Report To:	**AUDIT PANEL**
Date:	31 May 2016
Reporting Officer:	Ian Duncan – Assistant Executive Director (Finance)
	Wendy Poole – Head of Risk Management and Audit Services
Subject:	**RISK MANAGEMENT AND AUDIT SERVICES PLANNED WORK 2016/2017**
Report Summary:	This report presents the planned work for the Risk Management and Audit Service for 2016/2017.
Recommendations:	1. Members approve the Draft Internal Audit Plan for 2016/2017 shown at **Appendix 1** and note the planned work for the Risk Management and Insurance Team and the National Anti Fraud Network Team.
	2. Members approve the Internal Audit Strategy for 2016/2017 shown at **Appendix 2**.
	3. Members approve the Internal Audit Charter for 2016/2017 shown at **Appendix 3**.
	4. Members approve the Quality Assurance and Improvement Programme for 2016/17 shown at **Appendix 4**.
Links to Community Strategy:	Internal Audit supports the individual operations, which deliver the objectives within the Community Strategy.
Policy Implications:	Effective Internal Audit and Risk Management supports the achievement of Council objectives and demonstrates a commitment to high standards of corporate governance.
Financial Implications: (Authorised by the Section 151 Officer)	Effective Internal Audit assists in safeguarding assets, ensuring the best use of resources and reducing losses due to poor risk management. It also helps to keep insurance premiums to a minimum and provides assurance that a sound control environment is in place.
Legal Implications: (Authorised by the Borough Solicitor	Demonstrates compliance with the Accounts and Audit Regulations 2015.
Risk Management:	By assisting in the effective management of risks, Internal Audit helps to reduce costs and improve service delivery.
Access to Information:	The background papers can be obtained from the author of the report, Wendy Poole, Head of Risk Management and Audit Services by:
	☎ Telephone: 0161 342 3846
	✉ e-mail: wendy.poole@tameside.gov.uk

1. INTRODUCTION

1.1 The report presents the planned work for the Risk Management and Audit Service for 2016/2017. It sets out in detail the work of Internal Audit and presents at **Appendix 1** the Annual Audit Plan for 2016/2017 for approval. It highlights the planned work in relation to Counter Fraud/Investigation Work, the Risk Management and Insurance Team and the National Anti-Fraud Network (NAFN) – Data and Intelligence Services.

2. INTERNAL AUDIT PLANNING PROCESS

2.1 The Internal Audit Service plans its work with a view to achieving the following key objectives:
- Supporting the Council's Vision;
- Providing optimum coverage across all services to ensure the best use of resources;
- Targeting resources towards priority (high-risk) areas;
- Satisfying legislative requirements;
- Providing assurances to Members and managers as to the effectiveness of the authority'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 and does provide an indicative strategic plan based on risk assessments undertaken on each audit activity. This suggested plan produced by Galileo is used as the base plan for the audit year in question prior to consultation.

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 Authority;
- Complexity;
- Volume and Value of Transactions;
- Management Concerns;
- Management Changes;
- Specific Business Risks/Business Importance;
- Quality, Integrity and Security of Information; and
- Years since Previous Audit.

2.5 Consultation involves Executive Members, Executive Directors, Assistant Executive Directors, Heads of Service and in some cases Service Unit Managers and was carried out during February and 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 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. CIPFA Fraud and Corruption Report, National Anti-Fraud Network, CIPFA Counter Fraud Centre and networking events) are used to identify potential risks and new fraud areas which are then taken into account either directly as an audit or used to inform the audit work scheduled in a particular area.

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

2.8   The Executive Director (Governance and Resources) and the Section 151 Officer 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 Annual Governance Statement.

2.9   The Senior Management Team were consulted on the plan and their comments have been incorporated into the document attached at **Appendix 1**.

2.10   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 2016/2017**

3.1   A summary of the Annual Audit Plan is shown below in Table 1. A detailed list of the Annual Audit Plan for 2016/2017 is included at **Appendix 1**. It details the audits to be undertaken in each Directorate/Service Area, including those planned for the Greater Manchester Pension Fund, which have already been reported to the Greater Manchester Pension Fund Local Board.

Table 1 – Annual Audit Plan Summary 2016-2017

Service Area / Directorate	Plan Days
People	250
Public Health	51
Place	222
Governance and Resources	262
Schools	175
Cross Cutting	63
Greater Manchester Pension Fund	300
Proactive Fraud Work, Irregularity Investigations, Advice and Control	475
Total Planned Days for 2015-2016	**1798**

Annual Audit Plan 2016-2017
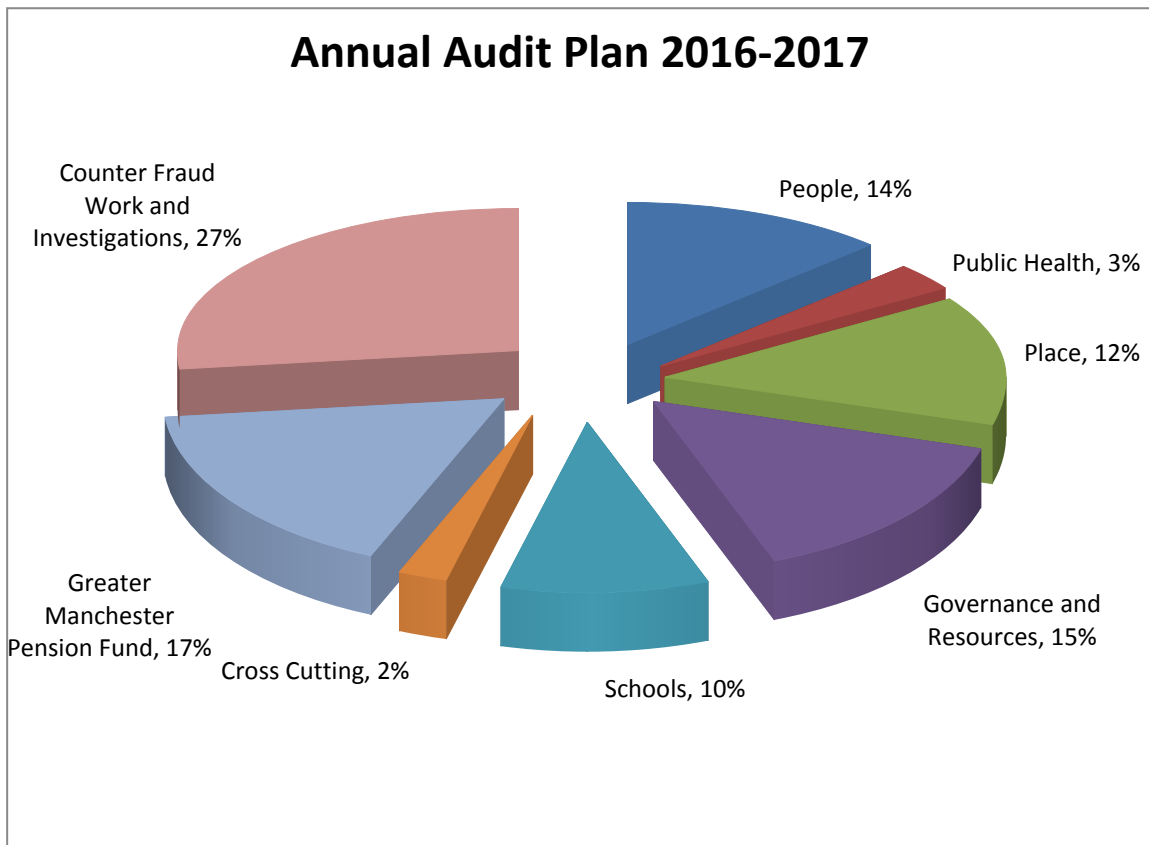
3.2 The plan detailed at **Appendix 1** and summarised in the table and pie chart above totals 1,798 days and has been matched to available resources. The plan will be kept under constant review and regular meetings will be held with Executive Members and the Senior Management Team to ensure that it reflects the keys risks for the Council going forward as it continues to change both in shape and size to meet the financial challenges placed upon it.

4.   INTERNAL AUDIT STAFFING

4.1 Staffing levels within the Internal Audit Team reduced during 2015/16 as a member of the team transferred to a new role in the Greater Manchester Pension Fund. 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 15 Years
Principal Auditor	CIPFA/PGCM	Over 20 Years
Principal Auditor	CIPFA/ACCA	Over 20 Years
Senior Auditor	CIPFA	Over 20 Years
Senior Auditor		Over 20 Years
Senior Auditor		Over 20 Years
Counter Fraud/Investigator	PINS Accredited	Over 10 Years
Counter Fraud/Investigator	PINS Accredited	5 Years
Auditor	Studying CIPFA	7 Years
Auditor		Over 20 Years

4.2 The Service Unit no longer employees a specialist Computer Auditor and therefore the provision of technical computer audit support is procured from Salford MBC Computer Audit

Services using the AGMA Collaboration Computer Audit Agreement to help deliver the ICT – Computer Audit Plan.

4.3   The Internal Audit Team has complete organisational independence and is not responsible for any non-audit work. Staff are very aware of the need to remain independent and ensure that requests for advice and support do not compromise this position. The Head of Risk Management and Audit Services is responsible for the Risk Management and Insurance functions. Any review conducted in these areas would be reported in the name of an independent manager to ensure that the independence is not compromised. The Public Sector Internal Audit Standards - Code of Ethics now forms part of Declaration Process.

5.   INTERNAL AUDIT REPORTING PROCESS

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

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

5.3   A final audit report is then produced incorporating the management responses and circulated to: -
    • Executive Member – responsible for area under review;
    • Chief Executive;
    • Executive Director (Governance and Resources);
    • Section 151 Officer;
    • Executive Director;
    • Appropriate Service Areas Managers;
    • Head of Resource Management – responsible for area under review; 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 Assistant Executive Director (Finance) for discussion with the relevant service managers to ensure that progress is made. Post Audit Reviews with significant outstanding items will in turn be reported to the Audit Panel.

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

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

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

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

5.8   The audit service is compliant with the Public Sector Internal Audit Standards. A self-assessment against the standards has been completed to inform the Review of the Effectiveness of the System of Internal Control required by the Accounts and Audit Regulations 2015 Section 6 and. An external assessment must be conducted at least once every five years as part of the Public Sector Internal Audit Standards and this will be conducted by members of the North West Chief Audit Executive Group during the next two years.

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 STRATEGY AND CHARTER

7.1   In order to comply with the Public Sector Internal Audit Standards it is necessary for the Audit Panel to approve the Internal Audit Strategy (attached at **Appendix 2**) and the Internal Audit Charter (attached at **Appendix 3**) annually.

7.2   The Strategy provides an overview of internal audit and covers:-
* Introduction;
* Main Drivers in setting the Direction;
* What this means we need to do; and
* How will we do this?

7.3   The Internal Audit Charter is more operational and includes:-
* Introduction;
* Independence;
* Reporting Lines of the Head of Risk Management and Audit Services;
* Scope of Internal Audit Work;
* Responsibility;
* Resourcing and Staffing Matters;
* Ethics;
* Limitations of Internal Audit Responsibilities; and
* Reporting.

8.   QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

8.1   Standard 1300 of the Public Sector Internal Audit Standards require:
"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 4**) includes:-
- Introduction
- Internal Assessments
- External Assessments
- Review of the Quality Assurance and Improvement Programme

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 reoccurrence. 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 2016/2017 will include awareness training and some internal data matching using the interrogation package "IDEA" to look for data anomalies and duplicate payments. Some development work will also be undertaken with the National Anti-Fraud Network to help develop a Greater Manchester Fraud Intelligence Hub and assist with the production of an A-Z of Services to help maximise the use of the services and enhance investigations by making appropriate use of data and intelligence available.

9.6   The Chartered Institute of Public Finance and Accountancy (CIPFA) issued a Code of Practice on 16 October 2014 entitled Managing the Risk of Fraud and Corruption. A self-assessment against the code as part of the assurance work for the Annual Governance Statement demonstrates compliance with the key requirements. Work will continue during 2016/2017 to ensure this element of the service continues to develop in line with best practice. In addition to the above code the Fighting Fraud and Corruption Locally – The Local Government Counter Fraud and Corruption Strategy 2016-2019 supported by the Chartered Institute of Public Finance and Accountancy's Counter Fraud Centre has recently been published and work will be undertaken to ensure the Council is compliant with the strategy.

10. RISK MANAGEMENT AND INSURANCE

10.1 The Risk Management and Insurance Team provide services to the whole Council including schools. The key priorities for the team during 2016/2017 are:-

- To review the risk management system and facilitate the delivery of risk workshops for managers to enable risk registers to be updated.
- To facilitate the continued implementation of the Information Governance Framework by:-
  - o Providing advice and guidance in relation to information governance;
  - o Keeping the framework up to date and fit for purpose with any new guidance issued by the Information Commissioners Office (ICO);
  - o Delivering and monitoring training for general users and for staff in high risk areas.
- 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.

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

11.1 The National Anti-Fraud Network will continue to work with key stakeholders and partners to further develop the services offered to members to ensure that emerging business needs are met in response to changing legislation. The key priorities are to:
- Develop further on line services to efficiently deliver data and intelligence to members;
- Deliver webinar training for National Anti-Fraud Network Services;
- Work with the Greater Manchester Fraud Group to deliver an Intelligence Hub;
- Develop the services currently delivered in relation to the Regulation of Investigatory Powers Act in response to the Investigatory Powers Act which needs to be in force by 31 December 2016.
- Create an A-Z of services providing both a training facility and an interactive tool to promote services delivered.

12. PERFORMANCE MONITORING

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

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

12.3 The target for achievement is 90% of the agreed plan. However, high priority requests that arise during the year, changes in available audit resources and problem areas highlighted

may affect the achievement of this target and result in the need for revisions to the agreed plan. All significant changes are agreed with relevant managers and Executive Members where appropriate and will be brought to the Panel for approval.

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

13. MEMBER TRAINING

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

14. RECOMMENDATIONS

14.1 Members approve the Draft Internal Audit Plan for 2016/2017 shown at **Appendix 1** and note the planned work for the Risk Management and Insurance Team and the National Anti- Fraud Network Team.

14.2 Members approve the Internal Audit Strategy for 2016/2017 shown at **Appendix 2**.

14.3 Members approve the Internal Audit Charter for 2016/2017 shown at **Appendix 3**.

14.4 Members approve the Quality Assurance and Improvement Programme for 2016/17 shown at **Appendix 4**.