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 PLANNED WORK 2018/19**
Report Summary:	This report presents the planned work for the Risk Management and Audit Service for 2018/19.
Recommendations:	1. Members approve the Draft Internal Audit Plan for 2018/19 shown at **Appendix 1** and note the planned work for the Risk Management and Insurance Team and the National Anti-Fraud Network. 2. Members approve the Quality Assurance and Improvement Programme for 2018/19 shown at **Appendix 2**.
Links to Community Strategy:	Internal Audit supports the individual operations, which deliver the objectives within the Community Strategy.
Policy Implications:	Effective Internal Audit and Risk Management 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 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 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:	By assisting in the effective management of risks, Internal Audit helps to reduce costs and improve service delivery.
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: ☎ Telephone: 0161 342 3846 ✉ e-mail: wendy.poole@tameside.gov.uk

1. INTRODUCTION

1.1 The report presents the planned work for the Risk Management and Audit Service for 2018/19. It sets out in detail the work of Internal Audit and presents at **Appendix 1** the Annual Audit Plan for 2018/19 for approval. It highlights the planned work in relation to Counter Fraud/Investigation Work, the Risk Management and Insurance Team and the National Anti-Fraud Network (NAFN) – Data and Intelligence Services.

2. INTERNAL AUDIT PLANNING PROCESS

2.1 The Internal Audit Service plans its work with a view to achieving the following key objectives:
- Supporting the Council's Vision;
- Providing optimum coverage across all services to ensure the best use of resources;
- Targeting resources towards priority (high-risk) areas;
- Satisfying legislative requirements;
- Providing assurances to Members and Senior Managers as to the effectiveness of the Council's internal controls;
- Responding to the needs of service managers; and
- Maintaining a regular level of audit presence in all areas.

2.2 The plan is reviewed and revised each year to take into account service and legislative changes, which can result in large shifts in priorities and culminates in the production of the Annual Audit Plan.

2.3 The audit management system used ("Galileo") holds the entire list of all audits to be undertaken "the Audit Universe" and this is used as part of the consultation process.

2.4 Audits are prioritised based on an assessment of risk and allocated a numerical risk score which equates to either High, Medium/High, Medium, Low/Medium or Low and the following factors are taken into account:-
- Susceptibility to Error/Fraud;
- Control Environment;
- Sensitivity and Reputation of the Council;
- Complexity;
- Volume and Value of Transactions;
- Management Concerns;
- Management Changes;
- Specific Business Risks/Business Importance;
- Quality, Integrity and Security of Information; and
- Years since Previous Audit.

2.5 Consultation involves Executive Members, Executive Directors, Assistant Directors, Heads of Service and in some cases Service Unit Managers and was carried out during March. These meetings help to inform the risk assessments undertaken on audit activities and provide members and officers with the opportunity to discuss areas of concern or provide further details of up and coming changes to structures, key personnel, systems, procedures and/or legislation. In addition to agreeing priority audits, the discussions also include a report on previous audit work undertaken and the level and quality of the service provided. Risks identified in the Corporate Risk Register and other sources of assurance across the Council are also taken into account during the planning process.

2.6 Allegations of fraud investigated during the year together with intelligence gained from external sources (e.g. Chartered Institute of Public Finance and Accountancy Fraud Centre,

National Anti-Fraud Network and networking events) are used to identify potential risks and new fraud areas which are then taken into account either directly as an audit or used to inform the audit work scheduled in a particular area.

2.7   Taking all the above information into account, the draft plan is produced. This plan is then balanced to resources and priorities and amended accordingly, as requested audits usually exceed resources available. This stage of the process is conducted by the Head of Risk Management and Audit Services supported by the Principal Auditors who manage the plans on a day-to-day basis and is based on professional judgement and the potential risk exposure posed to the Council. Audits that cannot be covered in the current plan year are highlighted as priorities for next year's audit plan and held in contingency in case difficulties arise in achieving any of the audits included in the annual plan.

2.8   The Director of Finance (Section 151 Officer) and the Assistant Director of Finance have been consulted to ensure that the levels of coverage will provide the necessary information and assurance to support the Section 151 Officer Role and the preparation of the Annual Governance Statement.

2.9   Whilst the work of Internal Audit, External Audit and Scrutiny are different, consultation takes place during the year to ensure our respective work programmes are complementary and that areas are not "over audited/inspected".

3.   INTERNAL AUDIT ANNUAL AUDIT PLAN 2018/19

3.1   A summary of the Annual Audit Plan is shown below in Table 1.

Table 1 – Annual Audit Plan Summary 2018/19

Service Area / Directorate	Planned Days	%
Children's	89	5.0
Children's Schools/Learning	243	14.0
Adults	102	6.0
Population Health	25	1.5
Growth	71	4.0
Operations and Neighbourhoods	106	6.0
Governance	164	9.0
Finance and ICT	174	10.0
Greater Manchester Pension Fund	300	17.0
Cross Cutting	20	1.0
Counter Fraud Work and Investigations	463	26.5
Total Planned Days for 2018/19	**1,757**	**100.0**

3.2   A complete list of the Annual Audit Plan for 2018/2019 is included at **Appendix 1**. The detail contained in the plan has been expanded in response to the recent Peer Review Assessment and now covers:-
- Links to the Corporate Plan (New);
- Links to the Corporate Risk Register (New);
- Auditable Area;
- Purpose of the Audit;
- Priority (New);

- Audit Category (New); and
- Planned Days for 2018/19.

3.3   The new additional columns in the plan are explained in further detail below:-
- Links to the Corporate Plan
  Each audit in the plan has been linked to one of the five themes within the Corporate Plan with the additional of a sixth theme to cover Governance and Finance, as outlined in the table 2 below.

Table 2 – Corporate Plan Themes

Excellent Health and Care	We want all our residents to have access to high quality joined up health and care services that help our residents to live longer and healthier lives.
Successful Futures	We want our young people to live in a safe and supportive environment where they have the opportunity to reach their full potential.
Vibrant Economy	We want to provide greater access to jobs and opportunities, attract more businesses to the area and improve connectivity.
Stronger communities	We want to build stronger communities that look out for one another, take pride in the area they live in and have access to quality homes.
Digital Place	We want to provide everyone with the opportunity to get on-line to access services, learning and information.
Governance and Finance	To provide support to the Council in delivering its aims and objectives.

- Links to the Corporate Risk Register
  Where appropriate each audit has been linked a risk in the Corporate Risk Register to ensure that the plan is providing audit coverage in the areas deemed to be of significant risk to the Council.

- Priority
  Two categories have been included;
    o Mandatory – Audits/Audit Processes that need to be included e.g. grant certification work.
    o High/Medium/Low – Each audit in the 'Audit Universe' is risk assessed within the audit management system 'Galileo' and allocated a numerical score. Those with the highest scores are included in the plan until all available resources have been accounted for.

- Audit Category
  The audit categories included in the plan are detailed below in table 3.

Category	Description
Assurance	To provide assurance to management that the processes in place are robust and fit for purpose.
Risk Based	A comprehensive risk based audit review is undertaken.
Financial Control/ Assurance Testing	A programme of financial system reviews considered high risk.
Advice	Ongoing advice provided at the request of management and stakeholders.

Follow Up	Work undertaken to ensure recommendations documented in Final Reports have been implemented.
School Visits	A programme of school visits identified as highest risk taking into account any key changes in personnel, systems and finances
Investigation	Ad hoc investigations into suspected fraud, irregularities and information incidents.
Computer Audit	Commissioned audit reviews of a technical nature from Salford Computer Audit Services, combined with reviews to be delivered in-house.
Contract Audit	Reviews on specific procurement activities and contracts considered high risk.
Certification Work	Independent verification work required by grant funding bodies, legislation and Final Accounts certification.

3.4 The plan detailed at **Appendix 1** and summarised in the table above and the pie chart below totals 1,757 days and has been matched to available resources. Compared to the plan for 2017/18 the available days have increased by 91 days from 1,666 as all posts within the Internal Audit Team are now occupied.

3.5 Productive days are estimated and any changes to the assumptions made will be reflected during the year as Audit Plan updates and reported to the Audit Panel.

3.6 The plan will be kept under constant review and regular meetings will be held with Executive Members and the Senior Management Team to ensure that it reflects the keys risks for the Council going forward as it continues to change both in shape and size to meet the financial challenges placed upon it.

Pie Chart 1 – Annual Audit Plan 2018/2019

Annual Audit Plan 2018/2019
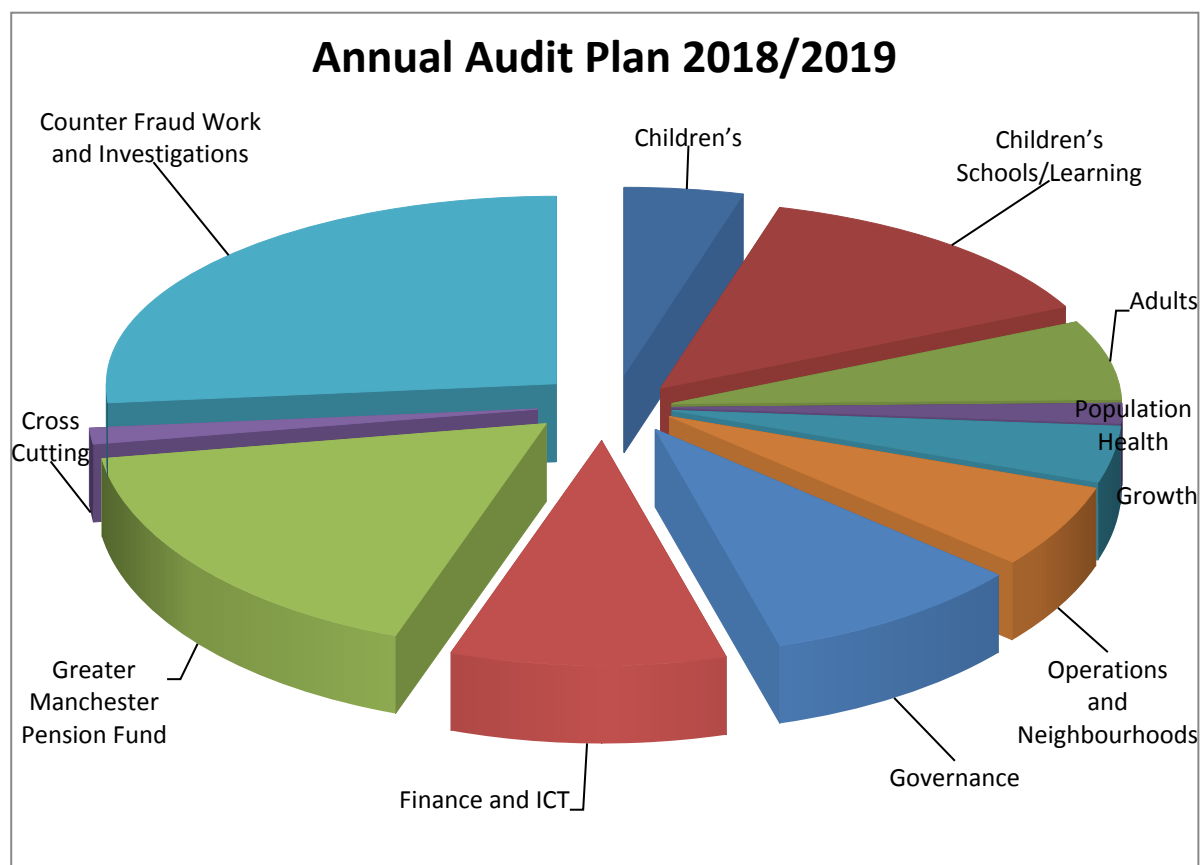
4. INTERNAL AUDIT STAFFING

4.1   The structure of the team is shown in Table 2 below.

Table 2 – Internal Audit Staffing Structure

Post	Qualification	Audit Experience
Head of Risk Management and Audit Services	CIPFA/PGCM	Over 20 Years
Principal Auditor	CIPFA/PGCM	Over 20 Years
Principal Auditor	ACCA/IIA	Over 20 Years
Senior Auditor	CIPFA	Over 20 Years
Senior Auditor		Over 20 Years
Senior Auditor		Over 20 Years
Counter Fraud/Investigator	CIPFA ACFTech	Over 10 Years
Counter Fraud/Investigator	CIPFA ACFTech	Less than 1 Year
Auditor	Degree	2 – 5 Years
Auditor	Degree	Less than 1 Year

4.2   The Service Unit no longer employees a specialist Computer Auditor and therefore the provision of technical computer audit support is procured from Salford MBC Computer Audit Services using the AGMA Collaboration Computer Audit Agreement to help deliver the ICT – Computer Audit Plan.

4.3   The Internal Audit Team has complete organisational independence and is not responsible for any non-audit work. Staff are very aware of the need to remain independent and ensure that requests for advice and support do not compromise this position.

4.4   The Head of Risk Management and Audit Services is responsible for the Risk Management and Insurance functions and is the Council's Senior Information Risk Owner (SIRO), which does challenge her independence. Any review conducted in these areas would be reported in the name of an independent manager namely the Assistant Director of Finance (Deputy Director of Finance) to ensure that independence is not compromised.

4.5   All members of the Internal Audit Team sign an annual declaration form, and this includes confirming that they have read and agreed to adhere to the Tameside Code of Conduct for Employees and the Public Sector Internal Audit Standards - Code of Ethics.

5.   INTERNAL AUDIT REPORTING PROCESS

5.1   At the completion of an audit review a draft report is produced which is issued to the appropriate managers within the area (this will vary depending on the review, but usually includes members of the senior management team) for them to check the factual accuracy of the report and to provide their management responses to the recommendations identified. Closure meetings are held with all parties to expedite the process.

5.2   A quality control and review process is in place within the team that ensures all audits are conducted to a high standard and that working papers, conclusions and recommendations are sound and justified.

5.3   A final audit report is then produced incorporating the management responses and circulated to: -
- Executive Member – responsible for area under review;
- Chief Executive;
- Director of Governance and Pensions (Monitoring Officer);
- Director of Finance (Section 151 Officer);
- Assistant Director of Finance (Deputy Section 151 Officer);
- Director;
- Appropriate Service Area Managers;
- Financial Management Business Partner; and
- External Audit.

5.4   Six months after completion, a Post Audit Review is undertaken to establish whether the agreed recommendations have been implemented, however where a low level of assurance is issued the area is re-visited within 3 months. This report is circulated to those members and officers who received the final report so that they can check that progress has been made. Areas of concern are escalated to the Head of Risk Management and Audit Services and/or the Director/Assistant Director of Finance for discussion with the relevant service managers to ensure that progress is made. Post Audit Reviews with significant outstanding items will in turn be reported to the Audit Panel.

5.5   All reports issued are reviewed and quality checked within the team by the Principal Auditors before they are released. The Head of Risk Management and Audit Services also reviews all Final Reports and Post Audit Reviews. Low level assurance audits are discussed with Assistant Directors to gain assurance that resources will be targeted to resolve issues identified.

5.6   In addition, quarterly reports are produced for the Audit Panel, which summarise the key issues, highlighted from completed audits and any concerns resulting from Post Audit Reviews.

5.7   At the end of the financial year, an annual report is produced summarising the work undertaken during the year and providing an opinion on the overall control environment. In

broad terms, the opinion is based on the audit opinions issued during the year, the nature of the audits and the type and severity of recommendations made.

5.8   The Internal Audit service conforms with the Public Sector Internal Audit Standards, and this was confirmed in the report received in April 2018 following the External Peer Review Assessment in March 2018 and this informs the Review of the Effectiveness of the System of Internal Control required by the Accounts and Audit Regulations 2015 Section 6.

5.9   A self-assessment against the Chartered Institute of Public Finance and Accountancy Statement for the Head of Internal Audit has also been completed as part of the Review of the Effectiveness of the System of Internal Control and as part of the assurance work for the preparation of the Annual Governance Statement. The Head of Risk Management and Audit Services is compliant with all the requirements.

6.   **ANNUAL GOVERNANCE STATEMENT**

6.1   The Accounts and Audit Regulations 2015 require audited bodies to conduct a review, at least once a year, of the effectiveness of its systems of internal control. The findings of the review shall be considered by a committee of the relevant body, or by members of the relevant body meeting as a whole, and following consideration, shall approve a governance statement, prepared in accordance with proper practices in relation to internal control.

6.2   The work of Internal Audit is fundamental to the production of this statement as the work conducted provides evidence and ongoing assurance that the systems of internal control have been reviewed and that risks are being effectively managed. The annual report referred to in 5.7 is a key source of assurance.

7.   **INTERNAL AUDIT CHARTER**

7.1   The Internal Audit Charter was approved by the audit Panel on 6 March 2018. In terms of feedback from the External Peer Review, the revised charter met all the required standards and no recommendations were received in this area.

8.   **QUALITY ASSURANCE AND IMPROVEMENT PRORAMME**

8.1   Standard 1300 of the Public Sector Internal Audit Standards require:
"That the chief internal auditor must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity".

8.2   The Quality Assurance and Improvement Programme (attached at **Appendix 2**) includes:-
   • Introduction;
   • Internal Assessments;
   • External Assessments;
   • Service Development; and
   • Review of the Quality Assurance and Improvement Programme.

8.3   The format of the Quality Assurance and Improvement Programme has been amended for 2018/19 to include a section on service development as this was highlighted as part of the External Peer Review and the following recommendation made:-
"A Quality Assurance and Improvement Programme (QAIP) is in place which is updated on an annual basis and presented to Audit Panel in line with the standards. It was noted that no improvement action plan was linked to this to highlight what actions had been identified to drive improvement and enable the Audit Panel to monitor the achievement of these"

9. PROACTIVE FRAUD WORK/IRREGULARITY INVESTIGATIONS

9.1 Whilst unplanned in their nature, time is required each year for the investigation of frauds and irregularities that are notified to Internal Audit. There is a dedicated resource within the service unit, which provides support to management to ensure that such problems are dealt with as effectively as possible. A control report is provided in response to investigations/advice and support work to ensure that the control environment is improved to try to minimise any future re-occurrence. Learning points are noted for wider dissemination where appropriate and any recommendations are followed up at a later date by a Post Audit Review to ensure the required improvements have been implemented.

9.2 The Standards Panel is notified of all cases reported and kept informed of progress on a monthly basis and direction/guidance from the Panel is provided where appropriate.

9.3 Update reports will be provided as part of the quarterly progress reports provided by the Head of Risk Management and Audit Services.

9.4 Intelligence from all corporate fraud/irregularities notified to Internal Audit is used to:-
- Evaluate our response plan;
- Inform the audit planning process to ensure fraud risks are taken into account; and
- Inform the risk assessment tool within Galileo (audit management system) to ensure all auditable activities are correctly assessed.

9.5 Proactive fraud work planned for 2018/2019 will include the development and delivery of awareness training, the review of all fraud policies, processes and procedures and the use of the interrogation package "IDEA" to look for data anomalies and duplicate payments.

10. RISK MANAGEMENT AND INSURANCE

10.1 The Risk Management and Insurance Team provide services to the whole Council including schools. The key priorities for the team during 2018/2019 are:-

- To review the risk management system to ensure that it complies with best practice including a review of service area risk register.
- To ensure the Corporate Risk Register is updated on a quarterly basis and reported to the Single leadership Team and the Audit Panel.
- To facilitate the continued implementation of the Information Governance Framework, ensuring that the Council is compliant with the General Data Protection Regulations (GDPR) and the Data Protection Act 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.
- To review the insurance database used by the team to ensure it is fit for purpose and that the reporting function is efficient and effective.
- 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.
- To attend management team meetings quarterly to provide updates on insurance, information governance, risk management and business continuity.

11.   NATIONAL ANTI-FRAUD NETWORK - DATA AND INTELLIGENCE SERVICES

11.1   The National Anti-Fraud Network will continue to work with key stakeholders and partners to further develop the services offered to members to ensure that emerging business needs are met in response to changing legislation. The key priorities are:-

- To continue to maintain and where necessary improve operational controls in pursuit of operational excellence to meet Government standards on data and intelligence.
- To work with the Investigatory Powers Commissioner's Office (IPCO) to maintain high standards of integrity and legitimate use for communications data and ensure compliance with the Investigatory Powers Act once enacted.
- To improve the website, taking on board customer feedback and providing a more intuitive efficient experience.
- To enhance the current national sanctions database include data from service areas such as tenancy, blue badge and employee fraud.
- To engage proactively with existing data providers including Callcredit, Equifax, GB Group and Lexis Nexis to further expand Type B online services.
- To continue to develop DVLA services for new and existing members and explore opportunities for acquiring and linking to new data sources to expand intelligence and support fraud investigation.
- The new Taxis Licence and Revocation Database will be operational by May 2018 but will need to be actively promoted and rolled out to NAFN users. During 2018/19 access to the Automatic Number Plate Recognition (ANPR) system will be introduced as a new service for members and it is anticipated that a decision on a preferred business solution for the Greater Manchester Intel Hub will lead to implementation.
- To pursue the updated strategy approved by the Executive Board in January 2018 to develop training and the provision of an intelligence analyst service, by seeking stakeholder and member support and scoping out the revised service offering.

12.   PERFORMANCE MONITORING

12.1   In accordance with Tameside methodology, the performance of the service is monitored against targets and performance indicators. Individually auditors are monitored against performance targets and appraisal sheets are completed for audits highlighting issues and potential training needs. Customer questionnaires are also used at the conclusion of each audit to test customer reaction to the audit and to help identify any training needs or service improvements.

12.2   The Audit Plan will be continually monitored via monthly progress meetings between the Audit Management Team and regular update meetings with Executive Members, Senior Managers and External Audit and quarterly reports to the Audit Panel and the Greater Manchester Pension Fund Local Board.

12.3   The target for achievement is 90% of the agreed plan. However, high priority requests that arise during the year, changes in available audit resources and problem areas highlighted may affect the achievement of this target and result in the need for revisions to the agreed plan. All significant changes are agreed with relevant managers and Executive Members where appropriate and will be brought to the Panel for approval.

12.4   The Public Sector Internal Audit Standards are the benchmark against which the performance and effectiveness of the internal audit service will be measured.

12.5   The performance indicators monitored and measured are detailed in table 3 below.

Table 3 – Performance Indicators

	INDICATOR	TARGET
1	Compliance with Public Sector Internal Audit Standards	100%
2	% of Plan Completed	90%
3	Customer Satisfaction (per questionnaires)	90% of customers "satisfied ≥ 65%"
4	% Recommendations Implemented	90%
5	No. of Irregularities Reported/Investigated	Downward Trend

13. MEMBER TRAINING

13.1 During the year, general training on Audit, Risk Management, Information Security, Corporate Governance and Business Continuity will be considered in accordance with member needs with targeted training being provided for members of the Audit Panel and the Greater Manchester Pension Fund Local Board as and when requested.

14. RECOMMENDATIONS

14.1 Members approve the Draft Internal Audit Plan for 2018/2019 shown at **Appendix 1** and note the planned work for the Risk Management and Insurance Team and the National Anti- Fraud Network.

14.2 Members approve the Quality Assurance and Improvement Programme for 2018/19 shown at **Appendix 2**.