

Report To:	AUDIT PANEL
Date:	29 May 2018
Reporting Officer:	Wendy Poole – Head of Risk Management and Audit Services
Subject:	RISK MANAGEMENT AND AUDIT SERVICES – ANNUAL REPORT 2017/2018
Report Summary:	The report summarises the work performed by the Service Unit and provides assurances as to the adequacy of the Council's systems of internal control.
Recommendations:	Members note the report.
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 the effective delivery of services. It also helps to keep insurance premiums and compensation payments to a minimum.
Legal Implications: (Authorised by the Borough Solicitor)	Demonstrates compliance with the Accounts and Audit Regulations 2015, which require the Council to “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector auditing standards or guidance”
Risk Management:	The services of the Risk Management and Audit Service Unit assists in providing the necessary levels of assurance that the significant risks relating to the Council's operations are being effectively managed and controlled.
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 The purpose of the report is to present a review of the Risk Management and Audit Service for 2017/18. It covers Internal Audit, Risk Management and Insurance and the National Anti-Fraud Network (NAFN Data and Intelligence Services).
- 1.2 The definition of Internal Audit is outlined by the Public Sector Internal Audit Standards as follows:
“Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”.
- 1.3 The key elements of the definition are:-
- **Risk Management** – A process to identify, assess, manage and control potential events or situations to provide reasonable assurance regarding the achievement of the organisation’s objectives.
 - **Control** – Any action taken by management, the board and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organises and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.
 - **Governance** – The combination of processes and structures implemented by the Board to inform, direct, manage and monitor the activities of the organisation toward the achievement of its objectives.

2 THE AUTHORITY FOR INTERNAL AUDIT

2.1 Local Government Act 1972 Section 151.

“Every Local Authority shall make arrangements for the proper administration of its financial affairs and shall secure that one of its officers has responsibility for the administration of those affairs”

The Council’s Constitution formally nominates the Director of Finance as the Council’s Section 151 Officer who will rely on the work of the Internal Audit Service for assurance that the Council’s financial systems are operating satisfactorily.

2.2 Accounts and Audit Regulations 2015 Part 2, Section 3 – Responsibility for Internal Control

A relevant Authority must ensure that it has a sound system of internal control which:

- (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;
- (b) ensures that the financial and operational management of the authority is effective; and
- (c) includes effective arrangements for the management of risk.

2.3 Accounts and Audit Regulations 2015 Part 2, Section 5 – Internal Audit

- (1) A relevant body must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.
- (2) Any officer or member of a relevant body must, if required to do so for the purpose of the internal audit:
 - (a) Make available such documents and records; and
 - (b) Supply such information and explanation;as are considered necessary by those conducting the internal audit.

- (3) In this regulation “documents and records” includes information recorded in an electronic form.

This is supported by the Council’s Financial Regulations, which reflect Internal Audit’s statutory authority to review and investigate all areas of the Council’s activities in order to ensure that the Council’s interests are protected.

2.4 Accounts and Audit Regulations 2015 Section 6 – Review of Internal Control System

- (1) A relevant Authority must, each financial year:
- (a) conduct a review of the effectiveness of the system of internal control required by regulation 3; and
 - (b) prepare an annual governance statement.
- (2) If the relevant Authority referred to in paragraph (1) is a Category 1 Authority, following the review, it must:
- (a) consider the findings of the review required by paragraph (1)(a):
 - (i) by a committee; or
 - (ii) by members of the Authority meeting as a whole; and
 - (b) approve the annual governance statement prepared in accordance with paragraph (1)(b) by resolution of:
 - (i) a committee; or
 - (ii) members of the Authority meeting as a whole.
- (3) Relates to Category 2 Authorities and not applicable to the Council.
- (4) The annual governance statement, referred to in paragraph (1)(b) must be:
- (a) approved in advance of the relevant Authority approving the statement of accounts in accordance with regulations 9(2)(b) or 12(2)(b) (as the case may be); and
 - (b) prepared in accordance with proper practices in relation to accounts(a).

2.5 The Terms of Reference for the Audit Panel adequately meet the requirements of the Accounts and Audit Regulations.

2.6 The review of the effectiveness of the system of internal control referred to in paragraph 2.4 has been conducted and a separate report is on the agenda.

3 KEY ACHIEVEMENTS DURING 2017/2018

- 3.1 The major achievements of the Service Unit for 2017/2018 are as follows: -
- The Internal Audit function was judged to be compliant with the Public Sector Internal Audit Standards (PSIAS) following an External Peer Review in March 2018.
 - The implementation rate for audit recommendations was 90%.
 - Customer feedback is very positive with continued high levels of satisfaction demonstrated on customer questionnaires.
 - Annual reports, plans and regular progress reports presented to Members via the Audit Panel and the Greater Manchester Pension Fund Local Board.
 - The Annual Governance Statement was produced in accordance with best practice and agreed timescales and no adverse comments were received when our External Auditors (Grant Thornton) reviewed it.
 - The National Anti-Fraud Network (NAFN Data and Intelligence Services) delivered its most successful AGM/Summit in London in October 2017, with 249 delegates representing 124 organisations.
 - Twenty three fraud cases were investigated during the year.
 - A School Bursar was charged with three counts of fraud by abuse of position, and after pleading guilty was sentenced to 9 months imprisonment suspended for 12

months and 180 hours unpaid work for misappropriating £19,000 in monies/equipment belonging to the school.

- NAFN received an excellent inspection report from the Investigatory Powers Commissioners Officer (IPCO) in December 2017 with no recommendations received.

4 COVERAGE FOR 2017/2018

- 4.1 The report presented to the Audit Panel on 30 May 2017 provided an overview of the work planned for 2017/2018 for the service unit. The Original Audit Plan of 1666 days was detailed in the report and approved by the Audit Panel. The plan, however, as reported during the year has been revised on a regular basis to ensure that it was aligned to changes in service priorities, risks, directorate structures and resources available.
- 4.2 Table 1 below shows the full year position of the audit plan by Directorate/Service Area. It details the approved plan, the revised plan, the actual days as at 31 March 2018 and the percentage completed. **Appendix 1** provides a detailed breakdown of the 2017/18 Audit Plan.

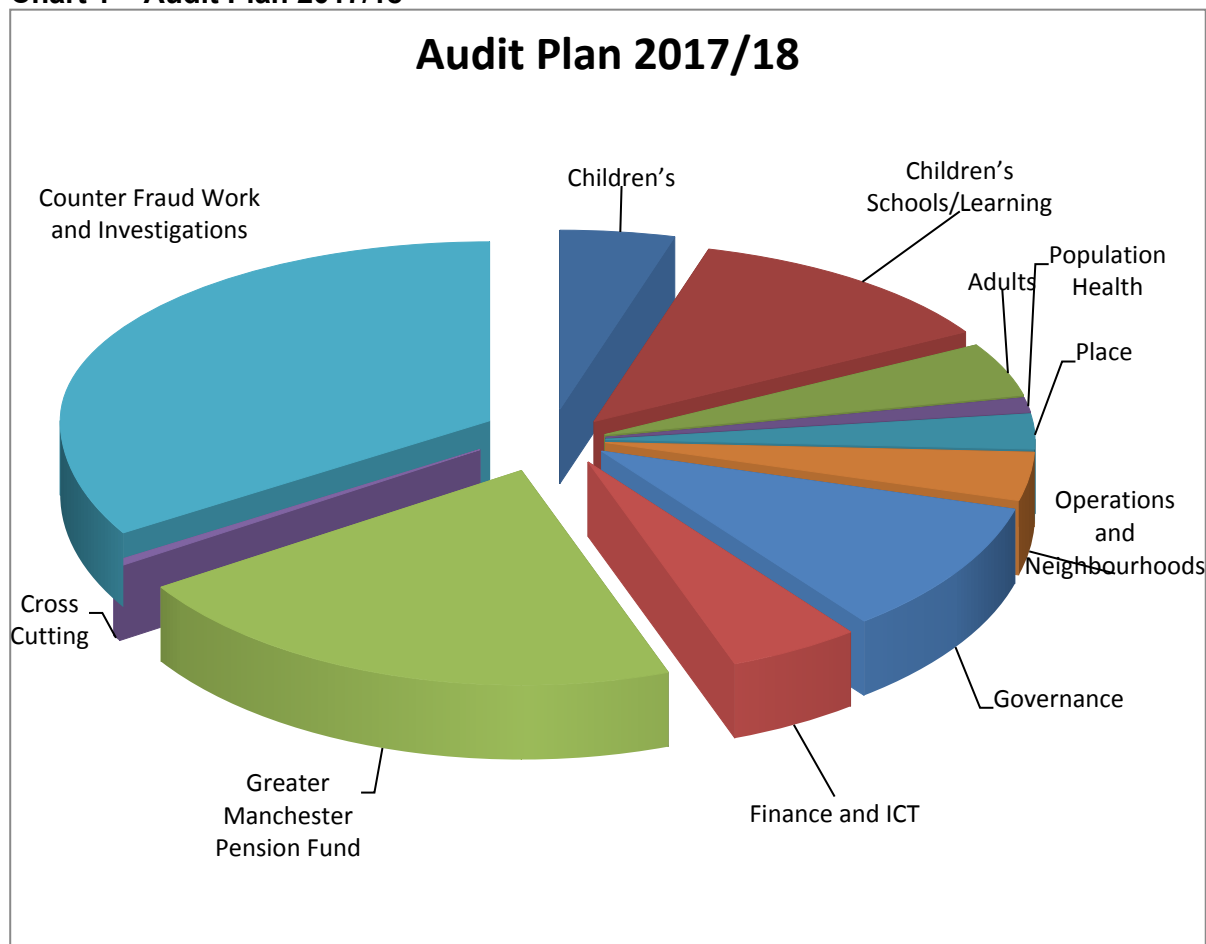
Table 1 – Annual Audit Plan Progress as at 31 March 2018

Service Area / Directorate	Approved Plan Days 2017/18	Revised Plan 2017/18	Actual Days to 31 Mar 2018	%
Adults	59	59	62	105
Children's	117	84	76	90
Population Health	29	29	16	55
Place	62	32	39	112
Operations and Neighbourhoods	98	64	54	84
Governance	156	117	151	129
Finance	100	89	73	82
Learning	205	205	189	92
Cross Cutting	53	23	6	26
Greater Manchester Pension Fund	300	300	318	106
Fraud Work/Irregularity Investigations	487	487	501	103
Total Planned Days for 2017/2018	1,666	1,489	1,485	99.7

- 4.3 Resources on planned work reduced during the year for the following reasons:
- 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 occurred in recruiting an Auditor, the post was vacated in May 2017 and the new appointment joined the team in March 2018. An intensive training and support package has been put in place to enable the new starter to develop as an auditor which will have an impact on productivity in the early months.
 - A number of conflicting priorities in terms of irregularities, which diverted days away from planned work to reactive work to assist with timely responses due the one of the Fraud Investigators/Counter Fraud Specialists leaving in December and not being replaced in March.
 - Responding to requests from managers for new audits and providing advice and support to ensure changes to system, processes and procedures do not adversely affect the control environment.
 - Assisting with and conducting investigations relating to information incidents in line with the Councils Information Security Incidents Reporting Procedure and Practice Note.

- 4.4 The changes resulted in a reduction of 177 planned days from 1,666 to 1,489 and these changes were reported to the Audit Panel in March 2018. In terms of the overall plan, 1,485 actual days were delivered against a revised plan of 1,489. Chart 1 below demonstrates the actual days delivered per Directorate/Service Area.

Chart 1 – Audit Plan 2017/18



- 4.5 The successful delivery of the plan can be measured in two ways:-
- Actual Productive Audit Days Delivered against the Plan
The days delivered against the plan, including Fraud Work totalled 1,485 compared to the revised plan of 1,489, which represents 99.7%.
 - Percentage of Planned Audits Completed
The second measure focuses on the planned audits, and calculates the actual rate of completion per audit, and then consolidates the individual outcomes into one single percentage figure. The figure for 2017/18 is 93% compared to 93% in 2016/17 and 94% in 2015/16.
- 4.6 This following sections of the report provide details of the key areas covered during the period April 2017 to March 2018 and comment on any important issues arising from our work.
- Financial Systems:**
- 4.7 During 2017/18 seven audits have been undertaken on the financial systems detailed in table 2 to ensure they were operating securely, fit for purpose and that the information generated from them into the general ledger was reliable. Where issues were identified as part of the systems audit work, action plans were agreed with management and these will be followed up in due course:-

Table 2 – Financial Systems Audits 2017/18

Audit	Level of Assurance	Final Issued	Post Audit Review Due
NNDR	Medium	Draft	
Council Tax	Medium	Draft	
VAT	Medium	Draft	
External Audit Assurance Checks	N/A	Feb 2018	N/A
Treasury Management	Medium	Draft	
Payroll	High	Aug 2017	Work In Progress
Creditors	Low	Draft	

- 4.8 Post Audit Reviews have been completed for the General Ledger and Cashiers and the majority of recommendations made have been implemented.
- 4.9 Two financial systems audits were also undertaken on the Pension Fund, as detailed in table 3 below. Where issues were identified as part of the systems audit work, action plans were agreed with management and these will be followed up in due course:-

Table 3 – Financial Systems Audits 2017/18

Audit	Level of Assurance	Final Issued	Post Audit Review Due
Pension Benefits Payable	High	May 2017	Work In Progress
Debtors	Medium	June 2017	Work In Progress

- 4.10 Sections 4.11 to 4.19 provide details of the audit work undertaken in each directorate.
- 4.11 **Adults**
Areas reviewed during the year have included:-
- Reablement;
 - Learning disability Client Accounts;
- 4.12 **Children's**
Areas reviewed during the year have included:-
- Safeguarding
 - Leaving Care
 - Troubled Families
- 4.13 **Population Health**
Areas reviewed during the year have included:-
- Ring-Fenced Public Health Grant
- 4.14 **Place**
Areas reviewed during the year have included:-
- Estates Management Consultancy Review
 - Hattersley Collaboration Agreement
 - Local Growth Fund
- 4.15 **Operations and Neighbourhoods**
Areas reviewed during the year have included:-
- Use of CCTV
 - Local Authority Bus Subsidy Grant
 - Integrated Transport Service
 - Health and Safety

- Cycling Ambition Grant
- Local Transport Capital Block Funding Grant

4.16 Governance

Areas reviewed during the year have included:-

- UK Mail System Sign Off
- Bank Transfer Arrangement Appointeeships/Deputyships;
- Registrars
- Car Allowances Year-End Review
- Oxygen System Sign Off
- Procure to Pay

4.17 Finance

Areas reviewed during the year have included:-

- BACS System Sign Off
- Device Management

4.18 Learning

Areas reviewed during the year have included:-

- ICT Security at Schools

4.19 Greater Manchester Pension Fund:-

Areas reviewed during the year have included:-

- Treasury Management
- First Bus Transfer to GMPF
- Private Equity
- Transfer of Funds to New Credit Manager
- Local Investments Impact portfolio
- Calculation and Payment of Benefits
- Guaranteed Minimum Payments
- Visits to Contributing Bodies
- Review of fund manager Investec
- Greater Manchester Property Venture Fund
- Altair

4.20 A summary of the audit opinions issued in relation to system based audit work for 2017/18 compared to 2016/17 and 2015/16 is shown in Table 4 below: -

Table 4 – Final Reports System Based Audits

Opinion	Total for 2017/18	%	Total for 2016/17	%	Total for 2015/16	%
High	8 (7)	42	5 (4)	20	6 (4)	24
Medium	8 (2)	42	13 (8)	52	14 (3)	56
Low	4 (1)	16	7 (2)	28	5 (0)	20
Totals	20 (10)	100	25 (14)	100	25 (7)	100

Note: The figures in brackets in the above table relate to the Pension Fund

4.21 In addition to the Eighteen final reports issued above, a further fourteen draft reports have been issued for comments and management responses and these will be reported to the Panel in due course.

4.22 Sixteen schools have been audited and final reports issued as part of our cyclical review programme during 2017/2018. A summary of the opinions issued for schools during 2017/2018 compared to 2016/17 and 2015/16 is shown in Table 5 below: -

Table 5 – Audit Opinions – Schools

Opinion	Total for 2017/18	%	Total for 2016/17	%	Total for 2015/16	%
High	8	50	6	50	9	43
Medium	5	31	5	42	7	33
Low	3	19	1	8	5	24
Totals	16	100	12	100	21	100

- 4.23 A further two draft reports have been issued for comments and management responses and these will be reported to the panel in due course.
- 4.24 In addition to the reports issued in Tables 4 and 5, a significant number of days were allocated throughout the year to work that did not generate a report with a level of assurance attached. The reasons for this are:-
- Grant Certification;
 - Advice and consultancy work provided to support service redesigns and the implementation of new or updated systems;
 - Investigating Information Incidents; and
- 4.25 It is important to note, however, that whilst the above work does not generate an audit opinion it undoubtedly adds value to the Council. It ensures that expenditure is in accordance with grant conditions, that new/amended systems are introduced with satisfactory controls in place and that control issues identified as part of irregularity investigations are resolved to improve the control environment.
- 4.26 Thirty Post Audit Reviews have been completed during the year and 90% of agreed recommendations have been implemented. Internal Audit was satisfied with the reasons put forward by management where the recommendations had not been fully implemented. Six related to the Pension Fund, thirteen related to Schools and eleven to Council services/systems.

5 ANTI-FRAUD WORK

Irregularity Investigations

- 5.1 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. All cases were investigated using the approved standard protocol and procedure, which complies with best practice. A control report is produced in the majority of cases for management to ensure that corrective action is taken where possible to ensure that the control environment is improved therefore minimising the risk of similar irregularities occurring in the future.
- 5.2 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.
- 5.3 The number of cases investigated during the period April 2017 to March 2018 is summarised in Table 6 below.

Table 6 – Investigations Undertaken from April 2017 to March 2018

Detail	No. of Cases
Cases B/Forward from 2016/2017	15
Current Year Referrals	8
Total	23
Cases Closed	12
Cases Still under Investigation	11
Total	23
Assistance Cases	7 (5 Closed)

- 5.4 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	136,114	-	25,058
Procurement/Duplicated Invoices Fraud	2	100,354	To be recovered on retirement - £58,000 (2023)	-
Misappropriation of Monies/Stock	10	20,029	£19,576 – Subject to a Proceeds of Crime Act Hearing	-
Staff Conduct (Time/HB Fraud)	2	1 Proven	-	-
Total	23	256,497		25,058

- 5.5 Seventeen of the above cases investigated involved frauds perpetrated against the Council by claimants or third parties. The figures shown in the Value and Potential Annual Savings column in Table 7, are estimated based on the information available to date. Several of the cases are still being investigated or prepared for prosecution and the value of the fraud could change as the case progresses. The ongoing savings are the value of the Direct Payments that have been stopped because of ongoing investigations.
- 5.6 A School Bursar was charged with three counts of fraud by abuse of position, and after pleading guilty was sentenced to 9 months imprisonment suspended for 12 months and 180 hours unpaid work for misappropriating £19,000 in monies/equipment belonging to the school. The investigation uncovered that the supplier involved was holding unrequired stock on behalf of the school valued at £16,000, an agreement has since been made with the supplier for this money to be spent on items needed by the school.
- 5.7 The processes in place within Internal Audit and across the Council to manage the risk of fraud and corruption are in accordance with the code of practice issued by the Chartered Institute of Public Finance and Accountancy in 2014 entitled “Managing the Risk of Fraud and Corruption”.

National Fraud Initiative

- 5.8 The majority of investigations have now been finalised in relation to the NFI 2016 Data Matching Exercise and Table 8 below summarises the results.

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	-	-
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

- 5.9 In summary one fraud was identified totalling £16,641 and thirty nine errors totalling £70,766 were investigated and the monies are being recovered.
- 5.10 Preparations are now underway for the 2018 exercise and the data sets will be submitted to the Cabinet Office in October 2018.

6 NATIONAL ANTI-FRAUD NETWORK (NAFN)

- 6.1 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).
- 6.2 During 2017/18, NAFN has continued to engage with its key stakeholders and members to ensure that the services it offers meet with their requirements and expectations. During the last quarter of the year, the NAFN Executive Board has started to review the strategy for the coming years and a series of meetings are scheduled for May/June 2018 to meet with the Cabinet Office, the Chartered Institute of Environmental Health and the Local Government Association to discuss future plans to enhance service provision.

- 6.3 NAFN was subject to its annual inspection by the Investigatory Powers Commissioners Officer (IPCO) in December and received another positive and successful inspection. No recommendations were received and officers were commended on implementing the previous inspection recommendations and praised for their openness and transparency in recording their actions and cooperating with the inspection.
- 6.4 NAFN continued 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 May/June 2018.
- 6.5 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	March 2018	March 2017	Target	%
Local Authorities	350	359	418	84
Housing Associations	54	47	N/A	-
Other Public Bodies	14	12	N/A	-
Totals	418	418		

- 6.6 The Marketing Strategy and Plan has continuing to pay dividends as the service is continuing to attract new members from both local authorities and housing associations. Regular marketing emails are sent to all registered users outlining the various services on offer to all members as the subscription provides corporate membership. A programme of webinars offering training and guidance without leaving the office has also proved to be very popular with most sessions being fully booked.
- 6.7 The number of requests received during 2017/18 are detailed in Table 10 below and compared to 2016/17 increased by 5% overall.

Table 10 – NAFN Requests Received

Type of Request	2017/18	2016/17	2015/16
General Data Protection Requests	38,980	47,765	62,703
Social Security Fraud Act	-	-	11,219
Driver and Vehicle Licensing Agency	16,507	15,489	14,478
Regulation of Investigatory Powers Act	760	946	1,035
Prevention of Social Housing Fraud Act/Council Tax Reduction Scheme	12,425	8,449	6,802
Sub Total	68,672	72,649	96,237
Type B (Online)	112,341	99,227	80,980
Grand Total	181,013	171,876	177,217
% Increase/(Decrease)	5%	(3%)	(13%)

- 6.8 The number and type of requests received is reported quarterly to the Executive Board and progress is monitored closely to ensure that staffing levels are appropriate to ensure requests are processed in line with performance standards and that other key services linked to the marketing strategy are delivered.

7 RISK MANAGEMENT AND INSURANCE

7.1 The approved priorities for 2017/2018 were:-

- 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.

7.2 Progress to review the risk management process has been delayed due to capacity issues and conflicting priorities.

7.3 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;
- Undertaking Information Asset Audits across the Council, so that a Register of Processing Activities can be produced and the information collated can be used to update our privacy notices.
- An Information Governance newsletter has been introduced.

7.4 The team was restructured in February 2018 and the final stage of the recruitment process is underway to appoint the second Risk, Insurance and Information Officer.

7.5 The Insurance Renewal process, which is undertaken annually in March, was completed successfully and the Council is now in the final two years of its long-term agreement with its insurance providers. Continued support in relation to insurance claims has been provided to both service areas and schools throughout the year to ensure that claims against the Council are robustly defended.

8 PERFORMANCE INDICATORS

8.1 The performance of the section is monitored in a variety of ways and a number of indicators have been devised to enable comparisons between financial years and between similar organisations. Formal benchmarking using the Chartered Institute of Public Finance and Accountancy has not taken place for a number of years due to budget cuts and capacity; however, this is being reviewed by the North West Chief Audit Executive Group to determine if a small number of key performance indicators could be compared locally.

8.2 The Key Performance Indicators for Internal Audit for 2017/18 are detailed in Table 11 below and they are compared to the two previous years 2016/17 and 2015/16. All five performance indicators have been achieved.

Table 11 - Key Performance Indicators 2017/18

	INDICATOR	TARGET	17/18	16/17	15/16	Comments
1	Compliance with Public Sector Internal Audit Standards	100%	100%	100%	100%	Target Achieved
2	% of Plan Completed	93%	93%	93%	94%	Target Achieved
3	Customer Satisfaction (per questionnaires)	90% of customers "satisfied \geq 65%"	100%	94%	95%	Target Achieved
4	% Recommendations Implemented	90%	90%	92%	92%	Target Achieved
5	No. of Irregularities Reported/Investigated	Downward Trend	8	15	14	Target Achieved

- 8.3 Whilst all five targets have been achieved, it must to be acknowledged that not all the measures used are fully within the control of the team as explained below.
- 8.4 With regards to the Percentage of Plan Complete this a volatile indicator and affected by the timing of audits, staff availability in both internal audit and services areas to support the audit, reactive work (irregularities) and the timing of in year priority requests.
- 8.5 The Percentage of Recommendations Implemented indicator whilst demonstrating that the standard and quality of recommendations made are acceptable, their implementation is the responsibility of management and delays can occur for example due to lack of capacity, new systems and service redesigns.
- 8.6 The number of Irregularities Reported/investigated has decreased from fifteen to eight, however, this is a reactive indicator and not within the team's control.
- 8.7 The effectiveness of the team in terms of adding value to the Council is an important element of the role of internal audit (as per the definition outlined in section 1.1) and the service as a whole, however, it is extremely difficult to use quantitative indicators to measure this performance. Added value is demonstrated by the variety of work undertaken above, the responsive and flexible approach adopted, the positive comments and feedback received from auditees and the opinion of our External Auditors that they can place reliance on the work of Internal Audit.

9. QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME (QAIP)

- 9.1 The process and procedures in place within Internal Audit are continually reviewed and any issues/inefficiencies identified are addressed immediately to assist and improve productivity.
- 9.2 The Audit Management System 'Galileo' has been upgraded to the latest version available, however, the planned improvements to review the process for conducting post audit reviews, improving the indexing system and enhancing the reporting function have been rescheduled to 2018/19 due to capacity issues.
- 9.3 Work across the team was undertaken in preparation for the Peer Review, which was undertaken in March 2018 to assess compliance with the Public Sector Internal Audit

Standards (PSIAS). As reported earlier on the Agenda, the service was judged to be compliant with the standards and the recommendations made have been included in the Quality and Assurance Improvement Programme for 2018/19 which will be presented to the Audit Panel as part of the Risk Management and Audit Service Plan for 2018/19 Report later on the agenda.

10 INDEPENDENCE OF INTERNAL AUDIT

- 10.1 In accordance with the Public Sector Internal Audit Standards, the Internal Audit Team/Function has continued to remain independent of any non-audit operational responsibilities during 2017/18.
- 10.2 In the Peer Review Report dated 3 May 2018 a recommendation was included regarding the role of the Head of Risk Management and Audit as stated below. A meeting has been arranged with the Director of Governance and Pensions and the Director of Finance to discuss this recommendation.

“Standard - 1130 Impairment to Independence or Objectivity

A management decision was taken to give the Head of Risk Management and Audit the role of the Senior Information Risk Owner (SIRO). As the nominated SIRO the Head of Risk Management and Audit owns information governance risks for the Council which impairs the independence required to provide assurance of this function”.

11 AUDIT OPINION BASED ON RESULTS OF 2017/18 ACTIVITY

- 11.1 The Audit Panel can take reasonable assurance that arrangements to secure governance, risk management and internal control, within those areas reviewed, are suitably designed and applied effectively.
- 11.2 It has to be accepted that the gross risk for the Council has increased in recent years (as we have reduced capacity whilst still having to deliver a significant change programme to meet our financial challenges). The finding of our work is that controls are in place to mitigate these risks and where improvements have been highlighted, managers have agreed to implement the suggested recommendations. This will aid the management of risks and support the overall control environment.

12 RECOMMENDATION

- 12.1 Members note the report and the performance of the Risk Management and Audit Service during 2017/18.