



|  |   |
|--|---|
| <b>Report To:</b>  | <b>AUDIT PANEL</b>  |
| <b>Date:</b>   | 31 May 2016   |
| <b>Reporting Officer:</b>  | Wendy Poole – Head of Risk Management and Audit Services  |
| <b>Subject:</b>  | <b>RISK MANAGEMENT AND AUDIT SERVICES – ANNUAL REPORT 2015/2016</b>   |
| <b>Report Summary:</b>   | The report summarises the work performed by the Service Unit and provides assurances as to the adequacy of the Council's systems of internal control.   |
| <b>Recommendations:</b>  | Members note the report.  |
| <b>Links to Community Strategy:</b>  | Internal Audit supports the individual operations, which deliver the objectives within the Community Strategy.  |
| <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:</b><br><b>(Authorised by the Section 151 Officer)</b> | Effective Risk Management and Internal Audit assists in safeguarding assets, ensuring the best use of resources and the effective delivery of services. It also helps to keep insurance premiums and compensation payments to a minimum.  |
| <b>Legal Implications:</b><br><b>(Authorised by the Borough Solicitor)</b>       | Demonstrates compliance with the Accounts and Audit Regulations 2015, which require the Council to “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector auditing standards or guidance”.  |
| <b>Risk Management:</b>  | The services of the Risk Management and Audit Service Unit assists in providing the necessary levels of assurance that the significant risks relating to the Council's operations are being effectively managed and controlled.   |
| <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:<br> Telephone: 0161 342 3846<br> e-mail: <a href="mailto:wendy.poole@tameside.gov.uk">wendy.poole@tameside.gov.uk</a> |

## 1. INTRODUCTION

1.1 "Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes".

1.2 The key elements of the definition are:-

- **Risk Management** – A process to identify, assess, manage and control potential events or situations to provide reasonable assurance regarding the achievement of the organisations objectives.
- **Control** – Any action taken by management, the board and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organises and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.
- **Governance** – The combination of processes and structures implemented by the Board to inform, direct, manage and monitor the activities of the organisation toward the achievement of its objectives.

1.3 The definition of Internal Auditing is defined by the Public Sector Internal Audit Standards 2013.

## 2. THE AUTHORITY FOR INTERNAL AUDIT

### 2.1 Local Government Act 1972 Section 151.

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

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

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

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

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

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

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

as are considered necessary by those conducting the internal audit.

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

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

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

- (1) A relevant authority must, each financial year:
- (a) conduct a review of the effectiveness of the system of internal control required by regulation 3; and
  - (b) prepare an annual governance statement.
- (2) If the relevant authority referred to in paragraph (1) is a Category 1 authority, following the review, it must:
- (a) consider the findings of the review required by paragraph (1)(a):
    - (i) by a committee; or
    - (ii) by members of the authority meeting as a whole; and
  - (b) approve the annual governance statement prepared in accordance with paragraph (1)(b) by resolution of:
    - (i) a committee; or
    - (ii) members of the authority meeting as a whole.
- (3) The annual governance statement, referred to in paragraph (1)(b) must be:
- (a) approved in advance of the relevant authority approving the statement of accounts in accordance with regulations 9(2)(b) or 12(2)(b) (as the case may be); and
  - (b) prepared in accordance with proper practices in relation to accounts(a).

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

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

## 3. **KEY ACHIEVEMENTS DURING 2015/2016**

3.1 The major achievements of the Service Unit for 2015/2016 are as follows: -

- 94% of planned audits were delivered.
- 92% of audit recommendations made have been implemented.
- Customer feedback is very positive with continued high levels of satisfaction demonstrated on customer questionnaires.
- Annual reports, plans and regular progress reports presented to Members via the Audit Panel and the Greater Manchester Pension Fund Local Board.
- The Annual Governance Statement was produced in accordance with best practice and agreed timescales and no adverse comments were received when our External Auditors (Grant Thornton) reviewed it.
- Information Governance training was rolled via several e-tutorials for all staff and compliance monitored within the service unit.

- Work was also undertaken to support the 'decant' from the Council Offices to ensure that information was protected and securely transferred to new premises.
- The National Anti-Fraud Network service was redesigned during the year resulting in the closure of the South Office located in Brighton and Hove. All staff from the South Office and one from the North Office transferred to the DWP's Single Fraud Investigation Service. From October 2015, the Council now hosts all operations.
- Twenty seven fraud cases were investigated during the year totalling £425,000.
- One Direct Payment Fraud was prosecuted through the courts this year and the defendant received a two year custodial sentence suspended for eighteen months, a curfew/tagged for 6 months and was ordered to repay the sum of £22,900.
- Internal Audit whilst investigating the matches identified by the National Fraud Initiative Exercise uncovered duplicate payments of £48,104.

#### 4. COVERAGE FOR 2015/2016

4.1 The report presented to the Audit Panel in May 2015 provided an overview of the work planned for 2015/2016 for the service unit. The Original Audit Plan of 1937 days was detailed in the report and approved by the Panel. The plan however as reported during the year has been revised on a regular basis to ensure that it is aligned to changes in service priorities, risks, directorate structures and resources available.

4.2 Table 1 below shows the full year position of the audit plan by Directorate/Service Area. It details the original plan, the November position, the year-end plan, the actual days as at 31 March 2016 and the percentage completed.

**Table 1 – Annual Audit Plan Progress as at 31 March 2016**

| Service Area                | Approved Plan 2015/16 | Revised Plan 2015/16 | Actual Days To 31 March 2016 | % Complete |
|-----------------------------|-----------------------|----------------------|------------------------------|------------|
| People                      | 230                   | 212                  | 221                          | 104        |
| Public Health               | 60                    | 27                   | 23                           | 85         |
| Place                       | 199                   | 155                  | 183                          | 118        |
| Governance/Resources        | 330                   | 264                  | 265                          | 100        |
| Schools                     | 293                   | 235                  | 238                          | 101        |
| Cross Cutting               | 40                    | 38                   | 8                            | 21         |
| Pension Fund                | 300                   | 250                  | 249                          | 99         |
| Contingency Days            | 10                    | 0                    | 0                            | 0          |
| <b>Planned Days 2015/16</b> | <b>1462</b>           | <b>1181</b>          | <b>1187</b>                  | <b>100</b> |
| Fraud Work                  | 475                   | 475                  | 488                          | 103        |
| <b>Total Days 2015/16</b>   | <b>1937</b>           | <b>1656</b>          | <b>1675</b>                  | <b>101</b> |

4.3 Resources were reduced during the year as a member of the team transferred to the Pension Fund and we were unable to engage a temporary resource with audit experience to cover a maternity leave. This resulted in a reduction of 281 planned days from 1,462 to 1,181 and these changes were reported to the Panel in November 2015 and March 2016. In terms of the overall plan 1,675 actual days were delivered against a revised plan of 1,656.

4.4 In compiling the plan a number of assumptions are made regarding unproductive time in terms of days allocated for training, sickness, annual leave and development work and this

year days lost to sickness were lower than anticipated therefore delivering an additional 19 productive days.

4.5 The balance between planned work and reactive fraud work will be reviewed during the coming year to ensure that resources are utilised effectively.

4.6 The successful delivery of the plan can be measured in two ways:-

- Actual Productive Audit Days Delivered against the Plan

The days delivered against the plan including Fraud Work totalled 1675 compared to the revised plan of 1,656, which represents 101%.

- Percentage of Planned Audits Completed

The second measure focuses on the planned audits, and calculates the actual rate of completion per audit, and then consolidates the individual outcomes into one single percentage figure. The figure for 2015/2016 is 94% compared to 92% in 2014/2015.

4.7 The improvement in performance is due to closer monitoring of work at year-end to ensure audits were completed

4.8 This following sections of the report provide details of the key areas covered during the period April 2015 to March 2016 and comments on any important issues arising from our work.

**Financial Systems:**

4.9 During 2015/16 audits have been undertaken on the following financial systems to ensure they were operating securely, fit for purpose and that the information generated from them into the general ledger was reliable. Where issues were identified as part of the systems audit work, action plans were agreed with management and these will be followed up in due course:-

- Creditors
- Cashiers
- Council Tax
- General Ledger
- Payroll

4.10 Post Audit Reviews are in progress on Business Rates, Housing Benefit Data Assurance, Council Tax Support Scheme and Bank Reconciliation Procedures. The results will be presented to the Panel at a future meeting.

4.11 Audits were also undertaken on a number of the financial systems used by the Pension Fund. Where issues were identified as part of the systems audit work, action plans were agreed with management and these will be followed up in due course:-

- Pension Benefits Payable
- Contribution Income
- Creditors

4.12 In relation to the Pension Fund Post Audit Reviews were undertaken on the General Ledger and the Construction Industry Scheme. From the work, undertaken assurance can be given that the systems are now operating more effectively and that the majority of recommendations made have been implemented. No significant recommendations were outstanding and Internal Audit was satisfied with the reasons put forward by management.

4.13 Sections 4.14 to 4.18 provide a flavour of the audit work undertaken in each directorate. The amount of time spent per audit can vary from a simple grant claim to a complex data assurance piece of work and the lists are not weighted and do not accurately reflect the days delivered in those areas.

#### 4.14 **People**

Areas reviewed during the year have included:-

- Adults – Shared Lives
- Homelessness;
- Integrated Services for Children with Additional Needs (Short Term Care);
- Softbox;
- Childrens Homes;
- Youth Offending;
- Procurement of Placements for Children;
- Autism Innovation Capital Grant
- Public Services Hub; and
- Troubled Families.

#### 4.15 **Place**

Areas reviewed during the year have included:-

- Local Authority Bus Subsidy Grant;
- Local Sustainable Transport Fund;
- Stores and Stocks Control
- Pinchpoint Grant;
- Markets Income;
- Trade Waste
- Use of Council Vehicle;
- Section 106 Agreements and Developer Fund Levies;
- Hattersley Collaboration Agreement;
- Transfer of Data Centre to Rochdale MBC;
- Disaster Recovery Site; and
- Security visits in relation to the AGMA Computer Disposal Procurement Exercise.

#### 4.16 **Public Health**

Areas reviewed during the year have included:-

- Ring-Fenced Public Health Grant; and
- Information Governance.

#### 4.17 **Governance and Resources**

Areas reviewed during the year have included:-

- Direct Payments (Adults)
- Revenue Expenditure (External Audit Checks)
- Better Care Fund - Pooled Budget Arrangements
- Transfer of Banks Sign Off
- Chest Procurement Portal System Sign Off
- Construction Industry Scheme;
- Duplicate Payments;
- Consultancy advice in relation to the Treasury Management function;
- Advice in relation to the Deferred Payments Policy.
- Payroll – External Audit Checks ;
- Other Payments to staff;
- Teachers' Pension Scheme; and
- Registrars.

#### 4.18 **Greater Manchester Pension Fund:-**

Areas reviewed during the year have included:-

- New Property Management Contract
- Ministry of Justice Payroll Work;
- Ministry of Justice Asset Transfers and Valuation;
- Transfers to Defined Contribution Schemes

- No. 1 St Peters Square;
- Vulnerability Management;
- Transfer of Assets from Fund Manager to Fund Manager; and
- Assurance visits to Contributing Bodies.

4.19 A summary of the audit opinions issued in relation to system based audit work for 2015/16 compared to 2014/15 and 2013/14 is shown in Table 2 below: -

**Table 2 – Final Reports System Based Audits**

| Opinion       | Total for 2015/16 | %          | Total for 2014/15 | %          | Total for 2013/14 | %          |
|---------------|-------------------|------------|-------------------|------------|-------------------|------------|
| High          | 6 (4)             | 24         | 2 (2)             | 14         | 9 (6)             | 25         |
| Medium        | 14 (3)            | 56         | 8 (3)             | 57         | 21 (10)           | 58         |
| Low           | 5 (0)             | 20         | 4 (0)             | 29         | 6 (1)             | 17         |
| <b>Totals</b> | <b>25 (7)</b>     | <b>100</b> | <b>14 (5)</b>     | <b>100</b> | <b>36 (17)</b>    | <b>100</b> |

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

4.20 In addition to the twenty-five final reports issued above, a further eleven draft reports have been issued for comments and management responses and these will be reported to the panel in due course.

4.21 Twenty-one schools have been audited and final reports issued as part of our cyclical review programme during 2015/2016. A summary of the opinions issued for schools during 2015/2016 compared to 2014/15 and 2013/14 is shown in Table 2 below: -

**Table 3 – Audit Opinions – Schools**

| Opinion       | Total for 2015/16 | %          | Total for 2014/15 | %          | Total for 2013/14 | %          |
|---------------|-------------------|------------|-------------------|------------|-------------------|------------|
| High          | 9                 | 43         | 4                 | 20         | 4                 | 22         |
| Medium        | 7                 | 33         | 13                | 65         | 10                | 56         |
| Low           | 5                 | 24         | 3                 | 15         | 4                 | 22         |
| <b>Totals</b> | <b>21</b>         | <b>100</b> | <b>20</b>         | <b>100</b> | <b>18</b>         | <b>100</b> |

4.22 In addition to the reports issued in Tables 2 and 3, a significant number of days were allocated throughout the year to work that did not generate a report with a level of assurance attached. The reasons for this are:-

- Grant Certification;
- Advice and consultancy work provided to support service redesigns and the implementation of new or updated systems; and
- Investigation control reports.

4.23 It is important to note however, that whilst the above work does not generate an audit opinion it undoubtedly adds value to the Council. It ensures that expenditure is in accordance with grant conditions, that new/amended systems are introduced with satisfactory controls in place and that control issues identified as part of irregularity investigations are resolved to improve the control environment.

4.24 Thirty eight Post Audit Reviews have been completed during the year and 92% of agreed recommendations have been implemented. Internal Audit was satisfied with the reasons put forward by management where the recommendations had not been fully implemented. Four of these post audit reviews related to the Pension Fund and twenty one related to Schools.

## 5. ANTI-FRAUD WORK

### Irregularity Investigations

- 5.1 Investigations are conducted by two members of the Internal Audit Team under the direction of a Principal Auditor and the Head of Risk Management and Audit Services to ensure consistency of approach. All cases were investigated using the approved standard protocol and procedure, which complies with best practice. A control report is produced in the majority of cases for management to ensure that corrective action is taken where possible to ensure that the control environment is improved therefore minimising the risk of similar irregularities occurring in the future.
- 5.2 All investigations and assistance cases are reviewed by the Standards Panel every month and where appropriate the members of the Panel challenge and comment on the cases and offer further guidance and direction. Assistance cases can range from obtaining information for an investigating officer to actually undertaking a large proportion of the analysis work to provide evidence for the investigatory process.
- 5.3 The number of cases investigated during the period April 2015 to March 2016 is summarised in Table 4 below.

**Table 4 – Investigations Undertaken from April to January 2016**

| Detail                          | No. of Cases |
|---------------------------------|--------------|
| Cases B/Forward from 2014/2015  | 13           |
| Current Year Referrals          | 14           |
| <b>Total</b>                    | <b>27</b>    |
| Cases Closed                    | 16           |
| Cases Still under Investigation | 12           |
| <b>Total</b>                    | <b>27</b>    |

- 5.4 The above investigations can be categorised by fraud type as shown in Table 5 below.

**Table 5 – Investigations by Fraud Type**

| Fraud Type                            | No. of Cases | Value £        | Potential Annual Savings £ |
|---------------------------------------|--------------|----------------|----------------------------|
| Direct Payment                        | 13           | 292,198        | 91,263                     |
| Procurement Fraud                     | 1            | 101,948        |                            |
| Misappropriation of Monies/Stock      | 6            | 1,867          |                            |
| Staff Conduct (Time/Mileage/HB Fraud) | 3            | 413            |                            |
| Pension Fund                          | 1            | N/A            |                            |
| Identity Fraud                        | 1            | N/A            |                            |
| Misappropriation of Grant Monies      | 1            | 4,000          |                            |
| Foster Care Payments                  | 1            | 24,962         |                            |
| <b>Total</b>                          | <b>27</b>    | <b>425,388</b> | <b>91,263</b>              |

- 5.5 Seventeen of the above cases investigated involved frauds perpetrated against the Council by claimants or third parties. The figures shown in the Value and Potential Annual Savings column in Table 5 are estimated based on the information available to date. Several of the cases are being prepared for prosecution and the value of the fraud could change as the



case progresses. The ongoing savings are the value of the Direct Payments that have been stopped because of ongoing investigations.

5.6 One Direct Payment Fraud was prosecuted through the courts this year and the defendant received a two year custodial sentence suspended for eighteen months, a curfew/tagged for 6 months and was ordered to repay the sum of £22,900.

5.7 The processes in place within Internal Audit and across the Council to manage the risk of fraud and corruption are in accordance with the code of practice issued by the Chartered Institute of Public Finance and Accountancy in 2014 entitled “Managing the Risk of Fraud and Corruption”.

#### **National Fraud Initiative**

5.8 Work continued during 2015/16 on the matches identified from the NFI 2014 Data Matching Exercise, which became available at the end of January 2015 and Table 6 below summarises the results.

**Table 6 – National Fraud Initiative Data Matches 2014**

| NFI Data Set  | Total Number of Matches | Number of Matches (Recommended) | Outcomes     |                                    |
|---|-------------------------|---------------------------------|--------------|------------------------------------|
|   |                         |                                 | Processed    | No. of Error/Frauds and Value      |
| Pensions to Department of Work and Pensions Deceased Persons                | 569                     | 101                             | 569          | 34 Frauds/<br>22 Errors<br>£24,841 |
| Housing Benefits to Student Loans   | 405                     | 200                             | 200          | 1 Fraud/<br>1 Error<br>£26,524     |
| Housing Benefits to Payroll   | 634                     | 132                             | 132          | 2 Frauds<br>£29,370                |
| Housing Benefit to Personal Alcohol Licences                                | 42                      | 22                              | 22           | -                                  |
| Housing Benefit Claimants to UK Visas                                       | 9                       | 8                               | 8            | -                                  |
| Housing Benefit to In- Country Immigration                                  | 11                      | 3                               | 3            | -                                  |
| 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)<br>£5,744                |
| Pensions to Payroll   | 2,035                   | 687                             | 687          | -                                  |
| Creditors Duplicate Records/Payments  | 1,244                   | 259                             | 148          | 7 (Error)<br>£48,104               |
| Housing Benefits to Taxi Drivers  | 159                     | 51                              | 51           | -                                  |
| <b>Totals</b>   | <b>5,598</b>            | <b>1,925</b>                    | <b>2,288</b> | <b>£134,583</b>                    |

5.9 The expectation from the Cabinet Office is that all “Recommended Matches” are investigated. The above table highlights that fraud and errors have been identified totalling £134,583, and action is underway to recover the amounts involved. The guidelines in

relation to the 2016 exercise will be issued over the summer and data will be submitted to the Cabinet Office in October 2016.

## 6. NATIONAL ANTI-FRAUD NETWORK

- 6.1 2015/16 was a significant year for the National Anti-Fraud Network as it implemented a major service redesign as all Housing Benefit fraud investigation work transferred from local authorities to the Single Fraud Investigation Service introduced by the Department of Work and Pensions.
- 6.2 In summary, the Brighton and Hove office was closed, staff transferred to the Single Fraud Investigation Service and all services delivered by the National Anti-Fraud Network transferred to the Council as the single host authority. Although now part of the Council, the National Anti-Fraud Network has an Executive Board elected from local authority members at its annual general meeting, which oversees the strategic/operational direction of the service. Funded from members subscriptions and grant funding the service does not present any financial implications for the Council. The Head of Risk Management and Audit Services continues to chair the Executive Board.
- 6.3 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 7 below:-

**Table 7 – NAFN Membership**

| Member Type  | March 2016 | March 2015 | Target | %  |
|--|------------|------------|--------|----|
| Local Authorities - England, Wales and Scotland          | 348        | 358        | 407    | 86 |
| Local Authorities – Northern Ireland                     | 2          | 1          | 11     | 18 |
| Registered Social Landlords/Private Registered Providers | 48         | 37         | N/A    | -  |
| National Health Service                                  | 2          | 3          | N/A    | -  |
| Department of Work and Pensions                          | 1          | 1          | N/A    | -  |
| Others   | 9          | 7          | N/A    | -  |
| <b>Totals</b>  | <b>410</b> | <b>407</b> |        |    |

- 6.4 The revised Marketing Plan is now paying dividends as the service is 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.
- 6.5 The number of requests received during 2015/16 as detailed in Table 8 below has decreased by 13% from 2014/2015 due to the implementation of the Single Fraud Investigation Service.

**Table 8 – NAFN Requests Received**

| Type of Request                        | 2015/16 | 2014/15 | 2013/14 |
|--|---------|---------|---------|
| General Data Protection Requests       | 62,703  | 70,886  | 72,851  |
| Social Security Fraud Act              | 11,219  | 50,878  | 82,797  |
| Driver and Vehicle Licensing Agency    | 14,478  | 21,084  | 34,898  |
| Regulation of Investigatory Powers Act | 1,035   | 2,768   | 1,617   |

|   |                |                |                |
|---|----------------|----------------|----------------|
| Prevention of Social Housing Fraud Act/Council Tax Reduction Scheme | 6,802          | 3,292          | -              |
| <b>Sub Total</b>  | <b>96,237</b>  | <b>148,908</b> | <b>192,163</b> |
| Type B (Online)   | 80,980         | 55,241         | 44,194         |
| <b>Grand Total</b>  | <b>177,217</b> | <b>204,149</b> | <b>236,357</b> |
| <b>% Increase/(Decrease)</b>  | <b>(13%)</b>   | <b>(14%)</b>   | <b>10%</b>     |

- 6.6 A reduction in the number of requests was always anticipated and the Executive Board are monitoring progress on a quarterly basis to assess whether the revised staffing structure put in place in October 2015 is effective and that the services offered continue to meet the requirements of members.
- 6.7 The significant reduction in the number of Social Security Fraud Act requests is because Housing Benefit Fraud was transferring to the Single Fraud Investigation Service throughout 2015/16. From 2016/17, no further requests will be received.
- 6.8 The increase in Type B (Online) requests is in line with the business plan. These provide direct access to services for members increasing the turnaround time for them and allowing the team to concentrate on the more complex requests received.

## 7. RISK MANAGEMENT AND INSURANCE

- 7.1 The approved priorities for 2015/2016 were:-
- 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:-
    - Providing advice and guidance in relation to the retention and disposal of information as a priority as part of the 'Big TAC Tidy Up';
    - Keeping the framework up to date with any new guidance issued by the Information Commissioners Office;
    - 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.
- 7.2 With regards to Information Governance, resources were directed towards training during the last few months of 2015/16 to ensure that all staff completed the On-Line Data Protection at Work and the Responsible for Information E-Tutorials via the Virtual College Training System before the contract ended on 31 March 2016. The data is currently being analysed and verified before it is reported back to the Information Governance Group and the Senior Management Team and used to inform future training needs.
- 7.3 Information was finalised for the insurance renewal process in the last quarter and renewal terms were offered and agreed by the deadline of 30 March 2016.
- 7.4 Progress was delayed in terms of reviewing the risk management and business continuity processes for the Council as the Risk and Insurance Manager transferred to the Greater

Manchester Public Service Reform Team on secondment. This will be carried forward as a priority for 2016/17.

- 7.5 Advice and guidance has been delivered across the Council ensuring that proper insurance covers are in place and that risks are managed to an acceptable level. We 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. Learning is also shared with services in year as a result of case conferences and court decisions to prevent reoccurrence or improve future defences.

## 8. PERFORMANCE INDICATORS

- 8.1 The performance of the section is monitored in a variety of ways and a number of indicators have been devised to enable comparisons between financial years and between similar organisations. Formal benchmarking using the Chartered Institute of Public Finance and Accountancy has not taken place for a number of years due to budget cuts and capacity, however, this is being reviewed by the North West Chief Audit Executive Group to determine if a small number of key performance indicators could be compared locally.
- 8.2 The Key Performance Indicators for Internal Audit for 2015/16 are detailed in Table 9 below and they are compared to the two previous years 2014/15 and 2013/2014. All five performance indicators have been achieved.

**Table 9 - Key Performance Indicators 2014/15**

|   | INDICATOR  | TARGET                             | 15/16 | 14/15 | 13/14 | Comments        |
|---|--|------------------------------------|-------|-------|-------|-----------------|
| 1 | Compliance with Public Sector Internal Audit Standards | 100%                               | 100%  | 100%  | 100%  | Target Achieved |
| 2 | % of Plan Completed                                    | 90%                                | 94%   | 92%   | 93%   | Target Achieved |
| 3 | Customer Satisfaction (per questionnaires)             | 90% of customers "satisfied ≥ 65%" | 95%   | 100%  | 93%   | Target Achieved |
| 4 | % Recommendations Implemented                          | 90%                                | 92%   | 92%   | 95%   | Target Achieved |
| 5 | No. of Irregularities Reported/Investigated            | Downward trend                     | 14    | 19    | 6     | Target Achieved |

- 8.3 The aspiration for the team is that the targets are met and exceeded wherever possible however, it must be acknowledged that the measures used are not fully within the control of the team as explained below.
- 8.4 With regards to the Percentage of Plan Complete this a volatile indicator and affected by the timing of audits, staff availability in both internal audit and services areas to support the audit, reactive work (irregularities) and the timing of in year priority requests. Whilst every effort is made to ensure that the planned work is delivered, a surge in reported irregularities can adversely affect this, as it is important to provide a responsive service and divert staff from planned work to reactive work.
- 8.5 The Percentage of Recommendations Implemented indicator whilst demonstrating that the standard and quality of recommendations made are acceptable, their implementation is the

responsibility of management and delays can occur for example due to lack of capacity, new systems and service redesigns.

- 8.6 The number of Irregularities Reported/Investigated has decreased from nineteen to fourteen, however this is a reactive indicator and not within the team's control.
- 8.7 The effectiveness of the team in terms of adding value to the Council is an important element of the role of internal audit (as per the definition outlined in section 1.1) and the service as a whole, however, it is extremely difficult to use quantitative indicators to measure this performance. Added value is demonstrated by the variety of work undertaken above, the responsive and flexible approach adopted, the positive comments and feedback received from auditees and the opinion of our External Auditors that they can place reliance on the work of Internal Audit.
- 8.8 The process and procedures in place within Internal Audit are continually reviewed and during 2015/16, the Quality Control Checklist was revised to ensure that the steps built into the audit process to obtain sign off from the relevant Assistant Executive Director before a final report is issued was documented.
- 8.9 As reported earlier on the agenda the service is compliant with the Public Sector Internal Audit Standards (PSIAS) and as required, it is confirmed that the Internal Audit Team/Function has continued to remain independent of any non-audit operational responsibilities during 2015/16.

## **9. AUDIT OPINION BASED ON RESULTS OF 2015/16 ACTIVITY**

- 9.1 Overall the Head of Risk Management and Audit can provide assurance that the Authority's governance, risk and control framework is generally sound and operated reasonably consistently. No significant control issues were identified in the year. This opinion is based on the work of the Risk Management and Audit Service Unit carried out between April 2015 and March 2016 as detailed above.
- 9.2 It has to be accepted that the gross risk for the Council has increased in recent years (as we have reduced capacity while still having to deliver a significant change programme to meet our financial challenges). The finding of our work is that controls are in place to mitigate these risks and where improvements have been highlighted, managers have agreed to implement the suggested recommendations. This will aid the management of risks and support the overall control environment.

## **10. RECOMMENDATION**

- 10.1 Members note the report.