** assurance on the transparency and accountability of the Council's decision making processes and records.

## **Corporate Performance Management**

- 12.4 Findings from our review of the Council's Corporate Performance Management Systems reflect a risk that the Council may not be able to measure performance in a way which is open, accountable, comparable, or in line with the Council's corporate and service objectives and identified risks. Our opinion is that controls in connection with Council's Corporate Performance Management provide **Limited** assurance in connection with the applicability, robustness and accuracy of the Council's performance management reporting processes.

## **Recruitment and discipline**

- 12.5 Our findings in connection with the Council's controls in connection with both recruitment and discipline reflect a risk that the Council is failing to adequately protect itself, its staff and residents from the risk presented by employing, or retaining, staff who have demonstrated challenges in adhering to acceptable standards of behaviour in either previous employments, or have been proven to have conducted themselves in a manner considered to be Gross Misconduct in the course of their duties for the Council. Our opinion is that controls in connection with the Council's Recruitment and Disciplinary Procedures provide **Limited** assurance in connection with the effectiveness and consistency of these systems.

## **Conclusion and Annual Audit Opinion**

- 12.6 Given the improvements required over successive periods in Financial Management and Procurement, and the wide ranging impact of the improvements required in corporate systems in ICT, Decision Making, Performance Monitoring and Recruitment and Discipline, the overall Annual Audit Opinion is that the Council's systems of governance and internal control during 2024/25 provided **Limited** assurance that these systems have been effective in supporting the Council in meeting its corporate objectives and goals. There have been no impairments to the independence or objectivity of the HIA in arriving at this opinion.

## **13. Corporate Counter Fraud and Investigations**

- 13.1 Corporate counter fraud work continued to contribute significant financial returns in excess of the costs of undertaking this work during 2024/25.
- 13.2 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	2024/25
Corporate Cases - Positive Results	165
CTR cases amended as a result of an investigation	99
Fraud & Error Overpayments identified as part of Corporate Cases	£105,524.52
HB Fraud & Error Overpayments identified via CTR investigation	£156,181.05
CTR Fraud & Error Overpayments identified	£187,081.11
<b>Total Financial Outcomes from Counter Fraud</b>	<b>£448,786.68</b>

- 13.3 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	2024/25
Single Person Discount Fraud	£65,234.27
Misuse of public funds	£3,550.00
Theft	£5,078.08
Duplicate Payments	£31,662.17
Other cases	£NIL
<b>Total</b>	<b>£105,524.52</b>

- 13.4 The Council's Counter Fraud Service continues to support the Internal Audit Service and, in addition to the reactive counter fraud investigation work summarised above, has also undertaken two proactive reviews of Standards of Conduct, and on Recruitment and Disciplinary processes and controls referred to earlier in this report.

## 14 Internal Audit and Counter Fraud Service effectiveness

- 14.1 Since 1<sup>st</sup> April 2013 Internal Audit and Counter Fraud performance has been self-assessed annually in line with the requirements of the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN).
- 14.2 The PSIAS also require an independent external assessment of compliance against the standards every 5 years. Oldham's second, and latest, review was conducted in 2023 by CIPFA.
- 14.3 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.

14.4 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.**

14.5 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:

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

Standard / Area Assessed	Level of Conformance
Performance standard 2500 – Monitoring Progress	<b>Generally Conforms</b>
Performance standard 2600 – Communicating the Acceptance of Risk	<b>Generally Conforms</b>

14.6 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.

14.7 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><b>All audits in the audit plan should be aligned to the Council's objectives. (Low Priority)</b></p> <p>The Service publishes a risk-based operational audit plan that is designed to provide the Council with 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><b>COMPLETE</b></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>
Advisory Points	Agreed Action
<p><b>Add a statement on impairments to the annual report and opinion (Advisory)</b></p>	<p><b>COMPLETE</b></p> <p>The following sentence has been added to the Head of Internal Audit's Annual Opinion Report and presented to the Audit Committee on 23<sup>rd</sup> July 2025.</p> <p>"There have been no impairments to the independence or objectivity of the HIA in arriving at this opinion."</p>

<p><b>Consider obtaining and using a specialist data analytics software application (Advisory)</b></p>	<p><b>COMPLETE</b></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.</p> <p>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><b>Consider using the MS Power BI application for data analytics and reporting (Advisory)</b></p>	<p><b>COMPLETE</b></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.</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><b>Use of benchmarking data when scoping audits (Advisory)</b></p>	<p><b>COMPLETE</b></p> <p>Benchmarking data continues to be utilised across all audit review areas where available to inform planning and provide audit evidence, e.g. percentage of annual Adult Social Care reviews undertaken across Greater Manchester.</p>
<p><b>Adopt a consistent approach to using Pentana that is aligned to the Service's audit methodologies (Advisory)</b></p>	<p><b>COMPLETE</b></p> <p>The Audit Team has established a consistent approach to the filing of documentation within Pentana.</p>

<p><b>Enhancements to the audit reports (Advisory)</b></p>	<p><b>COMPLETE</b></p> <p>The following two statements are included in all Audit reports produced from April 2025:</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 Global Internal Audit Standards (GIAS) 2024, and the Chartered Institute of Public Finance (CIPFA) Local Government Application Note (LGAN) 2024. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than those Officers for whom the report 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 Global Internal Audit Standards (GIAS) 2024, and the Chartered Institute of Public Finance (CIPFA) Local Government Application Note (LGAN) 2024.”</p>
<p><b>Consultation on the International Professional Practice Framework (IPPF) (Advisory)</b></p>	<p><b>COMPLETE</b></p> <p>From 1<sup>st</sup> April 2025 the work of Internal Audit at Oldham Council is governed by the <b>Global Internal Audit Standards 2024 and UK Local Government Application Note 2024</b>. These replace the 2013 Public Sector Internal Audit Standards (Revised 2017) and Local Government Application Note.</p>
<p><b>Frequency of meetings for the Audit Committee (Advisory)</b></p>	<p><b>COMPLETE</b></p> <p>The number of planned meetings of the Audit Committee was reduced from seven to five for 2024/25. The number of meetings planned for 2025/26 is four.</p>

## 2024/25 Self-Assessment of the Effectiveness of the system of Internal Audit

- 14.8 The 2024/25 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 2023, and;
- 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 2024/25.

14.9 From 1<sup>st</sup> April 2025 the work of Internal Audit at Oldham Council is governed by the **Global Internal Audit Standards 2024 and UK Local Government Application Note 2024**. These replace the 2013 Public Sector Internal Audit Standards (Revised 2017) and Local Government Application Note.

14.10 The Global Internal Audit Standards 2024 comprise a definition of the purpose of Internal Audit and a set of required Standards. The Standards are organised into five domains:

- Domain I: Purpose of Internal Auditing.
- Domain II: Ethics and Professionalism.
- Domain III: Governing the Internal Audit Function.
- Domain IV: Managing the Internal Audit Function.
- Domain V: Performing Internal Audit Services.

14.11 The Standards cover all aspects of best practice in Internal Audit in **governing, planning, performing, monitoring and reporting**, and are mandatory for all internal auditors working in the UK public sector. Conformance with the Standards is conformance with best practice in Internal Audit.

14.12 In preparation for the introduction of the new Standards in April 2025, a self-assessment of the Internal Audit Service against the new GIAS 2024 Standards has also taken place.

14.13 The actions required to maintain the Internal Audit Service in full conformance with the updated Standards are shown in the Supporting Initiatives Section below and, by way of the three supporting actions identified as a result of self-assessment i.e.; updating the Internal Audit Strategy set out here below and reported to Audit Committee in March 2025; updating the declarations of conformance on all Audit Reports from April 2025 onwards, and; inclusion of the GIAS 2024 Skills Competency Framework assessment for all Internal Audit staff as part of the Council's own ongoing annual performance appraisal process. All actions required are either complete or in train.

## Vision

14.14 The Vision for the Internal Audit Service is to continue to strengthen Oldham Council's ability to create, protect, and sustain value by providing the Audit Committee and management with independent, risk-based, and objective assurance, advice, insight, and foresight. The internal audit function will continue to work to enhance Oldham Council's:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

## **Strategic Objectives**

14.15 We will achieve this by:

- Continuing to plan our work in line with corporate objectives, corporate and departmental risks, issues identified in the Council's Annual Governance Statement, and senior officer requirements.
- Annually assessing and reporting on our conformance with the GAIS and LGAN 2024, and continuing our ongoing Quality Assurance and Improvement Plan (QAIP) process to address any non-conformance identified.
- By undertaking independent external assessment every 5 years to provide independent assurance on the effectiveness of the Internal Audit function in line with both the Council and Internal Audit Service objectives. The next independent assessment will be undertaken in 2028, and the results reported to senior management and the Audit Committee.

## **Supporting Initiatives (QAIP)**

14.16 To aid in the achievement of these objectives we will:

- Update the Audit Charter and Strategy in line with updated requirements of the GIAS and LGAN 2024 (Completed March 2025).
- Update Internal Audit Report declarations of conformance with the GAIS and LGAN 2024 (Completed from April 2025).
- Include the GIAS 2024 Skills Competency Framework assessment for all Internal Audit staff as part of the Council's own ongoing annual performance appraisal process, the "Let's Talk" discussion; identify staff training and development requirements against the framework, and develop action plans to address any areas of deficiency identified (ongoing from March 2025).

## **Summary of Internal Audit and Counter Fraud Performance**

14.17 In summary, during 2024/25.

- Thirty-nine audit reports were issued during the year, including one specialist IT Audit report completed by Salford Computer Audit Service. Three grant assurance reviews were also undertaken.
- The 2024/25 FFS reviews were again completed to support the year end assurance process.
- Customer feedback obtained for 2024/25, 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 included pro-active fraud focussed reviews in addition to the traditional reactive/investigatory approach.
- As part of 2025/26 developments, it is planned to deliver further staff training in a range of governance and technical areas. This commenced in June 2025 with the entire Internal Audit and Counter Fraud Teams participating in a training event provided by CIPFA covering professional ethics in response to the updated definitions contained in the GIAS 2024.

## 15 2024/25 Audit and Counter Fraud Performance Targets

- 15.1 In 2024/25, 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:

2024/25 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><b>Complete.</b></p> <p>See summary of FFS review outcomes at Section 6.1 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><b>Complete.</b></p> <p>See summary of work completed and ongoing as reported in the regular Internal Audit Progress Reports to the Audit Committee.</p> <p>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><b>Complete.</b></p> <p>Pentana Audit Management system provides a single point of storage and Quality Assurance functionality for the service.</p>
Reviewing organisational risks and priorities with the Director of Finance and senior managers within Directorates.	<p><b>Complete</b></p> <p>Planning meetings for 2024/25 planning cycle were held with:</p> <ul style="list-style-type: none"> <li>• Deputy Chief Executive.</li> <li>• Deputy Chief Executive (Place)</li> <li>• Director of Finance.</li> <li>• Director of Legal Services.</li> <li>• Director of Adult Social Services.</li> <li>• Director of Children's Social Services.</li> <li>• Director of Public Health</li> <li>• Director of Economy</li> </ul>



	<ul style="list-style-type: none"> <li>• Director of Environment</li> <li>• Director of Education Skills and Early Years</li> <li>• MioCare - Associate Director Quality, Performance and Compliance</li> </ul> <p>An Annual Audit Planning Cycle briefing was also presented to and discussed at Resources Programme Area Meeting on 1 March 2024.</p>
Implementing further improvements in the process to capture customer service feedback through the new Audit Management System.	<p><b>Ongoing</b></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 2025/26:</p> <ul style="list-style-type: none"> <li>• Undertake further awareness raising and promotion among senior officers.</li> <li>• Add to the agenda items to cover in close out meetings with clients.</li> <li>• Review style and content of feedback form.</li> </ul>
Further staff development and training in areas beyond fundamental systems reviews.	<p><b>Complete.</b></p> <p>Audit staff have undertaken a wide variety of training course during 2024/25. One member of staff also successfully completed an Institute of Internal Auditors Apprenticeship.</p> <p>Further training during 2025/26 has also commenced with a training session provided by CIPFA on Professional Ethics.</p>
Continued close liaison with the Counter Fraud team to improve internal control around, and minimise, fraud.	<p><b>Complete.</b></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 pro-active audit review work with an anti-fraud and corruption focus.</p>

	<p>This work was taken forward into the 2024/25 Annual Audit Plan and two proactive fraud focussed review reports were issued during the year on Recruitment, Selection and Disciplinary Procedures, and Standards of Conduct.</p>
<p>Provide Internal Control and Counter Fraud training as required to staff across the Council.</p>	<p><b>Complete/Ongoing.</b></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 2025/26.</p>

- 15.2 Given that the above performance targets remain relevant, the targets will be rolled forward into 2025/26. 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.

## Appendix 2

### Counter Fraud Team Comparative Performance Data 2021/22 to 2024/25

Output Measure	Outcome			
	2021/22	2022/23	2023/24	2024/25
<b>Counter Fraud Team:</b>				
Corporate Cases - Positive Results	114	114	99	165
CTR cases amended as a result of an investigation	74	62	88	99
Fraud & Error Overpayments identified as part of Corporate Cases (£)	£78,052	£153,096	£30,235	£105,524
HB Fraud & Error Overpayments identified as part of a CTR investigation (£)	£210,978	£95,016	£135,175	£156,181
CTR Fraud & Error Overpayments identified (£)	£119,448	£63,948	£132,309	£187,081
<b>Total Financial Outcomes from Counter Fraud</b>	<b>£408,478</b>	<b>£312,060</b>	<b>£297,720</b>	<b>£448,786</b>