Report To:	**AUDIT PANEL**
Date:	1 March 2016
Reporting Officer:	Peter Timmins - Assistant Executive Director (Finance)
	Wendy Poole - Head of Risk Management and Audit Services
Subject:	**PROGRESS REPORT ON RISK MANAGEMENT AND INTERNAL AUDIT ACTIVITIES APRIL TO JANUARY 2016**
Report Summary:	To advise members of the work undertaken by the Risk Management and Internal Audit Service between April and January 2016 and to comment on the results.
Recommendations:	Members note the report and the performance of the Service Unit for the period April to January 2016.
Links to Community Strategy:	Internal Audit supports the individual operations, which deliver the objectives within the Community Strategy.
Policy Implications:	Effective Risk Management and Internal Audit supports the achievement of Council objectives and demonstrates a commitment to high standards of corporate governance.
Financial Implications: **(Authorised by the Section 151 Officer)**	Effective Risk Management and Internal Audit assists in safeguarding assets, ensuring the best use of resources and reducing losses due to poor risk management. It also helps to keep insurance premiums and compensation payments to a minimum and provides assurance that a sound control environment is in place.
Legal Implications: **(Authorised by the Borough Solicitor)**	Demonstrates compliance with the Accounts and Audit Regulations 2015. It will be necessary as part of the significantly reduced resources available to the whole Council to ensure that the audit function also reflects those reductions and ensures that it is 'fit for purpose' and provides value for money going forward in a revised Council structure reflecting pubic reform including the Integrated Care Organisation. It will be necessary to look at new ways of working to ensure that we use resources as effectively as possible and keep the organisation safe.
Risk Management:	Assists in providing the necessary levels of assurance that the significant risks relating to the council's operations are being effectively managed.
Access to Information:	The background papers can be obtained from the author of the report, Wendy Poole, Head of Risk Management and Audit Services by contacting:
	☎ Telephone:0161 342 3846
	🌐✉ e-mail: wendy.poole@tameside.gov.uk

1. INTRODUCTION

1.1 This is the second progress report for the current financial year and covers the period April to January 2016.

1.2 The main objective of this report is to summarise the work undertaken by the Risk Management and Internal Audit Service during the first half of the year in respect of the approved Plan for 2015/2016, which was presented to the Audit Panel in May 2015.

2. RISK MANAGEMENT AND INSURANCE

2.1 The approved priorities for 2015/2016 are:-
- To deliver Risk Workshops for managers from summer onwards to enable risk registers to be updated in response to the 'Decant' from TAC.
- To facilitate the continued implementation of the Information Governance Framework by:-
    - o Providing advice and guidance in relation to the retention and disposal of information as a priority as part of the 'Big TAC Tidy Up';
    - o Keeping the framework up to date with any new guidance issued by the Information Commissioners Office;
    - o Introducing a series of internal reviews across the Council to ensure compliance with procedures and guidance.
- To review the Business Continuity Management system in place to streamline the process to create a management tool that is workable, with a capability to provide knowledge and information should a major incident occur.
- To continue to support managers to assess their risks as services are redesigned to ensure that changes to systems and procedures remain robust and resilient offering cost effective mitigation and that claims for compensation can be successfully repudiated and defended should litigation occur.

2.2 With regards to Information Governance resources have been directed towards training during the last few months to ensure that all staff have completed the On-Line Date Protection at Work E-Tutorial and preparing for and launching a further tutorial on Information Governance. Targeted training to specific teams who deal with large volumes of personal and sensitive information is delivered on request. Training and awareness was highlighted as a key deliverable to ensure staff are aware of the roles and responsibilities at a recent Information Commissioners Office Workshop. The use of e-tutorials was accepted as a way of delivering the basic messages to all staff but the need for targeted workshops to high risk areas was enforced.

2.3 The Information Governance Framework which was approved and launched in November 2013 is currently being reviewed to incorporate the learning from the above mentioned Information Commissioners Office Workshop. The documents in the framework are quite generic and the Information Commissioners Office stated that they should be supported further by specific guidance for differing high risk areas which removes the need for judgement. The documents should be clear so that staff fully understand the expectations placed upon them. The refresh also presents the opportunity to review best practice across AGMA and other information governance specialists and incorporate this into Tameside's Information Governance Framework.

2.4 Work has also been undertaken during the period to collate the information required by our insurers in relation to the annual renewal of all our insurance policies. The renewal data is 31 March and it is anticipated that we will be notified of our premiums by the end of February 2016.

2.5   Advice and guidance has continued to be delivered across the Council ensuring that proper insurance covers are in place and that risks are managed to an acceptable level. The Team have continued to work with our insurers, claims handlers and legal representatives to ensure that all claims (including the litigated claims) have a robust defence in place.

3.   INTERNAL AUDIT

3.1   The Audit Plan approved on 26 May 2015 covered the period April 2015 to March 2016 and totalled 1937 Days.

3.2   Table 1 below provides an update on progress against the Revised Plan to 31 January 2016. It can be seen from the table below that 82% of the audit days have been delivered to date. The actual days capture the latest information available to 31 January 2016. A graphical representation of the Planned versus Actual days in Table 1 below can be seen at **Appendix A**.

Table 1 – Annual Audit Plan Progress as at 31 January 2016

Service Area	Approved Plan May 2015	Revised Plan 2015/16 Approved Nov 2015	Revised Plan 2015/16 Jan 2016	Actual Days To 31 Jan 2016	% Complete
People	230	240	212	187	82
Public Health	60	27	27	20	74
Place	199	163	155	150	97
Governance/Resources	330	261	274	218	80
Schools	293	286	235	214	91
Cross Cutting	40	38	28	30	107
Pension Fund	300	250	250	166	66
Contingency Days	10	5	0	0	0
Planned Days 2015/16	**1462**	**1270**	**1181**	**985**	**83**
Fraud Work	475	475	475	375	85
Total Days 2015/16	**1937**	**1745**	**1656**	**1360**	**82**

3.3   As stated above 82% of the audit days have been delivered to the end of January 2016. The plan presented to the Panel in November was based on the assumption that a temporary auditor would be engaged to assist with the delivery of the plan and in particular school audits. Unfortunately no suitable resource was identified and therefore the plan has been revised to match with available resources.

3.4   The planning process is well underway for 2016/17 and will be presented to the next meeting of the Panel. All audits are risk assessed including schools taking into account duration since the last audit and therefore any audits that have been rescheduled from 2015/16 will score highly on that feature in the risk assessment.

3.5 In terms of the revised plan, the key changes which are reflected in the above table are highlighted in table 2 below:-

Table 2 – Changes to Annual Audit Plan 2015/16 As At January 2016

Service Area	Audits Rescheduled
People	• Supporting People - Contract Monitoring
	• Youth Offending Team
Place	• Mobile Phones (Security and Fleet Management)
Schools	• 8 Primary Schools
Cross Cutting	• Review of ICT within Service Areas
Governance	• Reduced Days on Review of Expenditure
	Audits Added
Governance	• Bank Transfer Appointeeships/Deputyships
	• Increased Day for Better Care Fund

3.6 During the four month period to the end of January 2016, 7 Final Reports were issued in relation to systems based audits, the results of which are summarised in Table 2 below.

Table 2 – Final Reports System Audits

Opinion	Number Oct 15 – Jan 16	%	Total To Date	Total for 2014/15
High	2 (2)	29	3 (2)	2 (2)
Medium	5 (0)	71	10 (2)	8 (3)
Low	0 (0)	0	4 (0)	4 (0)
Totals	**7 (2)**	**100**	**17 (4)**	**14 (5)**

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

3.7 In addition to the total number of final reports issued, 8 Draft Reports have been issued for management review and responses and these will be reported to the Panel in due course.

3.8 Not all work undertaken by the team generates an audit opinion and several pieces of work undertaken in the period fall into this category:-
   • Hattersley Collaboration Agreement
   • Public Health Grant
   • Autism Innovation Capital Grant
   • Local Transport Settlement Grant
   • Troubled Families Financial Claim Verification
   • HR Teachers Pension Scheme Verification Checks
   • Bus Subsidy and Pinchpoint Grants
   • Pension Fund - Ministry of Justice Assurance Work
   • Construction Industry Consultancy Review
   • Other Payments to Staff
   • System Sign Off Bank Transfer

- System Sign Off ProContract (Procurement System)

3.9   9 School Audits were completed during the period, the results of which are summarised in table 3 below.

Table 3 – Final Reports Schools

Opinion	Number Oct 15 – Jan 16	%	Total To Date	Total for 2014/15
High	3	60	5	4
Medium	1	20	6	13
Low	1	20	3	3
Totals	**5**	**100**	**14**	**20**

3.10   In addition to the total number of final reports issued, 6 Draft Reports have been issued to Schools for management review and responses and these will be reported to the Panel in due course.

3.11   Post Audit Reviews are undertaken approximately six months after the Final Report has been issued, however, where a low level of assurance is issued the post audit review is scheduled for three months to ensure that the issues identified are addressed. 11 Post Audit Reviews have been completed during the period taking the total for the year to 36. Internal Audit was satisfied with the reasons put forward by management where the recommendations had not yet been fully implemented. A further 8 Post Audit Reviews are in progress which will be reported to the Panel at a future meeting.

4.   REVIEW OF INTERNAL AUDIT

4.1   The review of Internal Audit reported to the Audit Panel on 26 May 2015 against the Public Sector Internal Auditing Standards highlighted that the service is fully compliant with the requirements of the standard.

4.2   The Public Sector Internal Audit Standards, introduced from April 2013, require at Standard 1312 that each organisation's internal audit service is subject to an external assessment "once every five years by a qualified, independent assessor or assessment team from outside the organisation".

4.3   The peer review process developed by the North West Chief Audit Executives' Group, led by Cheshire West and Chester, has now been piloted. The review was undertaken by a Panel of three Chief Internal Auditors and the process involves the completion of a self-assessment and the provision of evidence, followed by a questionnaire to and interview with key senior officers and members. The panel are in the process of drafting their report which will then go to a moderation panel of three independent Chief Internal Auditors. A second pilot is to be undertaken by the end of March 2016 and then a rolling programme of reviews will be compiled for the remaining North West Authorities.

4.4   Whilst compliant with the procedural aspects of the Public Sector Internal Audit Standards a full review of the audit process has commenced, however, progress has been hindered by the availability of resources and the need to complete the audit plan.
.

5. ANNUAL GOVERNANCE STATEMENT 2014/15

5.1 The Annual Governance Statement presented to the Audit Panel on 26 May 2015 and approved by the Overview (Audit) Panel on 21 September 2015 highlighted six areas for development. Table 4 below provides an update on progress to date.

Table 4 – Annual Governance Statement Development Areas

Development	Progress to Date
The ongoing level of change across the organisation, reduced resources and staff capacity to deliver the challenges faced by the Council is managed by ensuring that proper governance procedures and risk management are in place to safeguard that the overall control environment is not adversely affected.	A risk based Internal Audit plan is in place which addresses the keys risks facing the council. Furthermore, Internal Audit is invited to participate at the outset on project groups to ensure that risks are fully assessed and controls are satisfactorily introduced or amended. Risk management is embedded in service delivery as all reports submitted for decisions by both officers and members have to detail the risk implications to ensure that they are being managed. Assistance from Risk Management and Audit is provided when requested.
The integration and partnership working with the Local Health Economy are instrumental in delivering a healthier Tameside, however, as we move towards an Integrated Care Organisation it is critical that strong governance arrangements are introduced to ensure that positive outcomes are achieved through robust systems and procedures that are open and transparent and monitored accordingly.	In September the three key partners organisations, the Hospital, the Council and the Clinical Commissioning Group, agreed to work together to implement a plan that will best ensure optimum health and care outcomes for residents and ensure collective financial sustainability for future years. This is because what we do now is not affordable and all organisations have reducing budgets. At Full Council in January 2016 a governance and accountability framework was adopted to support the development and implementation of an integrated health and social care system in Tameside. This puts in place the legal arrangement and processes that enable the Clinical Commissioning Group and the Council to make decisions about commissioning and our joint £350million expenditure together.
Vision Tameside, which is a multi-million pound project in partnership with Tameside College, is delivered in accordance with agreed milestones and that the risks to service delivery during the interim period are kept under review to minimise disruption to the people and businesses of Tameside so that together the mutual benefits of the project will be recognised and celebrated. It is also important to ensure that the benefits of the new building are realised in terms of different ways of working and reducing	Regular progress reports are provided to SMT/ET, Board and Cabinet.

Development	Progress to Date
future running costs.	
The risks associated with 'decanting' from TAC and the transfer of the data centre to Rochdale MBC need to be managed to ensure that robust processes are in place to enable the council to continue to deliver it services effectively to maintain good outcomes for the residents of Tameside.	All risks were managed and both projects were delivered successfully.
As in last year, this continues to be a key issue for the Greater Manchester Pension Fund as the transfers from the Ministry of Justice Project draws to a conclusion, which involves transferring the Probation Service Pension Schemes into the GMPF. It is important that the process is managed and that a robust assurance process is in place to ensure that all the transfers are completed efficiently and effectively.	Assurance work was undertaken in Quarter 1 and all transfers were completed successfully.
Improvements to the creditor payments system have been highlighted as part of an internal audit review. A full system review is currently underway to review the process from procurement to payment.	Responsibility for Creditor Payments has now transferred from Exchequer to Resource Management and the system/processes are currently being reviewed.

6. IRREGULARITIES/COUNTER FRAUD WORK

6.1 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.

6.2 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.

6.3 The number of cases investigated during the period April to January 2016 is summarised in Table 5 below. Work is currently underway to review the investigation process and all guidance notes and polices in light of the Chartered Institute of Public Finance and Accountancy Code of Practice on Manging the Risk of Fraud and Corruption. However, completion has been delayed as the update to the Fighting Fraud Locally Strategy has not yet been released although it is expected shortly and the findings and recommendations from this will need to be built into the refreshed documents.

6.4 The Chartered Institute of Public Finance and Accountancy Fraud and Corruption Tracker Survey has been released and is reported as a separate item on the agenda.

Table 5 – Investigations Undertaken from April to January 2016

Detail	No. of Cases
Cases B/Forward from 2014/2015	13
Current Year Referrals	11
Total	**24**
Cases Closed	10
Cases Still under Investigation	14
Total	**24**
Assistance Cases	**2**

6.5   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
Direct Payment	13
Procurement Fraud	1
Missing Monies/Stock	5
Theft of Time/Mileage	2
Pension Fund	1
Identity Fraud	1
Foster Care Payments	1
Total	**24**

6.6   Work has continued during the period on the matches identified from the National Fraud Initiative 2014 Exercise received in early January 2015 and the key matches identified are shown below in table 7.

Table 7 – National Fraud Initiative Data Matches 2014

NFI Data Set	Total Number of Matches	Number of Rec'd Matches	Comments		
			Processed	In Progress	OUTCOME No. of Error/Frauds and Value
Pensions to Department of Work and Pensions Deceased Persons	569	**101**	564	5	**34 Frauds £24,841**
Housing Benefits to Student Loans	405	**200**	134	66	**1 Error £15,503**
Housing Benefits to Payroll	634	**132**	132	-	**2 Frauds £29,370**

NFI Data Set	Total Number of Matches	Number of Rec'd Matches	Comments		
			Processed	In Progress	OUTCOME No. of Error/Frauds and Value
Housing Benefit to Personal Alcohol Licences	42	**22**	22	-	-
Housing Benefit Claimants to UK Visas	9	**8**	5	3	-
Housing Benefit to In-Country Immigration	11	**3**	2	1	-
Blue Badge to Department of Work and Pensions Deceased	457	**451**	457	-	-
Private Residential Cares Homes to Department of Work and Pensions Deceased	33	**11**	11	-	**1 (Error) £5,744**
Pensions to Payroll	2,035	**687**	1	686	-
Creditors Duplicate Records/Payments	1,244	**259**	148	-	**7 (Error) £48,104**
Housing Benefits to Taxi Drivers	159	**51**	51	-	-
Totals	**5,598**	**1,925**	**1,044**	**686**	**E - £69,351 F - £54,211**

6.7   The outcome figure reported to the Panel in November was £78,689.

6.8   The expectation from the Cabinet Office in relation to the above matches is that all "Recommended Matches" are investigated. Further matches were released during the period and these are now being investigated. Any requests for data from other local authorities are dealt with by Internal Audit in conjunction with service areas (where appropriate) to ensure compliance with the Data Protection Act 1998.

6.9   A visit from the Cabinet Office's National Fraud Initiative Team took place in November to review progress and share learning. The report from the visit states that:

A broad scope of investigations has been undertaken to follow up NFI matches since they were released in early 2015 and this has resulted in positive results across many of the areas that NFI covers. Significant outcomes have been made in Benefits, Pensions and Creditors with a current overall outcome of £123,562. The extent of the follow up work has been good throughout NFI where most of the recommended matches have been reviewed, and in some cases further matches have been followed up. Smart working techniques have been adopted where appropriate to make the follow up process more efficient.

In summary the assessor commented that "the breadth of input is as comprehensive as I have seen for a body the size of Tameside and this has been rewarded by excellent outcomes across the whole exercise".

6.10   Progress is monitored by the Counter Fraud Specialist with Internal Audit to ensure that the recommended matches are investigated.

7. NAFN DATA AND INTELLIGENCE SERVICES

7.1   On 1 October 2015 Tameside became the single host authority for the National Anti-Fraud Network. The transfer of Housing Benefit Fraud Teams to the Single Fraud Investigation Service is almost complete with the last transfers taking place on 1 March 2016. The period October 2015 to March 2016 is a transitional period for the service as it deals with the final intelligence requests from Housing Benefit Investigators and moves into new areas.

7.2   All staff from the Brighton office and one member of the Tameside team successfully transferred over to the Single Fraud Investigation Service at the end of September.

7.3   The revised Marketing Plan is now paying dividends as we are continuing to attract new members from both local authorities and housing associations. Weekly marketing emails are being despatched to all registered users outlining the various services on offer to all members as the NAFN subscription provides corporate membership.

7.4   The National Anti-Fraud Network Annual General Meeting and Summit was held at the Great Hall at the London Borough of Kensington and Chelsea on 20 November 2015. The theme of the event was the effective and lawful use of data and Intelligence and the keynote speaker was Robert Raines CBE who is part of the Investigatory Powers Review Team commissioned by the government to review access to communications data. Record numbers of delegates attended the event and positive feedback has been received.

7.5   The Executive Board consist of eleven local authority representatives from Internal Audit, Corporate Fraud and Trading Standards, there is currently one vacancy which is being targeted towards a representative from Revenues. The Head of Risk Management and Audit has chaired the board for the last four years and has just been confirmed as the Chair for the coming year.

7.6   Access to communications data is an important element in the fight against fraud and crime and we await the outcome of the Investigatory Powers Bill which is currently going through the parliamentary review process. The Bill provides a framework for the use of investigatory powers by law enforcement and security and intelligence agencies, as well as other public authorities. There was a call for evidence and the National Anti-Fraud Network coordinated a local authority response together with the LGA which was submitted on 16 December 2015. The Joint Committee are expected to report to the Government with recommendations in February 2016.

7.7   A further report is on the agenda providing more details about the National Anti-Fraud Network so that the Audit Panel is fully sited on its operations and the risks involved which have now transferred solely to Tameside.

7.8   Table 8 below shows the requests received for the period April to December 2015 compared to the two previous years covering the main categories of enquiry received.

Table 8 – Performance Figures for NAFN April to December 2015

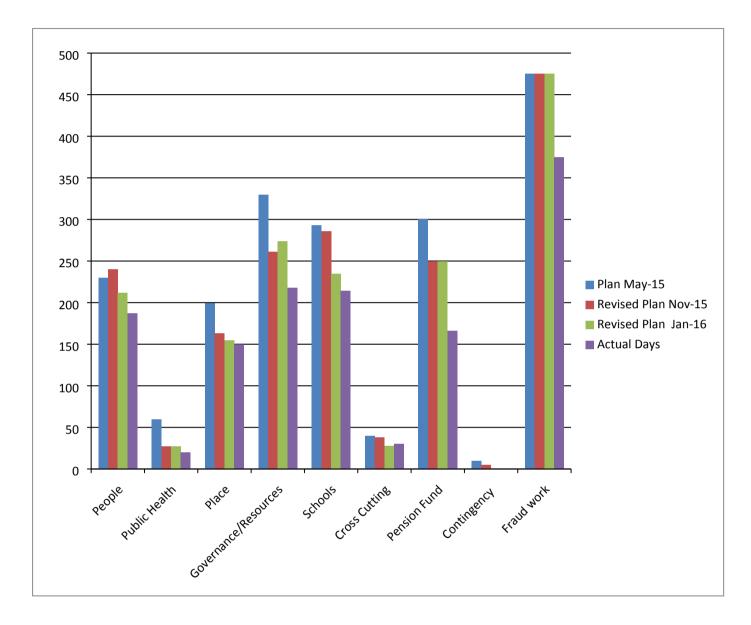| Type Of Request	April to Dec 2013/2014	April to Dec 2014/2015	April to Dec 2015/2016	% Increase (Decrease)
General	53,312	50,986	48,324	(5)
SSFA	64,182	42,823	10,535	(75)
CTRS	N/A	102	1,575	1,444
POSHFA	N/A	2,177	3,165	45

Type Of Request	April to Dec 2013/2014	April to Dec 2014/2015	April to Dec 2015/2016	% Increase (Decrease)
DVLA	26,685	17,052	10,819	(37)
RIPA	1,284	2,306	7,80	(66)
Online Requests	30,040	39,540	51,368	30
TOTALS	**175,503**	**154,986**	**126,566**	**(18)**

8.   RECOMMENDATION

8.1   That members note the report and the performance of the Service Unit for the period April to January 2016.

PLANNED AUDIT DAYS v ACTUAL AUDIT DAYS 2015/16