Appendix 7

Oldham Council Audit and Counter Fraud Team

2025/26 Fundamental Financial Systems

Children’s Social Care

6 July 2026

Audit Report

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2025/26 Fundamental Financial Systems

Children' Social Care

1 Background

1.1 As part of our annual review of the Council's Fundamental Financial Systems, a review of the systems and controls around Children's Social Care has been undertaken.

1.2 The total budget and overspend forecast for month 11 are shown below:

2025/26	Budget £m	Forecast £m	Variance £m
Children's Social Care	88,569	94,272	5,526

1.3 The budgetary pressures facing the Directorate have remained the focus of senior management attention during the year and an action plan to address the challenges in this area is already in place.

1.4 The limited integration of Children's Social Care finance records into Mosaic has meant that reporting is complex, and it is difficult to align financial and case management data without manual intervention. For the Children with Disabilities and Short Breaks service, spreadsheets are being used to track child-level financial information, which again adds to the complexity of reporting and risk of error. To improve the ease and accuracy of performance reporting and financial forecasting, particularly around Transitions cases, Children's Services have initiated a project to include the remaining areas of finance functionality still managed within the Council's Agresso system into Mosaic

2 Objectives and Scope

2.1 The objective of the audit is to review and test the operation of the system, including controls, to ensure that appropriate procedures and controls are in place and operating effectively. 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 2024.

2.2 The key system controls examined include:

- Client needs assessments are in line with statutory requirements.
- Accurate and timely invoices are raised for jointly funded care.
- Data held on Mosaic is adequately controlled to ensure its accuracy and completeness.
- Payments to care providers are appropriately approved and correctly recorded in Agresso.
- Income and expenditure are correctly reconciled between Mosaic and Agresso.

2.3 Our approach involved:

- Validation of system flowcharts to ensure that the system is adequately recorded.
- Walkthrough testing to ensure that the processes and controls are operating as expected.

- Compliance testing of key control incorporating the CIPFA System Based Control Matrices.

3 2025/26 Audit Opinion

3.1 From the audit work carried out for 2025/26 we have issued an opinion of **Limited** assurance. The reasons for this opinion are discussed below.

3.2 Since our 2024/25 audit report, work by the Mosaic Children's Finance Board to improve the financial control environment within Children's Services Directorate is still underway. There have been delays in the Mosaic upgrade project due to business-as-usual demands on services and essential Mosaic IT upgrades. It is anticipated that the ongoing Mosaic Children's Finance Project Group objectives will assist in providing further assurance in this area going forward.

3.3 Of the eight recommendations agreed for improvement in 2024/25 six have been carried forward and three additional recommendations have been added to the Action Plan in **Section 6.** The issues identified are discussed in the sections 4 below.

4 Findings

4.1 Financial Procedures and Guidance

It is recommended financial procedures and guidance are formalised to include the document owner and review dates to ensure all users are aware of current guidance. A Financial Framework should be devised, (for example a flow chart), to identify the required journey of invoices for payment. The Framework should ensure appropriate approvals are sought in line with the scheme of delegation and a robust method of evidencing this should be introduced. The procedures and guidance will need to be prepared in line with the new integrated Mosaic system.

Please refer to Recommendation 1 in Section 6 below.

This recommendation remains outstanding pending the implementation of the Mosaic Children's Finance Project as per management updates provided in 2025/26.

4.2 Purchase Order Methodology

The Mosaic system is "one solution, one platform", and therefore, potentially provides a fully integrated solution for Children's operational and financial case management on a single platform.

Mosaic has been designed to address needs in four areas:

- Improving decision making.
- Detailing the client's history.
- Saving time for practitioners.
- Supporting collaboration with families and other agencies.

It was noted during the audit that although some costs originate with a purchase order initiated in the Mosaic system, not all cost types follow this same process. Specifically, Independent Foster Agency costs, Out of Borough placements and purchase orders for short breaks are initiated in the Agresso system. This results in costs not being captured in the Mosaic system. Any subsequent input into the Mosaic system is, therefore, a duplication of effort. Management should consider if this two-tier process should continue.

Please refer to Recommendation 2 in Section 6 below.

This recommendation remains outstanding pending the implementation of the Mosaic Children's Finance Project, as per management updates provided in 2025/26.

4.3 Financial System Reconciliation

Budget monitoring is conducted consistently each month, however, monthly reconciliations between Agresso and Mosaic result in a duplication of effort. The implementation of the operational and financial case management platform on Mosaic will help provide a resolution to this recommendation.

Please refer to Recommendation 3 in Section 6 below.

This recommendation remains outstanding pending the implementation of the Mosaic Children's Finance Project, as per management updates provided in 2025/26.

4.4 Periodic Supplier Payments (PSP)

PSPs are processed via Agresso as opposed to Mosaic. The current approval process for care plan costs is only recorded via panel decision which is off system. Under the current process it is not possible to determine which individual officer originally input or made the changes to a PSP on Agresso.

This risk was further highlighted by the Mosaic Children's Finance Board. Members of the board had identified significant delays in Children's Finance Officers completing PSP's, requesting recharges from health and education partners and setting up new packages.

If these payments were processed via Mosaic, the process would be automated and there would be no requirement for manual intervention.

Please refer to Recommendations 4 in Section 6 below.

This recommendation remains outstanding pending the implementation of the Mosaic Children's Finance Project, as per management updates provided in 2025/26.

4.5 Direct Payments for Short Breaks Plans

The audit testing highlighted that five out of the eight Short Breaks Plans sampled were out of date at the time of testing. The Council's internal guidance documentation states that direct payments should be monitored once every 12 months by the Direct Payment Audit Team to ensure that surplus balances are recovered from the accounts where funds have accumulated and that any indication that the provision is no longer required or suitable. In the case of Short Breaks if the plans are not up to date and reviewed regularly there is a continued risk that the surplus funds will continue to mount up in the clients account. It also makes it difficult to forecast future expenditure when plans are not updated in line with Policy.

Management have establish a formal reporting process with Strategy and Performance to highlight service users who are overdue a review and continue to monitor All Short Breaks Plans should be completed in a timely manner.

Please refer to Recommendation 5 in Section 6 below.

4.6 Direct Payments- Transitions

As per policy, all young people who meet the eligibility criteria and who are expected to require support after the age of 18, should be subject to a Transition Workflow before their 18th Birthday to ascertain their ongoing needs.

In a sample of 10 children's Direct Payments (DPs) reviewed, two clients had turned 18 this financial year, delays were identified and their transition to Adult Services has not yet taken place.

From an audit risk perspective, there are also the issues of disruption to provider's cashflow if the transition does not take place in line with policy. This could contribute to provider financial difficulties, if they experience a significant gap in their income stream for an extended period. It also makes it difficult to forecast future expenditure when costs are omitted for a period and then a large back dated adjustment appears unexpectedly.

A quality assurance check should be conducted in a timely manner to ensure that all children who transition into Adult Service have completed the correct documentation and retained on Mosaic prior to transfer; this should also be supported by an up-to-date Support Plan with management sign off.

Please refer to Recommendation 6 in Section 6 below.

4.7 Direct Payments – Pre-Paid Cards

In one case examined funds were transferred into a personal bank account to pay for care needs after reporting issues with a Prepaid Card. The transfer of funds was made from a prepaid card to a personal bank account without a full audit trial.

The bank account was set up through the Purchasing Team as a new supplier; however, it was identified that the client had already previously been set up as a supplier. There is no evidence that a statement was requested identifying the account holder and bank details. It is recommended that supporting evidence, i.e. 3 months' worth of bank statements are requested to ensure the account is solely set up to receive Direct Payment monies. Unless a new bank account is opened for the DP.

The approval should have been authorised at AD level, given the amount and the circumstances, in addition to the Head of Service at the time of requesting the supplier change.

There is a risk that if Direct Payments are managed through client's personal accounts the funds may be mismanaged and/or at risk of fraud. Furthermore, if the client fails to manage their finances correctly these may be insufficient funds to meet the client's care needs.

Please refer to Recommendation 7 in Section 6 below.

4.8 Direct Payments Policy – Allowance for Agreed Contingencies

The Children's Direct Payments and Managed Budgets Policy does not refer to contingency arrangements to support flexibility in direct payment arrangements. It is important to understand the implications of having a contingency left in a service users account to cover employer responsibilities such as holiday pay, emergency payments and national insurance liabilities. It is recommended that an agreed number of weeks' payments are left in the service users account and that the policy is updated to reflect this for clarity.

Please refer to Recommendation 8 in Section 6 below.

4.9 Retention of Documentation

It is important that transparent records are maintained in Mosaic for continuity purposes. Documents such as emails authorising Direct Payment fund transfers should be saved to Mosaic and not stored off-system; relevant staff should have their authorisation levels revised to enable them to complete this action where applicable.

Please refer to Recommendation 9 in Section 6 below.

5 Way Forward

5.1 The 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 We would like to thank officers in the department for their help in this audit review whilst dealing with other competing priorities. In the meantime, once the report has been finalised, we would be grateful if you would 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 (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.

6. 2025/26 Action Plan

The table below shows the recommendations for the findings arising from our audit review. 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	Responsibility	Implementation Date
1	<u>Financial Procedures and Guidance</u> System notes / Process Notes should be formalised for the new Mosaic Finance platform to establish robust financial processes and a strong financial framework. This should be circulated to all staff involved, supported by Finance. **This recommendation remains outstanding pending the implementation of the Mosaic Children's Finance Project as per management updates provided in 2025/26**	High	Due to the technical system complexity, IT capacity and delays to the Mosaic upgrade, the changes have taken longer than anticipated to be implemented. Existing Mosaic training guides have been updated and will be revised for purchasing and payment processes through the Mosaic Children's Finance project. Revised implementation dates: The payment process guides will be completed by Oct 2026 following the Mosaic upgrade and workflow developments. Revised implementation dates are dependent on the Mosaic change freeze and completion of the Mosaic upgrade.	Assistant Director Corporate Parenting	October 2026

No	Recommendation	Priority	Management Comments	Responsibility	Implementation Date
2	<u>All costs to be recorded on Mosaic</u> Management to consider using the Mosaic system as the first point of entry for all purchase orders, including: • Short Breaks • Out of Borough placements • Independent Foster Agencies. **This recommendation remains outstanding pending the implementation of the Mosaic Children's Finance Project as per management updates provided in 2025/26**	Medium	Due to the technical system complexity, IT capacity and delays to the Mosaic upgrade, the changes have taken longer than anticipated to be implemented. The capability is in place and the costs are recorded on Mosaic for Out of Borough placements and Independent Foster Agencies. Revised implementation dates: Short breaks Mosaic development is progressing to configure a sustainable solution for payments. Data migration for direct payments packages has been recorded on Mosaic by April 2026 Commissioned short breaks care package costs will be recorded on Mosaic by Oct 2026 following the Mosaic upgrade. Revised implementation dates are dependent on the Mosaic change freeze and completion of the Mosaic upgrade.	Assistant Director Corporate Parenting	Short breaks Direct payments April 2026 Commissioned short breaks pay ments Oct 2026
3	<u>Monthly System Reconciliations</u>	High	Standard Mosaic reports are available and can be used to extract	Assistant Director Corporate Parenting	December 2026

No	Recommendation	Priority	Management Comments	Responsibility	Implementation Date
	The Service should liaise with Finance colleagues to ensure that Mosaic and Agresso are reconciled on a monthly basis. **This recommendation remains outstanding pending the implementation of the Mosaic Children's Finance Project as per management updates provided in 2025/26**		financial data from Mosaic for payments i.e. to Foster Carers. Revised implementation date: Finance colleagues will complete monthly reconciliation once payments are processed through Mosaic from Dec 2026.		
4	<u>Periodic Supplier Payments (PSPs)</u> The Service should consider transferring regular payments currently set up on Agresso for PSPs to the Mosaic system as the first point of entry for all purchase orders. This would capture the Manager's approval as well as the details of the inputting officer as an audit trail. **This recommendation remains outstanding pending the implementation of the Mosaic Children's Finance Project as per management updates provided in 2025/26**	High	Due to the technical system complexity, IT capacity and delays to the Mosaic upgrade, the changes have taken longer than anticipated to be implemented. Data cleansing activities have been completed for current packages. Revised implementation date: Mosaic development for direct payments has been completed. Work is now underway to migrate direct payments on Mosaic, anticipated to be complete by April 2026. Testing of the Accounts Payable interface between Mosaic and Agresso for the direct payments cycle will commence after the Mosaic upgrade in summer for payment cycles to be completed by Dec 2026.	Assistant Director Corporate Parenting	December 2026

No	Recommendation	Priority	Management Comments	Responsibility	Implementation Date
5	<u>Short Breaks Plans</u> Short Breaks Plans reviews should be completed in a timely manner to ensure payments are accurately recorded and in line with the statutory duty. **Brought forward from 2024/25**	Medium	This action is complete and is an ongoing business as usual monitoring action due to a continuous cycle of reviewing new and existing plans. The updated Short Breaks Plan document is live in Mosaic and includes more comprehensive cost information. Performance is monitored through monthly performance mechanisms within the service.	Assistant Director Corporate Parenting	31 December 2026
6	<u>Direct Payments - Transitions</u> A monthly review of all children transitioning to Adults Services should be conducted to ensure that the transition is supported by the appropriate documentation and management oversight. **Brought forward from 2024/25**	High	This action is complete and is an ongoing business as usual monitoring action. The Children's Direct Payments Polic is being utilised by the service. Data and intelligence on children transitioning to Adult Social Care is now available and both Children's and Adults are continually reviewing the performance of the transition's workflows.	Assistant Director Corporate Parenting	31 December 2026
7	<u>Direct Payments - Prepaid Cards</u> Prepaid Cards should be used where practicable. Children's DPs should be paid into a designated DP bank account and supplier set up processes followed.	High	If families do want to manage the budget currently we will advise of the pre payment card and recommend this in the first instance. This will be practice moving forward. We will ensure an expectation is put in place that new bank accounts are set up which	Assistant Director Corporate Parenting	31 December 2026

No	Recommendation	Priority	Management Comments	Responsibility	Implementation Date
	This is a new recommendation for 2025/26		are verified by the bank.		
8	<u>Children's Direct Payments Policy – Contingencies.</u> It is recommended that the Children's Direct Payments and Managed Budgets Policy is updated to include agreed amounts of contingency funds to be left in the Service User Direct Payment account for payments such as Employer Liability and National Insurance contributions. **This is a new recommendation for 2025/26**	Medium	Agree that this will be completed within the implementation date Four weeks PA hours, broker fee, holiday pay, HMRC and insurance costs are left as a contingency.	Assistant Director Corporate Parenting	31 December 2026
9	<u>Document Retention</u> It is important that all documentation is saved to Mosaic and not stored of system for audit and continuity purposes. This is particularly important when authorisation is given to transfer DP funds between bank accounts. **This is a new recommendation for 2025/26**	Medium	The service will review and build upon established systems for recording and retaining documentation within the expected implementation date. Upon the DP payment system being live in Mosaic this will ensure all documentation is in one central place.	Assistant Director Corporate Parenting	31 December 2026