

Report To:	AUDIT PANEL
Date:	3 November 2014
Reporting Officer:	Ben Jay – Assistant Executive Director (Finance) Wendy Poole - Head of Risk Management and Audit Services
Subject:	PROGRESS REPORT ON RISK MANAGEMENT AND INTERNAL AUDIT ACTIVITIES APRIL TO SEPTEMBER 2015
Report Summary:	To advise members of the work undertaken by the Risk Management and Internal Audit Service between April and September 2015 and to comment on the results.
Recommendations:	<ol style="list-style-type: none"> 1. Members note the report and the performance of the Service Unit for the period April to September 2015. 2. Members approve the Revised Audit Plan for 2015/16 at Appendix 1.
Links to Community Strategy:	Internal Audit supports the individual operations, which deliver the objectives within the Community Strategy.
Policy Implications:	Effective Risk Management and Internal Audit supports the achievement of Council objectives and demonstrates a commitment to high standards of corporate governance.
Financial Implications: (Authorised by the Section 151 Officer)	Effective Risk Management and Internal Audit assists in safeguarding assets, ensuring the best use of resources and reducing losses due to poor risk management. It also helps to keep insurance premiums and compensation payments to a minimum and provides assurance that a sound control environment is in place.
Legal Implications: (Authorised by the Borough Solicitor)	Demonstrates compliance with the Accounts and Audit Regulations 2011. It will be necessary as part of the significantly reduced resources available to the whole Council to ensure that the audit function also reflects those reductions and ensures that it is 'fit for purpose' and provides value for money going forward in a revised Council structure reflecting public reform including the ICO. It will be necessary to look at new ways of working to ensure that we use resources as effectively as possible and keep the organisation safe.
Risk Management:	Assists in providing the necessary levels of assurance that the significant risks relating to the council's operations are being effectively managed.
Access to Information:	The background papers can be obtained from the author of the report, Wendy Poole, Head of Risk Management and Audit Services by contacting:

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1. INTRODUCTION

- 1.1 This is the first progress report for the current financial year and covers the period April to September 2015.
- 1.2 The main objective of this report is to summarise the work undertaken by the Risk Management and Internal Audit Service during the first half of the year in respect of the approved Plan for 2015/2016, which was presented to the Audit Panel in May 2015.

2. RISK MANAGEMENT AND INSURANCE

- 2.1 The approved priorities for 2015/2016 are:-
- To deliver Risk Workshops for managers from summer onwards to enable risk registers to be updated in response to the 'Decant' from TAC.
 - To facilitate the continued implementation of the Information Governance Framework by:-
 - Providing advice and guidance in relation to the retention and disposal of information as a priority as part of the 'Big TAC Tidy Up';
 - Keeping the framework up to date with any new guidance issued by the Information Commissioners Office (ICO);
 - Introducing a series of internal reviews across the Council to ensure compliance with procedures and guidance.
 - To review the Business Continuity Management system in place to streamline the process to create a management tool that is workable, with a capability to provide knowledge and information should a major incident occur.
 - To continue to support managers to assess their risks as services are redesigned to ensure that changes to systems and procedures remain robust and resilient offering cost effective mitigation and that claims for compensation can be successfully repudiated and defended should litigation occur.
- 2.2 With regards to Information Governance advice and guidance was delivered to help support the 'decant' from TAC to ensure that information assets were securely transferred to a new location or disposed of in line with corporate guidance. The Information Governance Framework is currently being reviewed to reflect new ways of working and changing technologies.
- 2.3 A review of Information Governance training has taken place over the summer and a further E-Tutorial is to be launched for completion before the break for Christmas. The training will expand on the Data Protection training already undertaken by staff. Targeted training to specific teams who deal with large volumes of personal and sensitive information is delivered on request. We are also assisting teams to manage their paper documents, by working with them to clarify retention periods and alternative storage solutions.
- 2.4 Advice and guidance has continued to be delivered across the Council ensuring that proper insurance covers are in place and that risks are managed to an acceptable level. The Team have continued to work with our insurers, claims handlers and legal representatives to ensure that all claims (including the litigated claims) have a robust defence in place.
- 2.5 Information Governance work across AGMA has continued, to assist with the creation of data sharing protocols for the wider complex GM projects being delivered by the Public Service Reform (PSR) Team. As a result of the Risk and Insurance Manager's involvement in this work he was offered a six month secondment to the PSR Team which has been supported by the Council and will not return to his post until April 2016. This may therefore affect the delivery of the above objectives although support for Risk Management is

available within our contracts from both our Brokers and Insurers and this is being explored as a stop gap.

3. INTERNAL AUDIT

3.1 The Audit Plan approved on 26 May 2015 covered the period April 2015 to March 2016 and totalled 1937 Days.

3.2 Table 1 below provides an update on progress against the plan to 2 October 2015. It can be seen from the table below that 41% of the audit days have been delivered so far compared to 50% at this stage during 2014/15 and 45% in 2013/14.

Table 1 – Annual Audit Plan Progress as at 2 October 2015

Service Area / Directorate	Approved Plan 2015/16	Actual Days To 2 October 2014	% Complete
People	230	135	59
Public Health	60	6	10
Place	199	68	34
Governance and Resources	330	127	38
Schools	293	116	40
Cross Cutting	40	0	0
Greater Manchester Pension Fund	300	112	37
Contingency Days	10	0	0
Planned Days 2014/15	1462	564	39
Proactive Fraud Work and Irregularity Investigations	475	235	51
Total Days 2014/15	1937	799	41

3.3 Performance to date has been affected by reduced resources, annual leave and ad hoc requests for reviews, advice and support which were not included in the original plan. The Audit Plan is responsive to the needs of the organisation and as such it is normal practice to amend the plan during the year.

3.4 A detailed review of the audit plan has been undertaken in conjunction with senior management to ensure that the plan is still relevant and meets with available resources. The original plan of 1462 days which represented planned work was based on estimated resources at the beginning of the year.

3.5 Taking into account actual resources to date and those available for the second half of the year the plan has been revised down to 1270 days and is summarised in table 2 below. Resources have reduced due to a maternity leave and a member of staff transferring to the Pension Fund. A consultation exercise has taken place with senior management to discuss progress to date and ensure that priority audits/reviews are delivered during the second half of 2015/16.

3.6 **Table 2 – Revised Annual Audit Plan 2015/16**

Service Area / Directorate	Approved Plan 2015/16	Revised Plan 2015/16	Increase (Decrease) in Days
People	230	240	10
Public Health	60	27	(33)
Place	199	163	(36)
Governance and Resources	330	261	(69)
Schools	293	286	(7)
Cross Cutting	40	38	(2)
Greater Manchester Pension Fund	300	250	(50)
Contingency Days	10	5	(5)
Planned Days 2015/16	1462	1270	(192)
Proactive Fraud Work and Irregularity Investigations	475	475	0
Total Days 2015/16	1937	1745	(192)

3.7 However, taking into account progress against the plan in the first six months, additional audits delivered and a reassessment of the days needed to complete the remaining plan, approximately 300 planned days need to be removed/rescheduled from the approved plan to accommodate new requests detailed in the revised plan. A revised plan for 2015/16 is attached at **Appendix 1**.

3.8 The revised plan shown above of 1745 total days is dependent on engaging 60 days of external support to help deliver the school audit plan. Any slippage in this process will affect the delivery of the revised plan.

3.9 During the first half of the year, 12 Final Reports were issued in relation to systems, risk and managed audits, the results of which are summarised in table 3 below.

Table 3 – Final Reports Non-Schools

Opinion	Number	%	Total To Date	Total for 2014/15
High	1 (0)	8	1 (0)	2 (2)
Medium	5 (1)	42	5 (1)	8 (3)
Low	6 (1)	50	6 (1)	4 (0)
Totals	12 (2)	100	12 (2)	14 (5)

Note: The figures in brackets relate to Final Reports issued for the Pension Fund.

3.10 In addition to the final reports issued above, 7 Draft Reports have been issued for management review and responses and these will be reported to the Panel in due course.

- 3.11 Not all work undertaken by the team generates an audit opinion and several pieces of work undertaken in the period fall into this category:-
- Hattersley Collaboration Agreement
 - Public Health Grant
 - Local Transport Settlement Grant
 - Troubled Families Financial Claim Verification
 - HR Teachers Pension Scheme Verification Checks
 - Bus Subsidy and Pinchpoint Grants
 - Pension Fund - Ministry of Justice Assurance Work
- 3.12 9 School Audits were completed during the period, the results of which are summarised in table 4 below.

Table 4 – Final Reports Schools

Opinion	Number	%	Total To Date	Total for 2014/15
High	2	22	2	4
Medium	5	56	5	13
Low	2	22	2	3
Totals	9	100	9	20

- 3.13 In addition to the final reports issued above, 3 Draft Reports have been issued to Schools for management review and responses and these will be reported to the Panel in due course.
- 3.14 Post Audit Reviews are undertaken approximately six months after the Final Report has been issued, however, where a low level of assurance is issued the post audit review is scheduled for three months to ensure that the issues identified are addressed. 24 Post Audit Reviews have been completed during the period. Internal Audit was satisfied with the reasons put forward by management where the recommendations had not yet been fully implemented. A further 17 Post Audit Reviews are in progress which will be reported to the Panel at a future meeting.

4. REVIEW OF INTERNAL AUDIT

- 4.1 The review of Internal Audit reported to the Audit Panel on 26 May 2015 against the Public Sector Internal Auditing Standards (PSIAS) highlighted that the service is fully compliant with the requirements of the standard.
- 4.2 The Public Sector Internal Audit Standards (PSIAS), introduced from April 2013, require at Standard 1312 that each organisation's internal audit service is subject to an external assessment "once every five years by a qualified, independent assessor or assessment team from outside the organisation".
- 4.3 As this requirement affects all local authorities a sub-group of the North West Chief Audit Executives' Group, led by Cheshire West and Chester, has been considering a 'Peer Review' approach where the participating authorities would assess another authority from within the Group. This is a model that is working successfully across the London Boroughs. The key benefits of this type of approach would be consistency of approach, benchmarking and value for money. At its meeting of 23 July 2015 the North West Group signed off a memorandum of understanding (MoU) that now enables the peer review methodology to be piloted during the remainder of the calendar year. It is envisaged that wider rollout of the

final methodology will commence during 2016/17. Progress in relation to this matter will be reported to the Panel at the completion of the pilot before the methodology is introduced and rolled out.

- 4.4 Whilst compliant with the procedural aspects of the PSIAS a full review of the audit process will commence shortly to ensure that it is effective, meets with the needs of the organisation and is fully utilising the new features offered by the audit management system “Galileo” software upgrade (to be implemented shortly) to maximise efficiencies and enhance service performance.

5. ANNUAL GOVERNANCE STATEMENT 2014/15

- 5.1 The Annual Governance Statement presented to the Audit Panel on 26 May 2015 and approved by the Overview (Audit) Panel on 21 September 2015 highlighted six areas for development. Table 5 below provides an update on progress to date.

Table 5 – Annual Governance Statement Development Areas

Development	Progress to Date
<p>The ongoing level of change across the organisation, reduced resources and staff capacity to deliver the challenges faced by the Council is managed by ensuring that proper governance procedures and risk management are in place to safeguard that the overall control environment is not adversely affected.</p>	<p>A risk based Internal Audit plan is in place which addresses the keys risks facing the council. Furthermore, Internal Audit is invited to participate at the outset on project groups to ensure that risks are fully assessed and controls are satisfactorily introduced or amended. Risk management is embedded in service delivery as all reports submitted for decisions by both officers and members have to detail the risk implications to ensure that they are being managed. Assistance from Risk Management and Audit is provided when requested.</p>
<p>The integration and partnership working with the Local Health Economy are instrumental in delivering a healthier Tameside, however, as we move towards an Integrated Care Organisation it is critical that strong governance arrangements are introduced to ensure that positive outcomes are achieved through robust systems and procedures, that are open and transparent and monitored accordingly.</p>	<p>Ongoing meetings are taking place to ensure that strong governance arrangements are introduced. Internal Audit is also involved.</p>
<p>Vision Tameside, which is a multi-million pound project in partnership with Tameside College, is delivered in accordance with agreed milestones and that the risks to service delivery during the interim period are kept under review to minimise disruption to the people and businesses of Tameside so that together the mutual benefits of the</p>	<p>Regular reports are provided to SMT/ET, Board and Cabinet.</p>

Development	Progress to Date
<p>project will be recognised and celebrated. It is also important to ensure that the benefits of the new building are realised in terms of different ways of working and reducing future running costs.</p>	
<p>The risks associated with 'decanting' from TAC and the transfer of the data centre to Rochdale MBC need to be managed to ensure that robust processes are in place to enable the council to continue to deliver its services effectively to maintain good outcomes for the residents of Tameside.</p>	<p>All staff have now successfully relocated into different building across the Tameside estate. Risk Management advice was given during the moves to ensure robust processes were in place. Disruption to service delivery was minimised.</p> <p>The transfer of the data centre was successfully managed and the project delivered without any incidents.</p>
<p>As in last year, this continues to be a key issue for the Greater Manchester Pension Fund (GMPF) as the transfers from the Ministry of Justice Project draws to a conclusion, which involves transferring the Probation Service Pension Schemes into the GMPF. It is important that the process is managed and that a robust assurance process is in place to ensure that all the transfers are completed efficiently and effectively.</p>	<p>Assurance work undertaken in Quarter 1 and all transfers have been completed successfully.</p>
<p>Improvements to the creditor payments system have been highlighted as part of an internal audit review. A full system review is currently underway to review the process from procurement to payment.</p>	<p>Work is ongoing.</p>

6. IRREGULARITIES/COUNTER FRAUD WORK

- 6.1 Fraud, irregularity and whistle-blowing investigations are conducted by two members of the Internal Audit Team under the direction of a Principal Auditor and the Head of Risk Management and Audit Services to ensure consistency of approach.
- 6.2 All investigations and assistance cases are reviewed by the Standards Panel every month and where appropriate the members of the Panel challenge and comment on the cases and offer further guidance and direction. Assistance cases can range from obtaining information for an investigating officer to actually undertaking a large proportion of the analysis work to provide evidence for the investigatory process.
- 6.3 The number of cases investigated during the period April to September 2015 is summarised in Table 6 below. Work is underway to review the investigation process and all guidance notes and policies in light of the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption. An update to the Fighting Fraud Locally Strategy is expected within the next

month, together with the results from the CIPFA Fraud Survey and the findings and recommendations from these will be built into the new documents and presented to a future meeting of the Panel.

Table 6 – Investigations Undertaken from April to September 2015

Detail	No. of Cases
Cases B/Forward from 2014/2015	13
Current Year Referrals	9
Total	22
Cases Closed	3
Cases Still under Investigation	19
Total	22
Assistance Cases	2

- 6.4 Work has continued during the period on the matches identified from the National Fraud Initiative (NFI) 2014 Exercise and the key matches identified are shown below in table 7.

Table 7 – NFI Data Matches 2014

NFI Data Set	Total Number of Matches	Number of Rec'd Matches	Comments		
			Processed	In Progress	No. of Error/Frauds and Value
Pensions to DWP Deceased Persons	569	101	101	-	34 (Fraud) £24,841
Housing Benefits to Student Loans	281	134	128	6	-
Housing Benefits to Payroll	634	132	95	37	
Housing Benefit to Personal Alcohol Licences	42	22	19	3	-
Housing Benefit Claimants to UK Visas	6	5	5	-	-
Housing Benefit to In-Country Immigration	8	2	2	-	-
Blue Badge to DWP Deceased	457	451	451	-	-
Private Residential Cares Homes to DWP Deceased	33	11	11	-	1 (Error) £5,744
Pensions to Payroll	2034	687	1	686	-
Creditors Duplicate Records/Payments	1244	259	147	112	7 (Error) £48,104
Housing Benefits to Taxi Drivers	159	51	43	8	-
Totals	5467	1855	1003	852	42 £78,689

- 6.5 The expectation from the Cabinet Office in relation to the above matches is that all “Recommended Matches” are investigated. Any requests for data from other local authorities are dealt with by Internal Audit in conjunction with service areas (where appropriate) to ensure compliance with the Data Protection Act 1998.
- 6.6 A visit from the Cabinet Office’s NFI Team has been requested to review progress and share learning and arrangements are currently being made to accommodate this. This is usual practice and assists the NFI Team to identify any issues with the data matches being provided.
- 6.7 The figures shown against the Data Set “Pensions to DWP Deceased Persons” highlights a saving of £24,841. The report matches records held by the DWP of deceased persons to the Fund’s Pension Payroll data. The resulting matches are where the Pension Fund is still paying a pension and the person has died. There is a timing difference in the number of matches that this report produces, as the data from the Fund is passed to the Cabinet Office at a point in time (October) and by the time the results are produced by the Cabinet Office (January), the Fund has already been notified of a significant number of the deaths. The number of cases where there has been an overpayment is 34 and the total overpayment is £24,841. The highest overpayment being £4,756. However, the Fund had already suspended 32 out of the 34 cases, due to having had payments returned or correspondence returned, but no proof or notification of death, until the NFI results.
- 6.8 The largest saving identified is £48,104 and relates to duplicate creditor payments. The initial investigations were undertaken by Internal Audit and the cases have now been passed to the Creditors Manager for recovery.

7. NAFN DATA AND INTELLIGENCE SERVICES

- 7.1 During the first 6 months of 2015/16 NAFN has faced its biggest challenge for many years. After a period of steady and sustained growth it has been impacted by the Government’s decision to transfer all housing benefit investigations to the Department of Work and Pensions (DWP). These investigations accounted for almost 60 per cent of enquiries in the last financial year. As a consequence the NAFN Executive Board reviewed strategic business options and decided to close the Brighton office and restructure the establishment to create a smaller team based in Tameside.
- 7.2 These major changes including the transfer of affected staff to the DWP have now been successfully delivered with the exception of two posts which still remain vacant at Tameside.
- 7.3 The revised Marketing Plan is now paying dividends as we are continuing to attract new members from both local authorities and housing associations. Weekly marketing emails are being despatched to all registered users outlining the various services on offer to all members as the NAFN subscription provides corporate membership.
- 7.4 NAFN are preparing for their AGM and Summit to be hosted in the Great Hall at the London Borough of Kensington and Chelsea on 20 November 2015. The theme of the event is the effective and lawful use of data and Intelligence and the keynote speaker is Robert Raines CBE who is part of the Investigatory Powers Review Team commissioned by the government to review access to communications data.
- 7.5 NAFN received an inspection by the Interception of Communications Commissioner’s Officer (IoCCO) in June 2015 at its UK North office here in Tameside. Once again NAFN emerged very well with the Inspectors satisfied that NAFN is acquiring communications data lawfully on behalf of its local authority (LA) members. They were very impressed with the processes adopted and the gatekeeper role that NAFN provides.

- 7.6 Table 8 below shows the requests received for the period April to September 2015 compared to the two previous years covering the main categories of enquiry received.

Table 8 – Performance Figures for NAFN April to September 2015

Type Of Request	April to Sept 2013/2014	April to Sept 2014/2015	April to Sept 2015/2016	% Increase (Decrease)
General	34,796	35,561	34,960	(2%)
SSFA	43,750	31,828	9,043	(72%)
CTRS	-	27	1,003	3,615%
POSHFA	-	1,099	1,978	80%
DVLA	18,367	12,270	7,219	(41%)
RIPA	867	2,071	544	(74%)
Online Requests	18,207	26,371	29,670	13%
TOTALS	115,987	109,227	84,417	(23%)

8. LOCAL AUDIT AND ACCOUNTABILITY ACT 2014

- 8.1 On 13 August 2010, the Government announced its intention to abolish the Audit Commission and put in place new decentralised arrangements for the audit of local public bodies. The Local Audit and Accountability Act 2014 abolished the Audit Commission and established new arrangements for the audit and accountability of local public bodies.
- 8.2 Contracts were let by the Audit Commission to appoint firms to take over its in-house audit work from 2012/13 for a period of 5 years. These contracts remain in place.
- 8.3 Section 9 of the Local Audit and Accountability Act 2014 establishes the “Requirement to have an Auditor Panel” and Schedule 4 highlights “Further Provisions about Auditor Panels”. However, the Local Audit and Accountability Act 2014 (Commencement No. 7, Transitional Provisions and Savings) Order 2015, confirms that Section 9 and Schedule 4 are not yet in force and will not become so until the end of the transitional period - 31 March 2017. This aligns with the end of the current contract for external audit services. The regulations cover the role and composition of the Auditor Panel - which is only required if the Council is to procure its own external auditor.
- 8.4 The possibility exists for the Secretary of State to extend these contracts, and a decision is expected during autumn 2015 which will therefore delay the need to address the new regulations). Furthermore the Department for Communities and Local Government (DCLG) has asked the Chartered Institute of Public Finance and Accountancy (CIPFA) to write guidance to support the establishment of auditor panels. It is expected this will also be made available in autumn 2015 (however, this may change, dependent on the decision regarding the status of the current external audit contracts).
- 8.5 A further update will be provided to the next meeting once the DCLG announcement is made public.

9. RECOMMENDATION

- 9.1 That members note the report and the performance of the Service Unit for the period April to September 2015.
- 9.2 Members approve the Revised Audit Plan for 2015/16 at **Appendix 1**.