Appendix 3

Oldham Council
Internal Audit Function

Oldham Total Care

Fundamental Financial Systems

Audit Report

30 January 2026

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Appendix 3

Oldham Total Care

Fundamental Financial Systems (FFS) Review

1 Background

1.1 Oldham Total Care provides care and accommodation for adults with short, medium and long-term nursing needs.

1.2 Oldham Total Care was acquired by Oldham Council in July 2023 when the home, previously known as Chadderton Total Care, went into administration, putting 200 staff at risk. Around 100 residents, many with complex needs and requiring specialist nursing care, would have been forced to be relocated, potentially outside the borough away from families.

1.3 The council considered that this would have a negative impact on the wellbeing and health of the residents, as well as resulting in a loss of local jobs, and so the Council stepped in to keep the care home open, protecting both staff and residents.

1.4 Purchase orders for goods and services are raised on the Council's Agresso system. Sales invoices were raised on a separate system called "Coldharbour" up to September 2024. After this point the sales invoices have been raised on Agresso. However, the Residents Personal Accounts are still managed on Coldharbour, with the transactions transferred into Agresso by manual journal transfer. Payroll calculations are carried out on Sage Payroll, with the payment transactions made and balances outstanding transferred to Agresso via manual input.

1.5 The initial financial period for Oldham Total Care was extended to the 18 months to 31 December 2024. The inaugural financial statements were due to be filed with Companies House by 11 April 2025.

1.6 The Audit for Oldham Total Care focused on a review of company transactions and business processes.

2 Objectives and Scope

2.1 The objective of the audit is to review and test the operation of the systems, including controls, to ensure that appropriate procedures and controls are in place and operating effectively.

2.2 This review has been conducted in accordance with the Global Internal Audit Standards 2024, and the Chartered Institute of Public Finance (CIPFA) Local Government Application Note 2024.

2.3 Key systems examined include:

- Governance arrangements.
- Bank reconciliations.
- Accounts Payable.
- Accounts Receivable.
- HR & payroll.

- Statutory Returns.
- Recharges from Oldham Council.

3 Findings

3.1 Filing of statutory accounts

The company's financial statements were filed late with Companies House on 4th September 2025. The filing date for the period ending 31 December 2024 was 11th April 2025.

A late filing penalty will automatically be incurred when the financial statements are received and accepted late at Companies House. The value of the penalty increases with the length of delay in filing the accounts.

Please refer to Recommendation 1 in Section 6 below.

3.2 Financial Sustainability

Oldham Total Care had net current liabilities of £40k as at 31 December 2024, owed £4.228m in creditors falling due after more than one year, and had negative net worth of £1.623m.

Please refer to Recommendation 2 in Section 6 below.

3.3 OTC Board Membership

The OTC Board currently consists of two Company Directors, the Council's Director of Adult Social Care and the Council's Cabinet Member for Adults, Health and Wellbeing.

CIPFA have issued guidance on the composition of wholly owned company board membership in their publication "Local authority owned companies: a good practice guide (2022), as follows:

"The size of the board will depend on the company's specific circumstances, but good practice suggests that the optimum size is between five and ten directors."

This guidance also contains recommendations on the composition of the board in respect of executive and non-executive directors, responsibilities of directors, and on addressing conflicts of interest which may arise on appointment of Officers or Members of the Council.

Please refer to Recommendation 3 in Section 6 below.

3.4 Risk Register

Oldham Total Care company risk register should be updated, with the columns for "Target Dates" and "Review Dates" populated.

Please refer to Recommendation 4 in Section 6 below.

3.5 Service Level Agreement

Oldham Total Care has been operating under the ownership of Oldham Council since July 2023. To date there is no Service Level Agreement between the company and the Council. This should be addressed in order that all organisations within this business relationship know the specific requirements and responsibilities they need to uphold as part of the working relationship.

Please refer to Recommendation 5 in Section 6 below.

3.6 Payroll Issues

A. Holiday Pay Calculations
Holiday Pay is not being calculated with consideration for the average overtime worked over the previous 52 weeks. This is causing staff to be underpaid, especially those who have a small number of contractual hours and have worked large amounts of overtime.

B. SSP/SMP calculated manually – off system
The Payroll Officer is manually calculating the statutory sick pay rather than using the Sage Payroll system. These manual adjustments are not being included each month in the amounts paid to HMRC.

C. PAYE Online
The Payroll Officer does not have access to PAYE Online.

D. Apprenticeship Levy
The Apprenticeship Levy is not being included every month as part of the payments to HMRC.

E. Timely payments of the correct PAYE to HMRC
As a result of the concerns above it would appear that PAYE is not being paid correctly and on time. In May 2025 a provision for £20k was accrued in the management accounts for interest on late payment of PAYE to HMRC. PAYE should be paid on time so that late payment fees are not incurred.

F. Standard / Emergency PAYE codes.
Staff are currently being allocated a standard rate tax code, rather than the emergency tax code received from HMRC, so that they are not overcharged tax. HMRC have issued emergency tax codes as they believe staff currently have two jobs, one with Chadderton Total Care and a second role with Oldham Total Care.

Please refer to Recommendation 6 in Section 6 below.

3.7 Accounting systems / Sales ledger

The decision, made previously, to move away from Coldharbour sales ledger has left the organisation in a position where the replacement system (Agresso) is not found to be as useful in managing client finances or splitting the clients' fees between multiple funding sources such as the family, the ICB, and the Local Authority.

Currently statements showing client invoices and payment history are unable to be produced using Coldharbour or Agresso. Neither system has a complete history of the customers fees or payments.

The sales ledger is maintained within Excel spreadsheets, therefore when a customer statement is required the Management Accountant must use this information to produce a statement in Coldharbour to provide a user-friendly format for presentation purposes.

Please refer to Recommendation 7 in Section 6 below.

3.8 Debt Management

Automatic customer statements are not being produced and issued on a regular basis. This could lead to ineffective debt management, reduced cashflow and an increase in the amount of debt written off. As at 31 December 2024 total outstanding debt stood at £624k.

Please refer to Recommendation 8 in Section 6 below.

3.9 Purchase Order Approvals

One example was found in a sample of five Purchase Orders where the same officer initiated and approved a purchase order on the Agresso system. Controls should be established within the finance system to segregate the duties of initiator and approver, so that the same Officers cannot approve an order which they initiated.

Please refer to Recommendation 9 in Section 6 below.

3.10 Scheme of delegation

There is currently no upper limit set on the values that can be approved by the "Approvers" of purchase orders on the Agresso system. The board should consider what levels of expenditure can be authorised by the Management Accountant and Senior Finance Manager.

Please refer to Recommendation 10 in Section 6 below.

3.11 Chart of accounts

Two additional account codes should be set up for 'Insurance' and 'Loan Interest' within the general ledger. These costs should be shown separately within the management accounts and not contained within sundry expenses or professional fees.

Please refer to Recommendation 11 in Section 6 below.

3.12 Regular Board Meetings

The Board did not meet for a meeting for a period of six months between January and July 2025. The Board should meet regularly to discuss performance and operational issues on a quarterly basis.

Please refer to Recommendation 12 in Section 6 below.

4 Overall Opinion

4.1 The audit assessment is that the systems and controls examined are considered to provide **Weak** Assurance.

4.2 We have twelve recommendations related to the findings above. These are set out in the action plan below, in section 6.

5 Way Forward

5.1 An Action Plan is included in Section 6 of this report. Progress against the agreed recommendations will be reviewed as part of an agreed timetable.

5.2 Internal Audit would like to thank officers at Oldham Total Care and colleagues in the Agresso Team for their help in this review. Please complete the Customer Service Questionnaire so that we can continuously review our service delivery.

5.3 Disclaimer

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 2024, and the Chartered Institute of Public Finance (CIPFA) Local Government Application Note 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.

6. Action Plan

The table below shows the recommendations for the finding shown in Section 3 of this report. We have prioritised the recommendations to provide you with an indication of the importance for each nominated officer. If an officer disagrees with the prioritisation they should discuss this with the auditor as part of the finalisation process.

High Priority - Significant risk to the Council or Service; the recommendation is essential for sound or effective control.
Medium Priority - Moderate risk to the Service; it is important that the recommendation is completed.
Low Priority - Small risk to the Service; it would improve control if the recommendation were to be completed.

No	Recommendation	Priority	Management Comments	Who	When
1.	**Filing of Statutory Accounts** The financial statements should be filed at Companies House on time.	High	Agreed- complete Accounts filed for year ending 31/12/2025 next companies House deadline 30/9/26	Senior Finance Manager	Complete
2.	**Going Concern** The Council should consider actions to address the future financial sustainability of the company.	High	The organisation was expected to make a loss in the first two years of ownership by the Council. This was provided for when the company was acquired. The focus has been on service improvement, with a key driver being training of staff, quality of care and service improvement. To address future financial sustainability a working group; the OTC Project Group (OTCPG), has been formed with one of its objective to further develop the business plan for OTC, considering the Adult Social Care (ASC) market position statement and the complex needs of Oldham residents. The focus is upon specialist complex care and support.	OTC Management Board	Complete

No	Recommendation	Priority	Management Comments	Who	When
			The care home is currently operating an average of 126 capacity.		
3.	**OTC Board Membership** The number of board members for OTC should be reviewed in line with CIPFA guidance in order to ensure appropriate skills, knowledge and experience are available, that directors are aware of their responsibilities, and that potential conflicts of interest are addressed.	High	Agreed. As above at 2, the OTCPG will be reviewing and making recommendations regarding appropriate governance, the membership of the board and the means of reporting into the Council	Council Management Board/ Execs	Complete
4.	**Risk Register** Management of OTC to update the risk register with target dates and review dates. This should be discussed regularly by the OTC board.	High	Complete The current version of the risk register is/ will be a standing agenda item at the current/ reconfigured Board meetings	OTC Board of Directors	Complete
5.	**Service Level Agreement.** A Service Level Agreement should be agreed for all the various services purchased by Oldham Total Care from the Council.	High	Agreed. Services used; MBC Waste and Pest Control, contracts in place. Finance support to be formalized once OMBC finance restructure has been completed alongside the Local Authority Trading Care Organisation (LATCO) review being undertaken in respect of Miocare, and	OTC Board of Directors	30th Sept 2026

No	Recommendation	Priority	Management Comments	Who	When
			again links into the work of the newly formed OTCPG Legal advice is ad hoc and restricted to the extent that support can be provided, SLA therefore may not be appropriate.		
6.	**Payroll Corrections and Training** The Amounts paid to staff and HMRC in respect of payroll should be reviewed in detail. Any Staff Training requirements should be identified and addressed. Average overtime over the year should be used to calculate Holiday Pay.	High	Discussions with HMRC on are ongoing to negotiate the fees charged. Going forwards efforts will be made to ensure that no further fees are charged 2 Staff enrolled on AAT course. Basis of overtime calculation referred to OMBC payroll, OTC will act upon the recommendation received. Average annual overtime used as basis of calculation where employees are working consistently above contracted hours, in these instances the first remedy is to align contractual hours to actual hours worked, OTC fluctuations are ad hoc so criteria do not apply and contract alignment is being prioritized, complying with standard NHS practice.	Senior Finance Manager	Complete Complete Complete

No	Recommendation	Priority	Management Comments	Who	When
	SSP should be calculated by the system. It should not be necessary to calculated SSP manually.		SSP cannot currently be calculated by the system due to OTC processing/ cut off dates being mid-month, system calculated SSP would be wrong dates as default calculation works to month end. Re-configuration of existing payroll system to enable this referred to Sage (slow to engage).		30 Sept 2026
	Late Payment of PAYE				
	Management should ensure that PAYE is paid on time so to avoid late payment fees. The Apprenticeship Levy and SSP/SMP should be included in each month's payment to HMRC and not deferred until later months.		For the avoidance of doubt, the core payment to HMRC i.e. income tax and NI is always made on time and in full. SSP/ SMP returns are up to date.		Complete
			We will clarify the current situation in respect of the Apprenticeship Levy; expected to be resolved for June payroll/ deductions submission		Complete
	Staff Payroll Calculations				
	The issue with staff tax codes should be resolved with HMRC urgently. This will ensure that staff are not considered to have two jobs, potentially losing Universal Credit income and subject to emergency tax codes.		Longstanding issue created by the fact that the old CTC HMRC account was renamed OTC and remained linked to SAGE payroll and used to pay OTC employees. SAGE payroll advised on the remedy was to close and migrate to a new unique OTC reference, this has not been successful. Consistent		Complete

No	Recommendation	Priority	Management Comments	Who	When
			conflicting advice from HMRC has been the main contributing factor to the issues.		
7.	**Financial Systems** Management to explore options and cost benefits of transferring the sales ledger away from Excel spreadsheets.	High	OTC is established as a separate 'company' (as per MioCare) within the Council's Agresso General Ledger. Payments are operationally linked to Accounts Payable, work in relation to the integration of the sales ledger is ongoing, as below 2 potential options were explored, option 1 being the preferred solution: 1. Reinstating the Coldharbour / SAGE accounting system as a means of allocating income. 2. Continuing to raise invoices on Coldharbour, importing an invoices	Senior Finance Manager	Complete

No	Recommendation	Priority	Management Comments	Who	When
			file into Agresso and matching income in Agresso each month. For the preferred option work is ongoing- Sage (nominal ledger) Civica (Cold Harbour sales ledger) and (CTM (OTC IT support) all engaged November 2025. Several unsuccessful attempts to auto integrate. IT migration is scheduled to be run again in June if successful it will require manual matching of invoices and payments, staff time allocated to prioritise. The restructuring of finance will ensure the work is finalised.		30th Sept 2026
8.	**Customer Debt Management** Customer statements should be produced regularly without manual intervention. Outstanding Debt should be actively managed with regular communication to those responsible for fee payment.	High	See above re sales ledger implementation, the preferred solution will, as a prerequisite, be required to automatically generate customer statements. See above re Sales Ledger Debt collection protocol/policy to be established, implemented and adherence monitored by the proposed deadline.	Senior Finance Manager	30th Sept 2026 Complete
9.	**Purchase Order Approvals** Controls should be put in place on the Agresso system to segregate the duties of Order Initiator and Order Approver. Officers should not be able to approve a Purchase Order which they initiated.	High	Assurance has been sought from Agresso team that any loopholes in the OTC workflow have now been addressed, and this action can no longer be undertaken.	Senior Finance Manager	Complete

No	Recommendation	Priority	Management Comments	Who	When
10.	**Scheme of delegation** Management should decide on an upper limit at which Managers should seek approval of the Board of Directors before expenditure is approved.	High	The scheme of delegation has been reviewed. Links to terms of reference of the newly formed working group has been referenced throughout this work.	OTC Board of Directors	Complete
11.	**Additional Account Codes** Account codes for 'Loan interest' and 'Insurance' should be set up separately so that they feature specifically in the profit and loss account. They should not be contained within "Sundry Expenses" or "Professional Fees".	Medium	Agreed These two additional account codes will be created in the chart of accounts on Agresso.	Senior Finance Manager	Complete
12.	**Regular Board Meetings** The board of directors should meet to review the performance of the organisation on a quarterly basis as a minimum.	High	OTC Board meetings are scheduled monthly.	OTC Board of Directors	Complete