


<b>Report To:</b>	<b>AUDIT PANEL</b>
<b>Date:</b>	23 October 2018
<b>Reporting Officer:</b>	Wendy Poole – Head of Risk Management and Audit Services
<b>Subject:</b>	<b>PROGRESS REPORT ON RISK MANAGEMENT AND AUDIT ACTIVITIES APRIL TO SEPTEMBER 2018</b>
<b>Report Summary:</b>	To advise members of the work undertaken by the Risk Management and Audit Service between April and September 2018 and to comment on the results.
<b>Recommendations:</b>	That members note the report and the performance of the Service Unit for the period April to September 2018.
<b>Links to Corporate Plan:</b>	Internal Audit supports the individual operations, which deliver the objectives within the Corporate Plan.
<b>Policy Implications:</b>	Effective Risk Management and Internal Audit supports the achievement of Council objectives and demonstrates a commitment to high standards of corporate governance.
<b>Financial Implications: (Authorised by the Section 151 Officer)</b>	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.
<b>Legal Implications: (Authorised by the Borough Solicitor)</b>	Demonstrates compliance with the Accounts and Audit Regulations 2015.
<b>Risk Management:</b>	Assists in providing the necessary levels of assurance that the significant risks relating to the council's operations are being effectively managed.
<b>Access to Information:</b>	The background papers can be obtained from the author of the report, Wendy Poole, Head of Risk Management and Audit Services by contacting:

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## **1. INTRODUCTION**

- 1.1 This is the first progress report for the current financial year and covers the period April to September 2018.
- 1.2 The main objective of this report is to summarise the work undertaken by the Risk Management and Audit Service during the first half of the year in respect of the approved Plan for 2018/2019, which was presented to the Audit Panel in May 2018.

## **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 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.

- 2.2 A detailed review of the risk management process will be undertaken over the coming months due to increased capacity on the Risk and Insurance Team, to compare our process with best practice including the revised ISO 31000 (2018) for Risk Management, practices across other local authorities and the Tameside and Glossop Clinical Commissioning Group.

- 2.3 Information Governance work was prioritised in the first half of the year in light of the introduction of the General Data Protection Regulations and the Data Protection Act 2018 which both become applicable back in May 2018. Work has been undertaken in the following areas:-

- The majority of the Information Governance Framework documents have been updated with three outstanding:-
  - Information Sharing Protocol
  - IG Manager Checklist
  - Retention and Disposal Guidance and Schedule
- Information Asset Audits have been completed;
- A Register of Processing Activities (RoPA) has been created
- GDPR E Learning Module rolled out;
- Follow up training has been delivered upon request to deal with Subject Access Requests, Consent, Individual's Rights and sharing;

- Support is being provided to Managers to help them complete Sharing and/or Processing Agreements; and
- A procedure in relation to Data Protection Impact Assessments has been drafted in accordance with guidance from the AGMA Information Governance Group and is currently being piloted to obtain feedback, before approval is obtained from the Single Leadership Team and the Audit Panel for full adoption.

2.4 A report in relation to business continuity was presented to the Single Leadership Team in July. Following the meeting the templates have been refreshed and it has been agreed with the Operations and Neighbourhoods Directorate to pilot the new format with them to ensure it is workable. Once completed workshops will be offered to all managers to update / refresh their plans in place.

2.5 Support in relation to insurance claims has been provided to both service areas and schools throughout the first six months of the year to ensure that claims against the Council are robustly defended.

### 3. INTERNAL AUDIT OVERVIEW

3.1 The Audit Plan approved on 29 May 2018 covered the period April 2018 to March 2019 and totalled 1,757 Days. This was made up of 1,294 days on planned audits and 463 days on reactive fraud work.

3.2 Table 1 below provides a summary of progress against the plan to 30 September 2018. The actual days delivered at Quarter 2 are 837 which equates to 48% of the total audit days planned for 2018/19 at 1,757, compared to 42% at this stage during 2017/18 and 42 in 2016/17. **Appendix 1** provides a detailed breakdown of the 2018/19 Audit Plan and details; the activity, purpose, days, status and level of assurance.

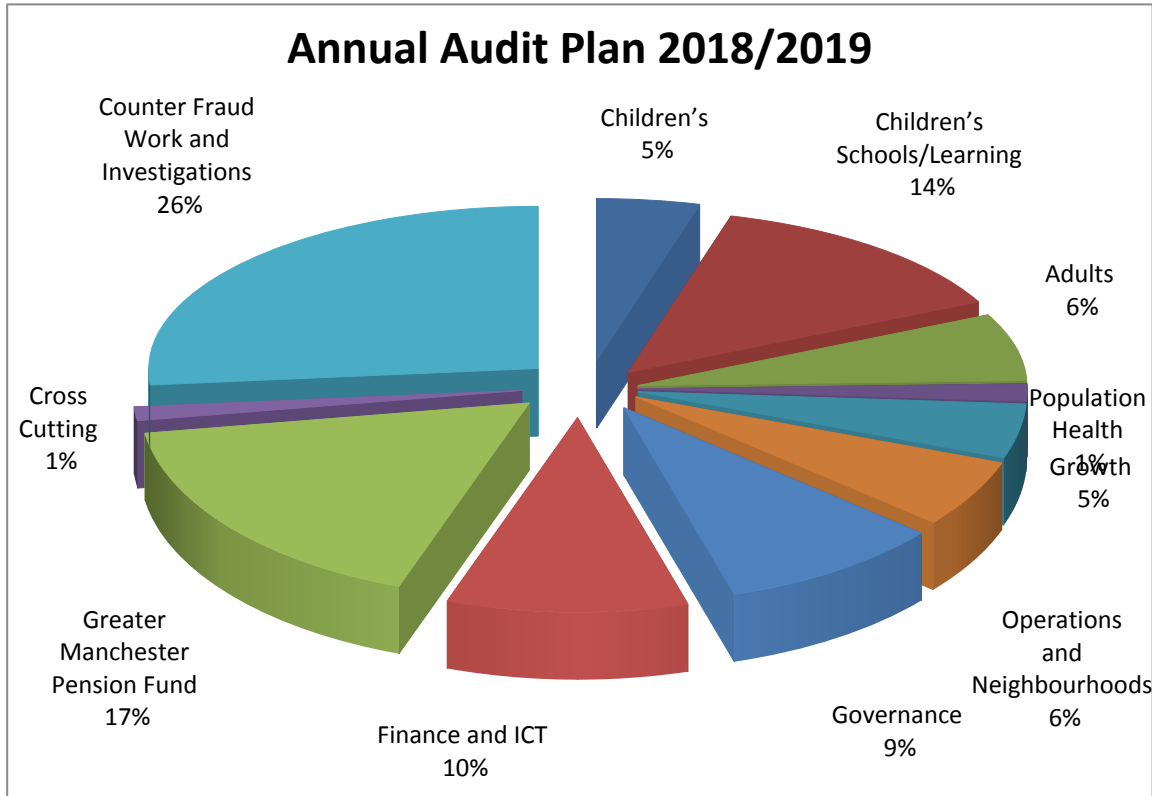
3.3 The Pie Charts below present the realigned plan for the year and the actual days delivered to 30 September 2018.

3.4 **Table 1 – Annual Audit Plan Summary 2018/2019**

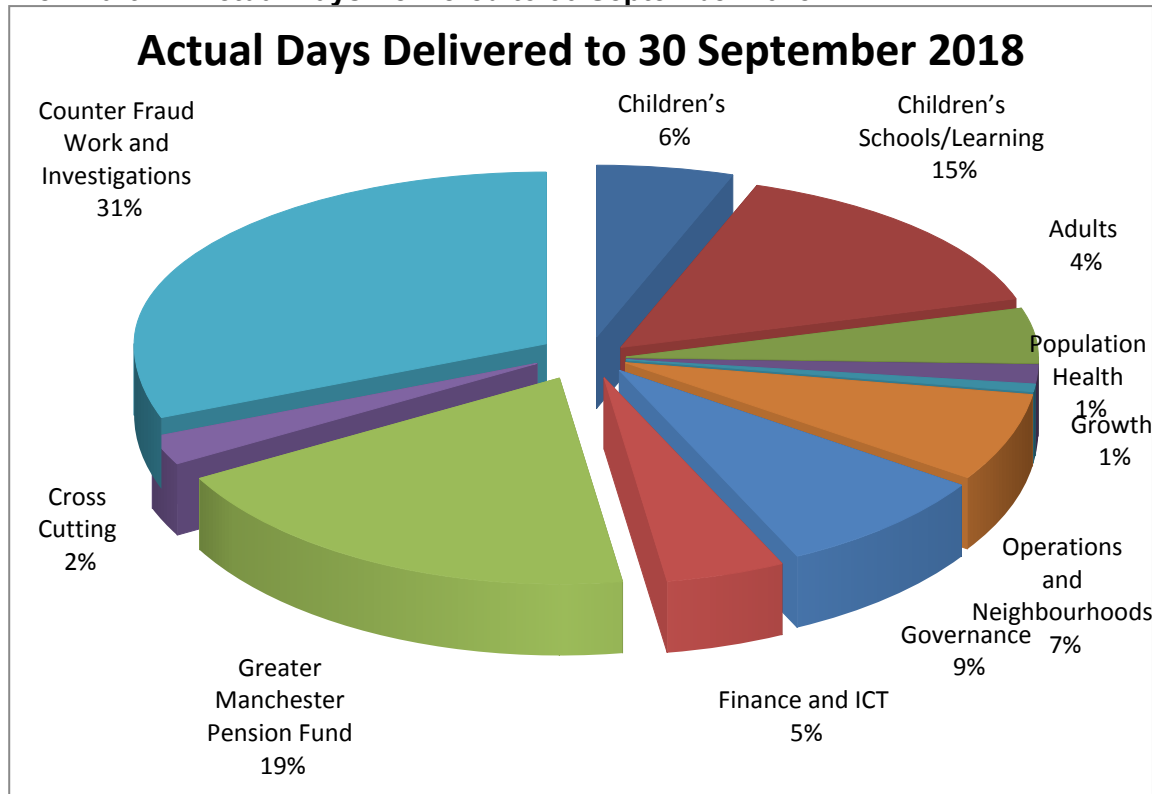
Service Area / Directorate	Approved Plan 2018/19	Realigned Plan Days 2018/19	Actual Days To Sept 2018	% Complete
Children's	89	89	53	60
Children's Schools/Learning	243	243	124	51
Adults	102	100	36	36
Population Health	25	25	12	48
Growth	71	79	5	6
Operations and Neighbourhoods	106	99	58	59
Governance	164	163	71	44
Finance and ICT	174	176	39	22
Greater Manchester Pension Fund	300	300	162	54
Cross Cutting	20	20	19	95
Counter Fraud Work/Investigations	463	463	258	56
<b>Total Planned Days for 2018/19</b>	<b>1,757</b>	<b>1,757</b>	<b>837</b>	<b>48</b>

3.5 A detailed review of the audit plan is currently underway as we have reached the half year point in conjunction with senior management to ensure that the plan is still relevant and meets the needs of the Council. The original plan of 1,757 days was based on estimated resources at the beginning of the year and the revised plan will be reported to a future meeting of the Panel, taking into account any changes to available resources.

3.6 **Pie Chart 1 – Annual Audit Plan 2018/2019**



3.7 **Pie Chart 2 – Actual Days Delivered to 30 September 2018**



#### 4. AUDIT ACTIVITY TO 30 SEPTEMBER 2018

4.1 During the first half of the year, 16 Final Reports were issued in relation to systems and risk based audits, the results of which are summarised in Table 2 below.

**Table 2 – Final Reports System/Risk/Managed Audits**

Opinion	Number	%	Total To Date	Total for 2017/18
High	5 (5)	31	5 (5)	8 (7)
Medium	7 (3)	44	7 (3)	8 (2)
Low	4 (1)	25	4 (1)	4 (1)
<b>Totals</b>	<b>16 (9)</b>	<b>100</b>	<b>16 (9)</b>	<b>20 (10)</b>

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

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

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:-

- Troubled Families;
- Pension Fund Annual Return Compliance Checks;
- Grant Certifications for Greater Manchester Combined Authority;
- System Sign Offs for new and upgraded systems;
- Pension Fund assurance Work; and
- Control Reports.

4.4 10 School Audits were completed during the period, the results of which are summarised in Table 3 below.

**Table 3 – Final Reports Schools**

Opinion	Number	%	Total To Date	Total for 2017/18
High	4	40	4	8
Medium	5	50	5	5
Low	1	10	1	3
<b>Totals</b>	<b>10</b>	<b>100</b>	<b>10</b>	<b>16</b>

4.5 In addition to the final reports issued above, 4 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.

4.7 16 Post Audit Reviews have been completed during the period and the details can be found in **Appendix 1**. A summary of the Post Audit Reviews completed to 30 September 2018 is presented in Table 4 below and details the number of recommendations made and implemented. Internal Audit was satisfied with the reasons put forward by management where the recommendations had not yet been fully implemented and there are no significant issues outstanding to report to the Panel. A further 17 Post Audit Reviews are in progress which will be reported to the Panel at a future meeting.

4.8 **Table 4 – Post Audit Reviews – Recommendations Implemented**

Post Audit Reviews	Recommendations			Comments
	Made	Implemented		
	No.	No.	%	
Arlies Primary & Nursery	3	3	100	
Millbrook Primary & Nursery	8	8	100	
Milton St Johns C E Primary	5	5	100	
St Pauls R C Primary & Nursery Hyde	3	3	100	
St Peters RC Primary & Nursery Stalybridge	4	4	100	
Hyde Community College	26	26	100	
Better Care Fund	10	10	100	
Private Equity	3	3	100	
Visit To Contributing Body - Rochdale Metropolitan Borough Council	7	7	100	
Population Health - Contract Monitoring Provision of a Drug and Alcohol Recovery Service	27	27	100	
Device Management	13	12	92	The outstanding issue will be resolved when the ICT Services moves into its new location.
Pupil Referral Service	64	57	89	Staffing changes at both the Head of Service and the Business Manager level impacted on the audit and the post audit review. New staff are now in post and another audit will be scheduled.
Pension Benefits Payable	7	6	86	Low priority recommendation outstanding relating to procedure notes.
Debtors	12	10	83	Assurances have been received that the two remaining recommendations will be implemented by the end of 2018.
Unitisation	10	3	30	2nd PAR scheduled for Quarter 3
Altair	3	0	0	Only three recommendations made and they relate to system issues that are being progressed with the provider.

## 5. REVIEW OF INTERNAL AUDIT

- 5.1 The review of Internal Audit reported to the Audit Panel on 29 May 2018 highlighted that the service is fully compliant with the requirements of the Public Sector Internal Audit Standards (PSIAS).
- 5.2 The standards require a Quality Assurance and Improvement Programme to be in place and this was presented and approved by the Audit Panel on 29 May 2018. The service developments listed in Table 5 below were included for 2018/19.

**Table 5 – Service Developments 2018/19**

Developments	Progress to Date
1. To review the usage of the audit management system 'Galileo' to further maximise efficiencies from the use of e-technology	Review scheduled for Quarter 3.  Improvements identified by the Team/Service Areas are reviewed and adopted where appropriate to continuously improve the service.
2. To deliver the recommendations from the PSIAS Peer Review conducted in March 2018.	<b>Appendix 2</b> provides a progress report in relation to the recommendations agreed following the Peer Review in March 2018.
3. To review all fraud, bribery and corruption policies plans etc. including the whistleblowing and money laundering policies, to ensure they are fit for purpose and then consider how to effectively deliver training and awareness.	This review is currently underway and a number of revised documents have been produced which are currently being reviewed. Once finalised the appropriate governance process will be followed to ascertain approval.
4. To provide an options paper for the provision of Internal Audit going forward across the Strategic Commission.	Initial enquiries have been undertaken and the options paper will be produced in Quarter 3.

## 6. ANNUAL GOVERNANCE STATEMENT 2017/18

- 6.1 The Annual Governance Statement presented to the Audit Panel on 29 May 2018 and approved by the Overview (Audit) Panel on 30 July 2018 highlighted several areas for development. Table 6 below provides an update on progress to date.

**Table 6 – Annual Governance Statement Development Areas**

Area of Review	Improvement Required	Progress to Date September 2018
Carillion/ 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	Executive Cabinet approved the completion plan on 20 June 2018 with additional £9.4m funding. Project Board overseeing delivery with Director of Growth as SRO. Additional project assurance provided by Cushman & Wakefield (Independent Client Adviser) and Saffer Cooper (Critical Friend). Final

Area of Review	Improvement Required	Progress to Date September 2018
	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.	programme and Cost to Complete subject to completion of variation to contract and work is ongoing to achieve this.
Children's Services (Carry Forward)	Improvements in response to the Ofsted Inspection published in December 2016, which have been detailed in the Tameside Children's Services Improvement Plan, need to be implemented and an Improvement 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 in place.  Following their recent monitoring visit in August Ofsted have acknowledged that we have an accurate understanding of ourselves, the challenges we face and what we need to do to improve further.
Pension Fund Pooling of Investments (Carry Forward)	Greater Manchester Pension Fund is working with other large metropolitan LGPS funds to create a £45+ 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.	The three funds have established investment vehicles, which makes collective direct infrastructure investments and collective private equity investments.  A procurement exercise has been undertaken to appoint a pool custodian, and a commercial and legal review of the successful bidders' contract is currently ongoing.  A formal joint committee governance structure will be established in the next few months.  Representatives of the Fund will continue to work closely and seek professional advice, as required, in order to finalise all aspects of the Pool.
Health and Safety (Carry Forward)	To Review process and procedures in place to ensure consistency of approach and embrace electronic recording where appropriate.	Directorate Health and Safety Meetings now established to ensure consistency of approach across the organisation. Health and Safety Manager recruited and due to commence on 15 October 2018.  A full audit of all aspects of the Council to be commissioned and then a new service established with electronic accident reporting.



Area of Review	Improvement Required	Progress to Date September 2018
Management of CCTV (New)	To review the processes and procedures in place across the Council to ensure consistency of approach and compliance with all relevant legislative requirements.	An Action plan has been produced with deadlines to March 2019. A number of actions have been completed and others are in progress.
Creditors (New)	Improvements to the creditor payments system have been highlighted as part of an internal audit review.	An Action plan has been agreed and work is in progress to improve the system in place.
Estates Management (New)	Improvements to the Estates Management system have been highlighted as part of an internal audit consultancy review.	Work is ongoing in response to the recommendations made. Different delivery models including a combined Estates Provision with the Integrated Care Foundation Trust (ICFT) will be reviewed and completed during 2018/19.
ICT Disaster Recovery and Business Continuity Planning (New)	Enhancements are needed to the systems in place so that they meet with the requirements of the Council and best practice, to ensure continuity of service in the event of an incident, which causes disruption, or denial of service.	The templates in place have been updated and work has commenced to review Business Continuity Plans across the Council.  ICT Disaster Recovery Plan is being considered as part of the Vision Tameside Project in line with the completion of the new service centre.
Information Governance (New)	To ensure that information governance processes across the Council are consistently applied and compliant with the EU General Data Protection Regulations and the new Data Protection Act 2018.	Work is ongoing to ensure that the Council can demonstrate compliance with GDPR and the Data Protection Act 2018.

## 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 reported to the Monitoring Officer on a regular basis for challenge and comment and where appropriate further guidance and direction is provided. Liaison with Legal Services takes place on a case by case basis.
- 7.3 Ongoing 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. This work can range from analysing expenditure records, internet usage, identification of undeclared assets and assisting other organisations to progress their investigations.

- 7.4 The two Fraud Investigators / Counter Fraud Specialists have recently qualified as Accredited Counter Fraud Technicians, which has enhanced their skills and knowledge that they have brought back into the team to help improve the processes adopted.
- 7.5 In line with the Quality Assurance and Improvement Programme a review of all fraud, bribery and corruption policies plans etc. including the whistleblowing and money laundering policies, is underway to ensure they are fit for purpose and meet with recommended best practice. Another element to the review is to consider how to effectively deliver training and awareness for members and employees. A number of revised documents have been produced, which are currently being reviewed and once finalised the appropriate governance process will be followed to ascertain approval.
- 7.6 The number of cases investigated during the period April to September 2018 is summarised in Table 7 below.

**Table 7 – Investigations Undertaken from April to September 2018**

Detail	No. of Cases
Cases B/Forward from 2017/2018	11
Current Year Referrals	6
<b>Total</b>	<b>17</b>
Cases Closed	5
Cases Still under Investigation	12
<b>Total</b>	<b>17</b>
<b>Assistance Cases</b>	<b>6 (4 Active)</b>

- 7.7 The above investigations can be categorised by fraud type as shown in Table 6 below.

**Table 6 – Investigations by Fraud Type**

Fraud Type	No. of Cases	Value of Fraud £	Recovered To Date £	Potential Annual Savings £
Direct Payment	6	98,130	2,240	82,976
Misappropriation of Service User's monies	3	Unknown	-	-
Procurement	1	19,576	-	-
Falsifying expenditure claims / manipulation of timesheets	2	502	Unknown	-
Misappropriation of public funds	1	Unknown	-	-
Theft	4	1,058	-	-
<b>Total</b>	<b>17</b>	<b>119,266</b>	<b>2,240</b>	<b>82,976</b>

- 7.8 In addition to the £19,576 procurement fraud above, £15,957 of stock was recovered from the supplier, which the school were able to use to purchase goods and services the school needed.
- 7.9 The data sets for National Fraud Initiative (NFI) 2018 were uploaded during the week commencing 8 October 2018 and the matches identified will be received in January / February 2019 and thereafter they will be investigated by both Risk Management and Audit Services and Service Areas to identify any possible errors or fraud. The number of matches received and the progress will be reported to future meetings of the Panel.

## 8. NATIONAL ANTI FRAUD NETWORK DATA AND INTELLIGENCE SERVICES

8.1 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	Sept 2018	March 2018	Target	%	% Increase (Decrease)
Local Authorities	356	350	420	85	1.7
Housing Associations	57	54	N/A	-	5.5
Other Public Bodies	15	14	N/A	-	7.1
<b>Totals</b>	<b>428</b>	<b>418</b>	<b>-</b>	<b>-</b>	<b>2.4</b>

8.2 NAFN has worked closely with the Local Government Association and Institute of Licensing to develop, deliver and host a national register of taxi and private hire drivers who have had their licences refused or revoked, improving the safety of the travelling public. The system was launched at the beginning of August and is now available for members to use.

8.3 The webinar training programme is continuing to be very popular with members as it enables members to take part in bite size online sessions to discover more about the services NAFN offers.

8.4 The number of requests received during 2018/19 as detailed in Table 10 below has increased overall by 15.5% from the same period in the previous year. The results for the first six months and the increase in the number of Regulation of Investigatory Powers Act (RIPA) requests are very encouraging.

**8.5 Table 10 – NAFN Requests Received**

Type of Request	2018/19 Apr-Sep	2017/18 Apr-Sep	2017/18 Full Year	% Increase (Decrease)
General Data Protection Requests	17,687	18,927	38,980	(6.6)
Driver and Vehicle Licensing Agency	7,914	8,654	16,507	(8.6)
Regulation of Investigatory Powers Act	532	379	760	40.4
Prevention of Social Housing Fraud Act/Council Tax Reduction Scheme	6,062	5,813	12,425	4.3
Type B (Online)	68,446	53,394	112,341	28.2
<b>Grand Total</b>	<b>100,641</b>	<b>87,167</b>	<b>181,013</b>	<b>15.5</b>

8.6 The increase in Type B (Online) requests is in line with expectations and further development is planned to add further services.

8.7 Preparations for the NAFN Annual General Meeting and Summit on 11 October 2018 at the Etihad Stadium in Manchester have taken place during the period. The theme for the event is Data, Disclosure and Threats.

## 9. RECOMMENDATIONS

9.1 That members note the report and the performance of the Service Unit for the period April to September 2018.