

Report To:	AUDIT PANEL
Date:	6 March 2018
Reporting Officer:	Kathy Roe – Director of Finance Wendy Poole – Head of Risk Management and Audit Services
Subject:	PROGRESS REPORT ON RISK MANAGEMENT AND AUDIT ACTIVITIES APRIL 2017 TO 2 FEBRUARY 2018
Report Summary:	To advise Members of the work undertaken by the Risk Management and Internal Audit Service from April 2017 to 2 February 2018 and to comment on the results.
Recommendations:	That members note the report and the performance of the Service Unit for the period April 2017 to 2 February 2018.
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 2015.
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: <div data-bbox="604 1592 660 1630" data-label="Image"></div> Telephone: 0161 342 3846 <div data-bbox="604 1655 660 1695" data-label="Image"></div> e-mail: wendy.poole@tameside.gov.uk

1. INTRODUCTION

- 1.1 This is the second progress report for the current financial year and covers the period April 2017 to 2 February 2018.
- 1.2 The main objective of this report is to summarise the work undertaken by the Risk Management and Internal Audit Service during the ten month period in respect of the approved Plan for 2017/2018, which was presented to the Audit Panel in May 2017.

2. RISK MANAGEMENT AND INSURANCE

- 2.1 The Risk Management and Insurance Team provide services to the whole Council including schools. The key priorities for the team during 2017/2018 are:-
- To review the risk management system to ensure that it complies with best practice but is still practical for use by the organisation;
 - To facilitate the delivery of risk workshops to enable both the Corporate Risk Register to be updated and Operational Risk Registers to be maintained by managers;
 - To facilitate the continued implementation of the Information Governance Framework and prepare for the introduction of the General Data Protection Regulations, which become effective from May 2018;
 - To review the Business Continuity Management system in place to streamline the process to create a management tool that is workable, with the capability to provide knowledge and information should a major incident occur affecting service delivery; and
 - 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 Progress to review the risk management process has been delayed due to capacity issues and conflicting priorities. As detailed in the Risk Management Report on the agenda, a review will be undertaken in the coming months in conjunction with Tameside and Glossop Clinical Commissioning Group.
- 2.3 Work has focused on the information governance agenda in light of the introduction of the General Data Protection Regulations (GDPR) which will become effective in May 2018 together with the new Data Protection Act. Work has concentrated on:-
- Reviewing our policies and procedures to identify which need to be updated;
 - Working with the Information Champions Group to raise their awareness of the changes introduced by GDPR and the new Data Protection Act;
 - Reviewing the Information Commissioners Office (ICO) GDPR Guidance – 12 Steps to Take Now to target resources effectively. The key to complying with GDPR is understanding what personal data / information we hold, where it came from, what we do with it and who we share it with. Information Audits are underway with a number of the Information Champions to pilot the template created.
- 2.4 The Risk and Insurance Manager, who has been seconded to GM Connect since October 2015, was appointed to the Greater Manchester Combined Authority with effect from 1 February 2018 and therefore the service redesign report was presented to the Employer Consultation Group on 6 February 2018. The redesign deletes the two existing posts in the structure of Risk and Insurance Manager and Risk and Insurance Officer and replaces them with two Risk Insurance and Information Officers who will report direct to the Head of Risk Management and Audit Services. Recruitment to the posts is currently underway.

- 2.5 Attendance at an emergency planning exercise in November highlighted a number of development areas in terms of business continuity and therefore a joint report is being prepared with the assistance of the Greater Manchester Emergency Planning Team and the Tameside Emergency Planning Manager for presentation to the Single Leadership Team. An update will be provided to the next Audit Panel Meeting.
- 2.6 Work is ongoing in terms of Insurance Renewal to meet the required deadlines and have all covers renewed by 31 March 2018. Continued support in relation to insurance claims has been provided to both service areas and schools throughout the period to ensure that claims against the Council are robustly defended.

3. INTERNAL AUDIT OVERVIEW

- 3.1 The Audit Plan approved on 30 May 2017 covered the period April 2017 to March 2018 and totalled 1,666 Days. This was made up of 1,179 days on planned audits and 487 days on proactive / reactive fraud work.
- 3.2 Table 1 below provides a summary of progress against the revised plan to 2 February 2018 (Week 44). The actual days delivered as at 2 February are 1,229 which equates to 83% of the total audit days in the revised plan for 2017/18 at 1,666, compared to 77% at this stage during 2016/17. **Appendix 1** provides a detailed breakdown of the 2017/18 Audit Plan.

Table 1 – Annual Audit Plan Summary 2017/2018

Service Area / Directorate	Approved Plan Days 2017/18	Revised Plan 2017/18	Actual Days to 2 Feb 2018	%
Adults	59	59	58	98
Children's	117	74	59	80
Population Health	29	29	12	41
Place	62	32	36	113
Operations and Neighbourhoods	98	64	50	78
Governance	156	116	131	113
Finance	100	90	51	57
Learning	205	205	165	80
Cross Cutting	53	23	4	17
Greater Manchester Pension Fund	300	300	228	76
Fraud Work/Irregularity Investigations	487	487	435	89
Total Planned Days for 2017/2018	1,666	1,479	1,229	83

- 3.3 A detailed review of the audit plan has been undertaken in conjunction with senior management to ensure that the plan is still relevant, meets the needs of the Council and balances to available resources. The original plan of 1,666 days has been revised to 1,479 days, a reduction of 187 days. Table 2 below identifies the audits rescheduled to 2018/19.

Table 2 Changes to the Annual Plan 2017/18 as at February 2018

Service Area	Audits Rescheduled	Days
Adults	Home Care	15
Children's	Children's Home	20
	Placements North West	15
	Emergency/Cash Payments	10
Place	Capital Projects	15

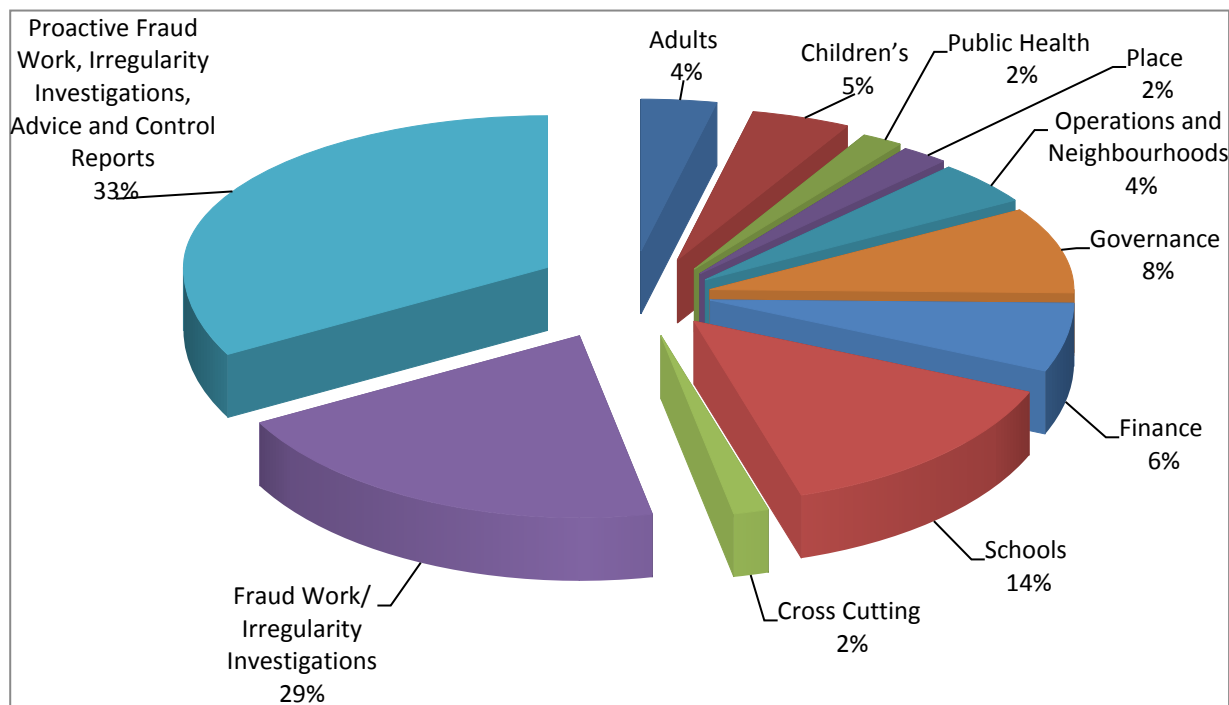
Service Area	Audits Rescheduled	Days
Operations and Neighbourhoods	Environmental Services Income	15
	Waste Disposal Levy	15
Governance	Determination/Recovery of Charges	15
	Debtors	10
	Softbox	15
Finance	Network Security	10
Cross Cutting	Integrated Commissioning Fund	15
	Information Governance – Mobile Working	15
Total		185

3.4 Performance to date has been affected by:-

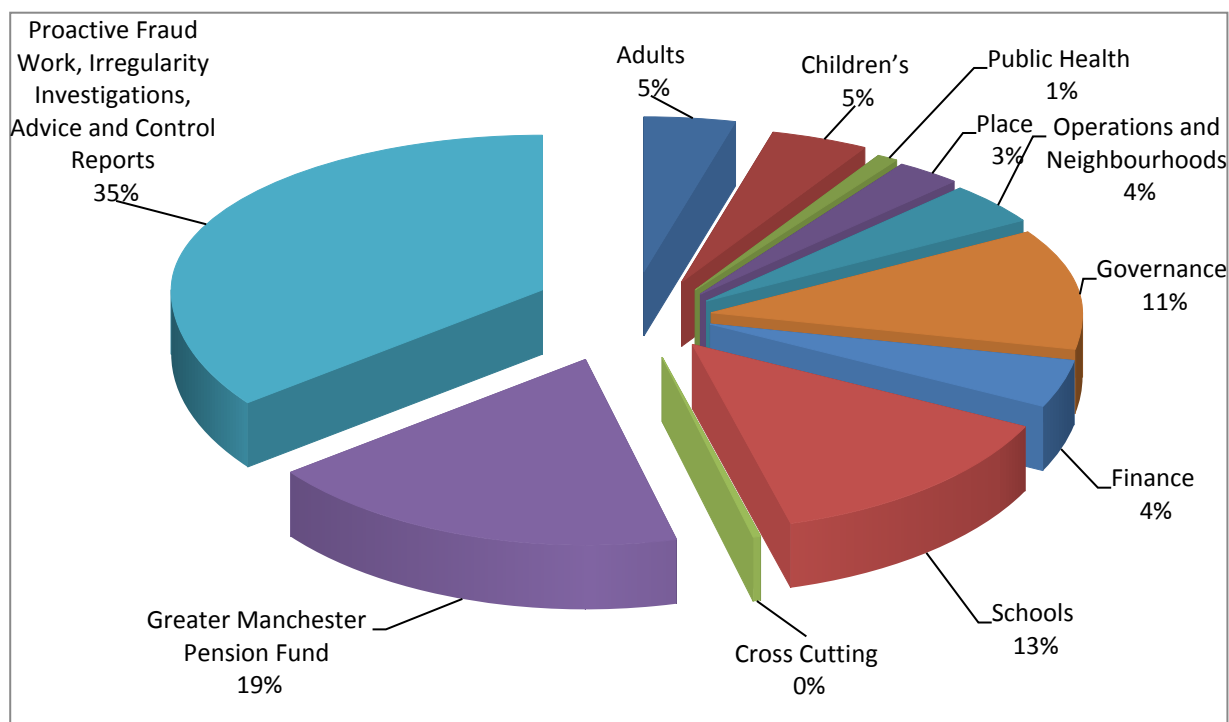
- The original plan was based on known estimated resources at the beginning of the year and based on a full complement of staff.
- A significant delay in appointing an Auditor, the post was vacated in May 2017. Whilst an appointment has been now been made the new recruit has only just joined the team in March. An intensive training and support package will be required to enable the new starter to develop as an auditor, which means that productivity in the early weeks and months will be limited.
- A number of conflicting priorities in terms of irregularities, which has diverted days away from planned work to reactive work.
- The departure of one of the Fraud Investigators / Counter Fraud Specialists in December. Recruitment was successful and the new postholder has now joined the team.
- Responding to requests from managers for new audits and providing advice and support to ensure changes to systems, processes and procedures do not adversely affect the control environment.

3.5 The Pie Charts below present the revised plan for the year and the actual days delivered to 2 February 2018.

Pie Chart 1 – Revised Audit Plan 2017/2018



Pie Chart 2 – Actual Days Delivered to 2 February 2018



4. AUDIT ACTIVITY TO 2 FEBRUARY 2018

- 4.1 During the period October 2017 to February 2018, 5 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 System/Risk/Managed Audits

Opinion	Number	%	Total To Date	Total for 2016/17
High	0		5 (4)	5 (4)
Medium	3 (1)	60	7 (2)	13 (8)
Low	2 (1)	40	3 (1)	7 (2)
Totals	5 (2)	100	15 (7)	25 (14)

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

- 4.2 In addition to the final reports issued above, 5 Draft Reports have been issued for management review and responses and these will be reported to the Panel in due course.
- 4.3 Not all work undertaken by the team generates an audit opinion and several pieces of work undertaken in the period fall into this category:-
- GMCA Grant Assurance Work;
 - Hattersley Collaboration Agreement;
 - Pension Fund Employer Agreements;
 - Data Verification for Transfer of First Bus to the Pension Fund;
 - Estates Management Consultancy Review;
 - Advanced Contribution Scheme Consultancy Advice;
 - Investigations into Information Incidents;
 - Grafton Centre – Review of Operations/Production of an Action Plan;
 - System Sign Offs – UK Mail, Agresso and Oxygen Project;
 - Advice to the Pension Fund - Altair Payroll Upgrade;

- New BACS process; and
- Pension Fund - Guaranteed Minimum Pensions Reconciliation.

- 4.4 3 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 2016/17
High	1	33	7	6
Medium	2	67	3	5
Low	0	0	2	1
Totals	3	100	12	12

- 4.5 In addition to the final reports issued above, 2 further audits have been completed and the draft reports have been issued to the Schools for management review and responses and they will be reported to the Panel in due course.
- 4.6 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. 11 Post Audit Reviews have been completed during the period taking the total to 23 for the year to date. Internal Audit was satisfied with the reasons put forward by management where the recommendations had not yet been fully implemented. A further 19 Post Audit Reviews are in progress, which will be reported to the Panel at a future meeting.

5. REVIEW OF INTERNAL AUDIT

- 5.1 The review of Internal Audit, reported to the Audit Panel on 31 May 2016 against the High Level Public Sector Internal Auditing Standards (PSIAS), highlighted that the service is fully compliant with the requirements of the standard.
- 5.2 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".
- 5.3 The Peer Review for the Council will take place from 12 – 14 March 2018 and is being conducted by Blackpool and Bolton.
- 5.4 Work is currently on going to assess the service against the detailed requirements of the Public Sector Internal Auditing Standards and ensure that the processes in place are effective and efficient service.
- 5.5 The Internal Audit Charter for 2018/19 has been refreshed and is attached at **Appendix 2** for consideration and approval. Some of the key areas it covers are listed below:-
- Definition
 - Responsibility and Objectives of Internal Audit
 - Independence and scope of Internal Audit
 - Opinion Work
 - Reporting
 - Internal Audit Access Right
 - Resources

6. ANNUAL GOVERNANCE STATEMENT 2016/17

- 6.1 The Annual Governance Statement presented to the Audit Panel on 30 May 2017 and approved by the Overview (Audit) Panel on 11 September 2017 highlighted several areas for development. Table 5 below provides an update on progress to date.

Table 5 – Annual Governance Statement Development Areas

Area of Review	Improvement Required	Progress to Date
Children's Services (New)	Improvements in response to the Ofsted Report, which have been detailed in the Tameside Children's Services Improvement Plan, need to be implemented and a Project Board is in place to monitor progress.	New leadership in place – Director of Children's Services (DCS), Assistant Director and two Heads of Service. New Improvement Plan signed off 30/11/17. Further Ofsted Monitoring Visit in January 2018 judged Council to have taken appropriate action to address the slow pace of improvement, and that the new leadership has accurate understanding of current state of service and what improvements still required; majority of casework still below standard, but other improvements found including improved management oversight.
Risk Management and Business Continuity Planning (New)	Enhancements are needed to the systems in place so that they meet with the requirements of the organisation and best practice.	Initials meetings have taken place with colleagues in the CCG to discuss risk registers and business continuity planning. However, resources have been prioritised to deal with Insurance Renewal and preparation for the introduction of GDPR and the new Data Protection Act. Work in relation to risk management and business continuity will be picked up once the new posts have been filled and the team is back up to full capacity.
Health and Safety (New)	To Review process and procedures in place to ensure consistency of approach and embrace electronic recording where appropriate	<p>Directorate Health and Safety Meetings now established to ensure consistency of approach across the organisation.</p> <p>Electronic recording of accident management system is being established.</p> <p>Draft Revised Health and safety policy to be taken to Employer Consultation Group in March to request the start of formal consultation.</p>
Managing Change	The ongoing level of change across the organisation, reduced	A risk based Internal Audit Plan is in place that addresses the keys

Area of Review	Improvement Required	Progress to Date
(Carry Forward)	resources and staff capacity to deliver the challenges faced by the Council, is managed by ensuring that proper governance and risk management procedures are in place to safeguard that the overall control environment is not adversely affected.	risks facing the council. Risk management is embedded in service delivery, as all decision have to detail the risk implications to ensure that they are being managed. Assistance from Risk Management and Audit is provided when requested in relation to new/ changes to processes and systems.
Care Together (Carry Forward)	<p>As we continue to develop integrated health and social care services and move provision as close to home as possible, strong governance arrangements need to be in place to ensure we deliver our vision, improving healthy life expectancy, reducing inequalities and moving towards a financially sustainable economy.</p> <p>Although there has been substantial progress, implementation of the new model of care will need to gather pace to ensure delivery of our core objectives.</p>	At the Board-to-Board-to-Board meeting in December 2017 the three statutory partners agreed the Care Together programme objectives for 2018/19. These have subsequently been reported to the Care Together Programme Board and were endorsed at its meeting in January 2018. At each of the Care Together Programme Board meetings during 2018/19 an update will be provided detailing the progress being made on delivery of these agreed milestones. This will facilitate a discussion by any of the three statutory partners should there be future concerns regarding the programme's pace.'
Vision Tameside (Carry Forward)	This is a multi-million pound project in partnership with Tameside College, and needs to be delivered in accordance with agreed milestones. It is essential 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 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>Carillion the main contractor engaged by the LEP to construct the Vision Tameside build went into Liquidation on 15th January 2018.</p> <p>The LEP proposed an 8 week Early Works Order with Robertson Construction commencing 14th February following a Cabinet decision taken by the Council on 9th February. The Early Works Order will allow Robertson's to carry out due diligence, re-engage sub contractors and enter into contact with the council to complete the build.</p> <p>At this stage it is anticipated that there will be delays to the completion and increased costs which will not be covered by any remaining Contingency.</p> <p>A full report will be submitted to the Strategic Planning and Capital Panel in March with an update on progress with the Robertson's</p>

Area of Review	Improvement Required	Progress to Date
		<p>Early Works.</p> <p>At the end of the Early Works the council will be in a position to understand delays and any additional costs.</p> <p>PWC the official liquidators have been informed of the council's intentions.</p>
Pension Fund Pooling of Investments (Carry Forward)	<p>Greater Manchester Pension Fund is working with other large metropolitan LGPS funds to create a £40+ billion asset pool. Pooling of assets will provide greater scope to allow the funds to invest in major regional and national infrastructure projects such as airport expansion, major new road and rail schemes, housing developments and energy production growth, all driving economic growth and prosperity. Strong governance arrangements will need to be in place, underpinned by robust and resilient systems and procedures, to ensure the desired outcomes are realised.</p>	<p>The Government has provided approval for the submission made by Greater Manchester Pension Fund, West Yorkshire Pension Fund and the Merseyside Pension Fund to create the Northern Pool.</p> <p>The 3 funds have established a vehicle which is making collective direct infrastructure investments and are creating a similar vehicle to make collective private equity investments from April 2018.</p> <p>A procurement exercise has been undertaken to appoint a pool custodian and the winning bidder will be announced shortly.</p> <p>A formal joint committee governance structure will be established.</p> <p>Representatives of the Fund will continue to work closely and seek professional advice, as required, in order to finalise all aspects of the Pool.</p>

7. IRREGULARITIES/COUNTER FRAUD WORK

- 7.1 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.
- 7.2 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.
- 7.3 The number of cases investigated during the period April to September 2017 is summarised in Table 6 below.

Table 6 – Investigations Undertaken from April to September 2017

Detail	No. of Cases
Cases B/Forward from 2016/2017	15
Current Year Referrals	6
Total	21
Cases Closed	7
Cases Still under Investigation	14
Total	21
Assistance Cases	5 (2 Closed)

7.4 The above investigations can be categorised by fraud type as shown in Table 7 below.

Table 7 – Investigations by Fraud Type

Fraud Type	No. of Cases	Value £	Recovered To Date £	Potential Annual Savings £
Direct Payment	9	125,148		25,058
Procurement/Duplicated Invoices Fraud	2	100,354	To be recovered on retirement - £58,000 (2023)	
Misappropriation of Monies/Stock	8	20,029	£19,576 to be recovered via court proceedings	
Staff Conduct (Time/HB Fraud)	2	1 Proven	-	-
Total	21	245,531		25,058

7.5 Successful investigations are dependent on conducting thorough investigations and working closely with Legal Services, the Police, HR and investigating officers within the Council to ensure that the most appropriate sanction is achieved where allegations of fraud or irregularity are upheld. Both investigators within the team have just attended a training course to attain the CIPFA Accredited Counter Fraud Technician qualification.

7.6 Matches identified from the National Fraud Initiative (NFI) 2016 Exercise were received in January / February 2017 and some of the key matches identified are shown below in table 8.

Table 8 – NFI Data Matches 2016

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	849	483	849		1 (F) £16,641
Pensions to Payroll	2,123	614	2,065	58	-
Deferred Pensions to DWP Deceased	87	76	87	-	1 (E)
Housing Benefits to Student Loans	103	29	26	3	0
Housing Benefits Claimants to DWP Deceased	100	60	60	-	-

NFI Data Set	Total Number of Matches	Number of Rec'd Matches	Comments		
			Processed	In Progress	No. of Error/Frauds and Value
Council Tax Reduction Scheme to Housing Benefit	85	58	58	-	-
Personal Budgets to DWP Deceased	5	4	5	-	-
Blue Badge to DWP Deceased	43	42	43		35 (E)
Private Residential Cares Homes to DWP Deceased	47	21	39	-	-
Creditors Duplicate Records/Payments	1,441	154	220	2	3 (E) £70,766
Totals	4,883	1,541	3,452	63	1 (F) £16,641 39 (E) £70,766

7.7 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.

7.8 The majority of investigations have now been completed and closed and fraudulent transactions have been identified to the total of £16,641. Three duplicate payments were identified by Internal Audit, which have been confirmed and therefore recovery action is underway to recover the £70,766.

7.9 Data will be submitted again in October 2018.

8. NATIONAL ANTI FRAUD NETWORK DATA AND INTELLIGENCE SERVICES

8.1 NAFN held its AGM and Summit at The Great Hall, Kensington, London in October and the theme was 'The Changing World of Investigation'. It was an opportunity to celebrate 20 years since NAFN was launched. Overall, the event was the most successful held by NAFN attracting 249 attendees (up 76 on the previous year) representing 124 member organisations (up 35 on last year).

8.2 In October 2017 the new Investigatory Powers Commissioner Sir Adrian Fulford visited NAFN with a view to better understand the service. The Commissioner was very impressed with the systems NAFN have in place. He has also offered his full support to NAFN in developing its service delivery to local authorities and potentially a wider range of public authorities.

8.3 NAFN was subject to its annual inspection by the Investigatory Powers Commissioners Officer (IPCO) in December and is pleased to report the outcomes of another positive and successful inspection. The key findings were as follows:-

- Overall, IPCO confirmed that NAFN continue to act professionally and consistently acquiring communications data lawfully in a well organised and structured way.
- NAFN officers were commended on implementing the previous inspection recommendations.

- NAFN was praised for its openness and transparency in recording their actions and cooperating with the inspection.

Annual audits have been conducted since 2010 and, pleasingly, this is the first time the inspectors have made no recommendations on actions or changes in working practice.

- 8.4 NAFN exists to support members in their protection of the public purse and acts as an Intelligence Hub providing a single point of contact for members to acquire data and intelligence in support of investigations, enforcement action and debt collection. A breakdown of the membership is provided in Table 9 below.

Table 9 – NAFN Membership

Member Type	Dec 2017	Sept 2017	March 2017	Target	%	%Increase (Decrease) Since March 2017
Local Authorities	352	352	359	420	84	(2)
Housing Associations	55	53	47	N/A	-	17
DWP	1	1	1	N/A	-	-
Other Public Bodies	13	13	11	N/A	-	18
Totals	421	419	418	-	-	0.7

- 8.5 NAFN has introduced a webinar programme for members enabling members to take part in bite size online sessions to discover more about the services NAFN offer. Several events were held in November and December covering various services. These continue to be popular across the membership.
- 8.6 The number of requests received during 2017/18 as detailed in Table 10 below has increased overall by 6% from the same period in the previous year. Pleasingly, there has been a significant increase (51%) in requests for housing and council tax fraud. The Right to Buy Fraud service continues to grow with a massive £3 million saving identified to date.

Table 10 – NAFN Requests Received

Type of Request	2017/18 Apr-Dec	2016/17 Apr-Dec	% Increase (Decrease)
General Data Protection Requests	29,305	35,128	(17)
Driver and Vehicle Licensing Agency	12,592	11,538	9
Regulation of Investigatory Powers Act	607	667	(9)
Prevention of Social Housing Fraud Act/Council Tax Reduction Scheme	9,143	6,054	51
Right to Buy Fraud	100	N/A	N/A
Sub Total	51,747	53,387	(3)
Type B (Online)	81,388	72,056	13
Grand Total	133,135	125,443	6

- 8.7 Regulation of Investigatory Powers Act (RIPA) requests continues to be below forecasted levels. The imminent introduction of the Investigatory Powers Act in 2018, which repeals RIPA, is expected to reverse this trend with access to additional data and more importantly the removal of the current judicial approval process, which significantly impacts on member resources.
- 8.8 The reduction in General Data Protection Requests is a consequence of the withdrawal of consented data products due to contracts not being cost effective. Also, there continues to be a noticeable switch by members to utilising the Type B (Online) requests, which have increased in line with expectations.

- 8.9 NAFN continues to work closely with the Local Government Association and Institute of Licensing and will shortly be rolling out a national register of taxi and private hire drivers who have had their licences refused or revoked, improving the safety of the travelling public. It is expected that the register will be operational in April 2018.

9. LOCAL AUDIT AND ACCOUNTABILITY ACT 2014

- 9.1 The Council has now received confirmation from Public Sector Audit Appointments Limited (PSAA) that Mazars LLP has been appointed as the external auditor for Tameside Metropolitan Borough Council from 2018/19, to audit the accounts of the Council for five years, for the accounts from 2018/19 to 2022/23.
- 9.2 The Council will now need to work with both Grant Thornton and Mazars to ensure a smooth transition takes place.

10. RECOMMENDATIONS

- 10.1 That Members note the report and the performance of the Service Unit for the period April to 2 February 2018.