



Report To:	LOCAL PENSIONS BOARD
Date:	9 August 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:	<ol style="list-style-type: none"> 1. Members to note the Internal Audit Plan for 2018/19 shown at Appendix 1 and note the planned work for the Risk Management and Insurance Team. 2. Members to note the Quality Assurance and Improvement Programme for 2018/19 shown at Appendix 2.
Policy Implications:	Effective Internal Audit and Risk Management supports the achievement of Greater Manchester Pension Fund 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:	<p>The background papers can be obtained from the author of the report, Christine Weston, Principal Auditor by:</p> <p> Telephone: 0161 342 2356</p> <p> e-mail: christine.weston@tameside.gov.uk</p>

1. INTRODUCTION

- 1.1 The report presents the planned work for the Risk Management and Audit Service for 2018/2019. It sets out in detail the work of Internal Audit and presents at **Appendix 1** the Annual Audit Plan for 2018/19. It highlights the planned work in relation to Counter Fraud/Investigation Work and the Risk Management and Insurance Team.

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 Greater Manchester Pension Fund's Vision;
 - Providing optimum coverage across the Fund 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 Greater Manchester Pension Fund'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 Greater Manchester Pension Fund;
 - 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 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 available to the Greater Manchester Pension Fund 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 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.
- 2.8 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

- 3.1 300 days will be provide to the Greater Manchester Pension Fund in 2018/2019. The full Annual Audit Plan for 2018/2019 is included at **Appendix 1**.
- 3.2 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 1 – 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;
 - Mandatory – Audits/Audit Processes that need to be included e.g. grant certification work.
 - 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 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 Local Board.
- 3.4 The plan will be kept under constant review and regular meetings will be held with the Senior Management Team of the Greater Manchester Pension Fund to ensure that it reflects the keys risks going forward.

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 employs 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 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: -
- Chair of Working Group – responsible for area under review;
 - Chief Executive;
 - Director of Governance and Pensions;
 - Director of Finance (Section 151 Officer);
 - Assistant Director of Finance (Deputy Section 151 Officer);
 - Appropriate Service Area Assistant Director and Managers; 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 Local Board.

- 5.5 All reports issued are reviewed and quality checked within the team by the Principal Auditor 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, regular reports are produced for the Local Board, 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 for 2018/19 was approved by the Council's 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.

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 potential duplicate payments.

10. RISK MANAGEMENT AND INSURANCE

- 10.1 The Risk Management and Insurance Team provide services to the whole Council including the Greater Manchester Pension Fund and the key priorities for 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. PERFORMANCE MONITORING

- 11.1 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.
- 11.2 The Audit Plan will be continually monitored via monthly progress meetings between the Audit Management Team and regular update meetings with the Chair of the Local Board, Senior Managers and External Audit and quarterly reports to the Greater Manchester Pension Fund Local Board.
- 11.3 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.
- 11.4 The Public Sector Internal Audit Standards are the benchmark against which the performance and effectiveness of the internal audit service will be measured.
- 11.5 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

12. MEMBER TRAINING

- 12.1 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.

13. RECOMMENDATIONS

13.1 As set out at front of report.