

## AUDIT PANEL

**Day:** Tuesday  
**Date:** 9 June 2020  
**Time:** 2.00 pm  
**Place:** SKYPE MEETING

Item No.	AGENDA	Page No
1.	<b>APOLOGIES FOR ABSENCE</b> To receive any apologies for the meeting from Members of the Panel.	
2.	<b>DECLARATIONS OF INTEREST</b> To receive any declarations of interest from Members of the Panel.	
3.	<b>MINUTES</b> The Minutes of the meeting of the Audit Panel held on 10 March 2020 to be signed by the Chair as a correct record.	1 - 6
4.	<b>AUDIT PANEL FORWARD PLAN AND TRAINING</b> To receive a report of the Director of Finance / Head of Risk Management and Audit Services.	7 - 18
5.	<b>CORPORATE RISK REGISTER UPDATE</b> To receive a report of the Director of Finance / Head of Risk Management and Audit Services.	19 - 26
6.	<b>EXTERNAL AUDIT PROGRESS REPORT AND AUDIT STRATEGY MEMORANDUM FOR GMPF</b> To receive a report of the Executive Member for Finance and Economic Growth / Director of Finance.	27 - 52
7.	<b>REVIEW OF THE EFFECTIVENESS IF INTERNAL AUDIT 2019/20</b> To receive a report of the Director of Finance.	53 - 140
8.	<b>RISK MANAGEMENT AND AUDIT ANNUAL REPORT 2019/20</b> To receive a report of the Head of Risk Management and Audit Services.	141 - 194
9.	<b>DRAFT ACCOUNTS AND ANNUAL GOVERNANCE STATEMENT - UPDATE ON TIMESCALES FOR PREPARATION AND EXTERNAL AUDIT</b> To receive a report of the Executive Member for Finance and Economic Growth / Director of Finance.	195 - 198

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From: Democratic Services Unit – any further information may be obtained from the reporting officer or from Louis Garrick, Senior Democratic Services Officer, to whom any apologies for absence should be notified.

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**10. URGENT ITEMS**

To consider any additional items the Chair is of the opinion shall be dealt with as a matter of urgency.

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From: Democratic Services Unit – any further information may be obtained from the reporting officer or from Louis Garrick, Senior Democratic Services Officer, to whom any apologies for absence should be notified.

## AUDIT PANEL

10 March 2020

**Present:** Councillors Ricci (Chair), Fairfoull, J Fitzpatrick, J Homer, Kitchen, Ryan and Dickinson

<b>In Attendance:</b>	Sandra Stewart	Director of Governance & Pensions
	Tom Wilkinson	Assistant Director of Finance
	Heather Green	Finance Business Partner
	Wendy Poole	Head of Risk Management & Audit Services
	Stephen Nixon	Mazars
	Karen Murray	Mazars

**Apologies for Absence:** Councillors Cartey

### 28. DECLARATIONS OF INTEREST

There were no declarations of interest.

### 29. MINUTES

The minutes of the meeting if the Audit Panel held on 14 November 2019 were approved as a correct record.

### 30. CIPFA – FRAUD AND CORRUPTION TRACKER REPORT FOR TAMESIDE

Consideration was given to a report of the Director of Finance / Head of Risk Management and Audit Services, which advised Members of the report produced by the Chartered Institute of Public Finance and Accountancy Counter Fraud and Corruption Tracker 2019 for Tameside.

The report compared Tameside to other Metropolitan Unitaries, it focused on common fraud types specific to local authorities. It was explained that the response rate for Metropolitan Unitaries was 50% and the highest response rate came from the London and County authorities. Members received a detailed breakdown of the fraud reported together with the value and number of cases for Tameside compared to the average for Metropolitan Unitaries. In total, Tameside received a value on £132.1k from 13 cases compared to an average of £803.7k from an average of 95 cases.

It was reported that many organisations have the ability to undertake sanctions against those who commit fraud whether via the police, the Crown Prosecution Service or in-house Lawyers. Members received an analysis of the sanctions taken by Councils during 2018/19 compared to Tameside MBC. It was reported that in terms of the Proceeds of Crime Act, Tameside was awarded by the courts through POCA £136k whereas the Metropolitan Unitaries average was £20k. The monies actually received through POCA by Tameside was £0k the Metropolitan Unitaries average was £9k.

It was stated that CIPFA estimated that for local authorities in the UK that the total value of fraud detected or prevented in 2018/19 was approximately £253m, averaging roughly £3,600 per fraud case. In 2017/18 there was an estimated value of £302m with a similar average of £3,600 per case detected or prevented. The report identified that the highest perceived fraud risk areas for 2018/19 were Procurement, Council Tax Single Person Discount; and Adult Social Care. In terms of actual fraud being tackled by local authorities, the major fraud areas were: Council Tax; Disabled Parking; Housing; and Business Rates.

The CIPFA fraud and corruption tracker summary report 2019 made the following recommendations: the Public sector organisations must remain vigilant and determined in identifying and preventing fraud throughout their procurement processes; fraud prevention should be embedded in 'business as usual' across an entire organisation to improve the effectiveness of preventative measures; all staff, across all public sector work functions, should receive fraud awareness training in order to better identify fraud risks, fraud attempts and implement effective controls; all organisations should ensure that they have strong counter fraud leadership at the heart of senior decision-making teams; public sector organisations should continue to maximise opportunities to share data and to explore innovative use of data, including sharing with law enforcement bodies and third party experts; and here counter fraud functions are decentralised within an authority, counter fraud leads should ensure effective inter-departmental collaboration (i.e. between housing, IT (cyber security), revenues, etc.) and for some authorities, necessary collaboration could be achieved through the formation of a counter-fraud working group.

It was explained that the CIPFA fraud and corruption tracker report and summary report would be used to inform the work plan of the Risk Management and Audit Team for 2020/21 in terms of proactive fraud work and the Internal Audit Plan as it would be important to learn how and why fraud occurs in order to be able to ensure robust controls were in place without Tameside's systems to minimise the future occurrence of known frauds.

**RESOLVED**

**That the report be noted.**

**31. PROCUREMENT GUIDANCE FOR COUNCILLORS**

Consideration was given to a report of the Director of Finance / Head of Risk Management and Audit Services, which advised Members of the report produces by the Local Government Association and published 2019.

It was reported that the Local Government Association had worked closely with councils to develop the National Procurement Strategy 2018 and a toolkit that enabled councils to set their own objectives and measure their own progress. The National Procurement Strategy put the councillor role front and centre and the guidance had been produced specifically for them. Further, to accompany the guidance the LGA had developed an online quiz for Councillors to help Councillors take stock of their own knowledge.

**RESOLVED**

**That the report be noted.**

**32. RISK MANAGEMENT AND AUDIT SERVICES PLANNED WORK 2020/21**

Consideration was given to a report of the Head of Risk Management and Audit Services, which presented the planned work for the Risk Management and Audit Service for 2020/21.

Members were given a detailed outline of the planned number of days that would be spent in each Service Area / Directorate. A total of 1,510 days were planned for 2020/21, of which 320 were for the Greater Manchester Pension Fund, 310 days were planned for investigations and 304 on assurance. The Annual Audit Plan detailed had been balanced to resources available. However, productive days were estimated and any changes to the assumptions would be reflected during the year and reported to the Audit Panel/Greater Manchester Pension Fund Local Board. It was explained that in previous years the demand for audit work had exceeded the days available and therefore the Annual Audit Plan for 2020/21 presented for approval included only mandatory and high risk audits.

The Head of Risk Management and Audit Service explained that during 2019/20 a service review of the Risk management and Insurance team was undertaken and the number of posts increased from two to four. Recruitment has commenced and appointments have been made to two of the posts. One post holder would commence in Late March and the other in May. The third post had been re-advertised. Members received an outline of the key priorities for the team during 2020/21.

Members were advised that National Anti-Fraud Network would continue to work with key stakeholders and partners to further develop the services offered to members to ensure that emerging business needs were met in response to changing legislation. The Head of Risk Management and Audit who continues to Chair the NAFN Executive Board would work with the NAFN Team at Tameside to ensure the key priorities were delivered.

It was stated that the performance of the Risk Management and Audit service would continue to be monitored via monthly progress meetings. Members received an outline of the performance indicators. 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 would be agreed with relevant managers and Executive Members where appropriate and would be brought to the Panel for approval.

#### **RESOLVED**

- (i) Members approve the Draft Internal Audit Plan for 2020/21 shown at Appendix 1 and note the planned work for the Risk Management and Insurance Team and the National Anti-Fraud Network.**
- (ii) Members approve the Audit Strategy for 2020/21 shown at Appendix 2.**
- (iii) Members approve the Audit Charter for 2020/21 shown at Appendix 3.**
- (iv) Members approve the Quality Assurance and Improvement Programme for 2020/21 shown at Appendix 4.**

#### **33. ANNUAL GOVERNANCE STATEMENT 2018/19 – IMPROVEMENT PLAN PROGRESS UPDATE**

Consideration was given to a report of the Director of Finance / Head of Risk Management and Audit Services.

The preparation and publication of an Annual Governance Statement was necessary to meet the requirements set out in Regulation 6 of the Accounts and Audit Regulations 2015. It required authorities to “conduct a review at least once in a year of the effectiveness of its system of internal control” and “following the review, the body must approve an annual governance statement prepared in accordance with proper practices in relation to internal control”. The Annual Governance Statement was presented to the Audit Panel on 4 June 2019 as a draft document for review and comment and presented as a final document for approval on 29 July 2019.

Members of the Panel were advised that in Section 5 of the Annual Governance Statement a number of areas for development were identified and were appended to the statement in a development plan. Addressing the issues identified would further enhance the governance framework in place for the Council. Members received a progress report for each development as at February 2020 and confirmation that work was progressing in all areas.

#### **RESOLVED**

**That the report be noted.**

### **34. RISK MANAGEMENT AND AUDIT SERVICES PROGRESS REPORT – APRIL TO DECEMBER 2019**

Consideration was given to a report of the Head of Risk Management and Audit Services, which sought to advise members of the work undertaken by the Risk Management and Audit Service between April and December 2019 and to comment on the results.

Members of the Panel were advised that the Audit Plan approved on the 4 June 2019 covered the period April 2019 to March 2020 and totalled 1,515 days, this was revised at the November meeting to 1,503 days to take account of some in year high priority requests. The plan had been further revised to balance the planned days to resources available to the end of the financial year and reduced to 1,395 days made up of 1,055 days of planned audits and 240 days on reactive fraud work/investigations. Members received a summary of the progress to 31 December 2019 detailed within the Annual Audit Plan Summary 2019/2020 table.

It was explained that as part of the review a number of audits in the revised plan approved in November 2019 would not be completed in year due to service reviews, capacity issues in services and revised priorities identified by management. Further the days to be delivered in Quarter 4 exceeded available resourced by approximately 59 days and therefore a number of audits would need to be carried forward and completed in 2020/21.

It was reported that during Quarter 3, 5 Final Reports were issued in relation to systems and risk based audits, 9 Draft Reports had been issued for management review and responses, these would be reported to the Audit Panel.

The Head of Risk Management and Audit Services advised the Panel as to the number of cases investigated as part of the Irregularities/Counter Fraud work. There had been a total of 12 investigations with a total value of £77,967, £18,691 had been recovered to date, with a potential annual savings of £81,206.

The data sets for the National Fraud Initiative 2018 Exercise were uploaded in October 2018 and initial matches identified for Tameside were received in February 2019. The findings from the NFI were highlighted to the Panel; there had been a Blue Badge saving of £7,475, based on a notional figure of £575 per blue badge error; and investigations undertaken in Quarter 3 had increased the errors identified from 20 with a value of £15,661 to 115 with a value of £264,551.

#### **RESOLVED**

**That the report and the performance of the Service Unit for the period April to December 2019 be noted.**

### **35. ACCOUNTING POLICIES 2019/20**

Consideration was given to a report of the Director of Finance / Assistant Director of Finance, which provided Members of the Audit Panel with the proposed accounting policies for the 2019/20 Statement of Accounts; the critical judgements made in applying the accounting policies; and assumptions made about the future and other major sources of estimated uncertainty within the 2019/20 accounts.

Members were advised that officers had assessed the accounting policies that were deemed necessary to explain clearly and underpin the accounting treatment of transactions within the Council's Statement of Accounts for 2019/20. In undertaking this assessment, a review of all accounting policies previously agreed has been undertaken to check their relevance, clarity, legislative compliance and that they are in accordance with the latest version of 'the Code' and IFRS requirements. There were no changes to the Code of Practice on Local Authority Accounting which required changes to the Council's Accounting Policies for 2019/20.

The Finance Business Partner explained that the revised accounting standard IFRS16 related to the treatment of assets that were used under lease arrangements. The CIPFA/LASAAC Code Board had determined that the Code of Practice on Local Authority Accounting would adopt the principles of IFRS 16 Leases, for the first time from 2020/21. IFRS 16 would replace the existing leasing standard, IAS 17, and would introduce significant changes to the way the Council accounts for leases from 1 April 2020. The most significant changes will be in respect of lessee accounting. The existing distinction between operating and finance leases would be removed and instead, the new standard would require a right of use asset and an associated lease liability to be recognised on the lessee's Balance Sheet.

Work had already been undertaken to identify and assess all lease arrangements in place within the Council. The information gathered was beginning to be assessed to determine the impact on the 2020/21 financial statements.

## **RESOLVED**

**That the Audit Panel note that there are no proposed changes to the accounting policies for 2019/20 compared to those adopted for 2018/19; and approve the accounting policies detailed at Appendix 1 to this report.**

## **36. EXTERNAL AUDIT STRATEGY MEMORANDUM**

Consideration was given to a report of the Executive Member for Finance and Economic Growth / Director of Finance which summarised the planned audit approach for the Statement of Accounts 2019/20, highlighting significant audit risks and areas of key judgements for the accounts. The report also set out the key communications during the course of the audit.

Members were advised that based on 2018/19 audited financial statements the overall materiality for the year ending 31 March 2020 was in the region of £10.967m. The significant risks were outlined to Members as the Management override of controls, property plant and equipment valuation and the defined benefit liability valuation. Members heard the testing approach for each significant risk and the planned response.

The key areas of management judgment and enhanced risks were highlighted to the Panel along with the planned response.

The valuation of shareholding in Manchester Airport involves judgement as it was not publicly traded. It was explained that Mazars would review the work of BDO as management's expert used to value the shares held in the Airport and ensure the valuation was properly recorded in the accounts.

The completeness and accuracy of property, plant and equipment (PPE) was identified as an area of management judgement and enhanced risk. Mazars would perform audit procedures to gain assurance over completeness and accuracy of the transition of data to the new fixed asset register.

To address the management judgment on schools, there would be a review of management's assessment of who controls schools within the borough for the purposed of inclusion within the Council's financial statements.

It was stated that the Council's medium term financial strategy for the period 2019/20 to 2023/24 set out the financial challenges it faced. A balanced budget was proposed for 2019/20 after using £9.3m of reserves to fund additional Children's Services pressures, and a savings target of £4m. The budget gap for the remainder of the medium term strategy was significant with a cumulative deficit of £31m by 31 March 2024. There would be a review of the arrangements the Council had put in place for ensuring financial resilience specifically that the medium term financial plan had taken into consideration factors such as future funding sources and levels, levels of other income, salary and general inflation, demand pressures, restructuring costs and sensitivity analysis given the degree of variability. There would also be a review in the arrangements in place to monitor progress

delivering the 2019/20 budget and related savings plans, and how the Council proposed to address the cumulative deficit to 31 March 2024.

**RESOLVED**

**That the report be noted.**

**37. URGENT ITEMS**

There were no urgent items.

**CHAIR**

# Agenda Item 4.

<b>Report To:</b>	<b>AUDIT PANEL</b>
<b>Date:</b>	9 June 2020
<b>Reporting Officer:</b>	Kathy Roe – Director of Finance Tom Wilkinson – Assistant Director of Finance
<b>Subject:</b>	<b>AUDIT PANEL FORWARD PLAN AND TRAINING</b>
<b>Report Summary:</b>	The report sets out the updated forward plan and training programme for the Audit Panel for 2020/21.
<b>Recommendations:</b>	Members are asked to approve the updated work programme, including training, as set out in <b>Appendix 3</b> .
<b>Corporate Plan:</b>	The functions of the Audit Panel support the operations of the Council, which deliver the objectives of the Corporate Plan.
<b>Policy Implications:</b>	An effective Audit Committee supports the achievement of Council objectives and demonstrates a commitment to high standards of corporate governance.
<b>Financial Implications:</b> <b>(Authorised by the Section 151 Officer &amp; Chief Finance Officer)</b>	An effective Audit Committee supports corporate governance, internal control, risk management and arrangements to ensure value for money.
<b>Legal Implications:</b> <b>(Authorised by the Borough Solicitor)</b>	Failure to organise in this way would put the Council at greater risks of successful regulatory, judicial and ombudsman challenge.
<b>Risk Management:</b>	The Audit Committee supports effective risk management and internal control arrangements across the Council.
<b>Background Information:</b>	The background papers relating to this report can be inspected by contacting Wendy Poole  Telephone: 0161 342 3846  e-mail: <a href="mailto:wendy.poole@tameside.gov.uk">wendy.poole@tameside.gov.uk</a>

## **1. BACKGROUND**

- 1.1 The Audit Panel is the Committee of Tameside Council that undertakes the role of the Audit Committee. The terms of reference for the Audit Panel are listed in **Appendix 1**.
- 1.2 The purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and governance processes. By overseeing both internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place.
- 1.3 The Audit Panel is a key component of the Council's governance framework. Its function is to provide an independent and high-level resource to support good governance and strong public financial management.

## **2. ROLE OF THE AUDIT COMMITTEE**

- 2.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) Position Statement on the role of the Audit Committee in Local Government and is attached at **Appendix 2** for information. This sets out the core functions of the Audit Committee, which should include:
- To be satisfied that the authority's assurance statements, including the annual governance statement, properly reflect the risk environment and any actions required to improve it, and demonstrate how governance supports the achievement of the authority's objectives;
  - In relation to the authority's internal audit functions:
    - oversee its independence, objectivity, performance and professionalism
    - support the effectiveness of the internal audit process
    - promote the effective use of internal audit within the assurance framework;
  - Consider the effectiveness of the authority's risk management arrangements and the control environment, reviewing the risk profile of the organisation and assurances that action is being taken on risk-related issues, including partnerships and collaborations with other organisations;
  - Monitor the effectiveness of the control environment, including arrangements for ensuring value for money, supporting standards and ethics and for managing the authority's exposure to the risks of fraud and corruption;
  - Consider the reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control;
  - Support effective relationships between external audit and internal audit, inspection agencies and other relevant bodies, and encourage the active promotion of the value of the audit process; and
  - Review the financial statements, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit.

## **3. FORWARD PLAN**

- 3.1 To assist the Audit Panel with delivering its terms of reference, officers have prepared the updated work plan for 2020/21. The work plan outlined in **Appendix 3** sets out the areas that should be considered by the Audit Panel and identifies proposed training for the coming year. Members of the panel are asked to consider whether any additional items or training is required, with reference to the CIPFA position statement on the role of the Audit Committee.

#### **4. RECOMMENDATIONS**

4.1 As set out on the front of the report.

## **Audit Panel Terms of Reference (Approved by Full Council May 2019)**

## **APPENDIX 1**

### **Role**

To provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment and to oversee the financial reporting process.

To undertake the functions of an Audit Committee in accordance with the CIPFA Statement on Audit Committees in Local Authorities.

The Panel shall comprise a membership of 8 Members and is subject to the rules of political balance. The Panel shall be chaired by the Chair of the Overview Panel.

### **Terms of Reference**

1. To overview the arrangements for internal control (both financial and nonfinancial).
2. Consider the Annual Audit Letter from our External Auditors.
3. Approve (but not direct) both external and internal audit's strategy, annual plans and monitor performance.
4. Review summary internal audit reports and the main issues arising and seek assurance that management action has been taken where necessary.
5. Receive the annual report and Head of Internal Audit opinion on the Council's corporate governance, risk management and internal control arrangements.
6. Consider the reports of other regulators and inspectors.
7. Consider the effectiveness of the authority's risk management arrangements, the control environment and associated anti-fraud and anticorruption arrangements. Seek assurances that action is being taken on risk related issues identified by auditors and inspectors.
8. Be satisfied that the authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it.
9. To review existing and proposed arrangements, recommend changes and receive assurance that the systems of corporate governance are operating effectively and in accordance with best practice.
10. Review and approval of the annual Statement of Accounts, including the Annual Governance Statement and related matters. Approval of accounting policies and consideration of whether there are any concerns arising from the financial statements or external audit that need to be brought to the attention of the Council.
11. Receive and consider the external auditor's report and opinion on the financial statements.
12. Monitor action taken in response to any matters raised in the external auditor's report.
13. Monitor action taken in response to any matters raised in the Annual Governance Statement.

## PROPOSED WORKPLAN AND TRAINING FOR AUDIT PANEL

## APPENDIX 3

9 June 2020	28 July 2020	November 2020	March 2021
<b>Financial Reporting and Accounts</b>			
	Draft Statement of Accounts	Audited Statement of Accounts (Approval)	Accounting Policies and Critical Judgements
	Capital and Revenue Outturn Report		
	Treasury Annual Report	Treasury Mid-Year review	Treasury Strategy
<b>Internal Audit</b>			
	Internal Audit Progress Report	Internal Audit Progress Report	Internal Audit Progress Report Internal Audit Plan
Internal Audit Annual report and Head of Internal Audit Opinion Annual Review of Effectiveness of Internal Audit			
	NAFN Data and Intelligence Services Annual Report		
			CIPFA Fraud and Corruption Tracker – Tameside Report

9 June 2020	28 July 2020	November 2020	March 2021
<b>External Audit</b>			
Progress report & technical update	Progress report & technical update	Progress report & technical update	Progress report & technical update
		Annual Audit Letter Audit Findings Report (ISA260)	Audit Plan
<b>Risk Management</b>			
Corporate Risk Register Review	Corporate Risk Register Review Risk Management Policy and Strategy and Corporate Risk Register	Corporate Risk Register Review	Corporate Risk Register Review
	Information Governance Update Report	Information Governance Update Report	Information Governance Update Report
<b>Internal Control and Governance Environment</b>			
	Code of Corporate Governance	Procurement Update	
	Review against the Code of Corporate Governance		
	Draft Annual Governance Statement	Approve Annual Governance Statement Action Plan update	Annual Governance Statement Action Plan update

Other			
Terms of Reference	Private Meeting with Internal and External Audit	Private Meeting with Internal and External Audit	Informal meeting with CCG Audit Committee
	TRAINING – Accounts	TRAINING – Risk Management	TRAINING – To Be Determined
Work Programme and Forward Plan	Work Programme and Forward Plan	Work Programme and Forward Plan	Work Programme and Forward Plan

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# CIPFA's Position Statement: Audit Committees in Local Authorities and Police

The scope of this Position Statement includes all principal local authorities in the UK, the audit committees for PCCs and chief constables in England and Wales, and the audit committees of fire and rescue authorities.

- 1** Audit committees are a key component of an authority's governance framework. Their function is to provide an independent and high-level resource to support good governance and strong public financial management.
- 2** The purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and governance processes. By overseeing both internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place.
- 3** Authorities and police audit committees should adopt a model that establishes the committee as independent and effective. The committee should:
  - act as the principal non-executive, advisory function supporting those charged with governance
  - in local authorities, be independent of both the executive and the scrutiny functions and include an independent member where not already required to do so by legislation
  - in police bodies, be independent of the executive or operational responsibilities of the PCC or chief constable
  - have clear rights of access to other committees/functions, for example, scrutiny and service committees, corporate risk management boards and other strategic groups
  - be directly accountable to the authority's governing body or the PCC and chief constable.
- 4** The core functions of an audit committee are to:
  - be satisfied that the authority's assurance statements, including the annual governance statement, properly reflect the risk environment and any actions required to improve it, and demonstrate how governance supports the achievement of the authority's objectives
  - in relation to the authority's internal audit functions:
    - oversee its independence, objectivity, performance and professionalism

- support the effectiveness of the internal audit process
  - promote the effective use of internal audit within the assurance framework
  - consider the effectiveness of the authority's risk management arrangements and the control environment, reviewing the risk profile of the organisation and assurances that action is being taken on risk-related issues, including partnerships and collaborations with other organisations
  - monitor the effectiveness of the control environment, including arrangements for ensuring value for money, supporting standards and ethics and for managing the authority's exposure to the risks of fraud and corruption
  - consider the reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control
  - support effective relationships between external audit and internal audit, inspection agencies and other relevant bodies, and encourage the active promotion of the value of the audit process.
  - review the financial statements, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit.
- 5 An audit committee can also support its authority by undertaking a wider role in other areas including:
- considering governance, risk or control matters at the request of other committees or statutory officers
  - working with local standards and ethics committees to support ethical values
  - reviewing and monitoring treasury management arrangements in accordance with [Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes](#) (CIPFA, 2017)
  - providing oversight of other public reports, such as the annual report.
- 6 Good audit committees are characterised by:
- a membership that is balanced, objective, independent of mind, knowledgeable and properly trained to fulfil their role. The political balance of a formal committee of a council will reflect the political balance of the council, however, it is important to achieve the right mix of apolitical expertise
  - a membership that is supportive of good governance principles and their practical application towards the achievement of organisational objectives
  - a strong independently minded chair – displaying a depth of knowledge, skills and interest. There are many personal qualities needed to be an effective chair, but key to these are:
    - promoting apolitical open discussion
    - managing meetings to cover all business and encouraging a candid approach from all participants
    - an interest in and knowledge of financial and risk management, audit, accounting concepts and standards, and the regulatory regime
  - unbiased attitudes – treating auditors, the executive and management fairly

- the ability to challenge the executive and senior managers when required.
- 7 To discharge its responsibilities effectively the committee should:
- meet regularly – at least four times a year, and have a clear policy on those items to be considered in private and those to be considered in public
  - be able to meet privately and separately with the external auditor and with the head of internal audit
  - include, as regular attendees, the CFO(s), the chief executive, the head of internal audit and the appointed external auditor. Other attendees may include the monitoring officer (for standards issues) and the head of resources (where such a post exists). These officers should also be able to access the committee, or the chair, as required
  - have the right to call any other officers or agencies of the authority as required, while recognising the independence of the chief constable in relation to operational policing matters
  - report regularly on its work to those charged with governance, and at least annually report an assessment of their performance. An annual public report should demonstrate how the committee has discharged its responsibilities.

Additional guidance to support those acting as audit committee members in local authorities can be found in CIPFA's publication *Audit Committees: Practical Guidance for Local Authorities and Police* (2018), available from [www.cipfa.org.uk/publications](http://www.cipfa.org.uk/publications)

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# Agenda Item 5.

<b>Report to:</b>	<b>AUDIT PANEL</b>
<b>Date:</b>	9 June 2020
<b>Reporting Officer:</b>	Kathy Roe – Director of Finance Wendy Poole – Head of Risk Management and Audit Services
<b>Subject:</b>	<b>CORPORATE RISK REGISTER</b>
<b>Report Summary:</b>	To present to the Corporate Risk Register detailed at <b>Appendix 1</b> for comment and approval.
<b>Recommendations:</b>	Members consider and approve the Corporate risk Register at <b>(Appendix 1)</b> and note the development work detailed in Section 4 of the report.
<b>Corporate Plan:</b>	Managing risks will enable the Council to deliver services safely and in an informed manner to achieve the best possible outcomes for residents.
<b>Policy Implications:</b>	Effective risk management supports the achievement of Council objectives and demonstrates a commitment to high standards of corporate governance.
<b>Financial Implications:</b> <b>(Authorised by the statutory Section 151 Officer &amp; Chief Finance Officer)</b>	Effective risk management 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> <b>(Authorised by the Borough Solicitor)</b>	<p>The Council has a statutory responsibility to have in place arrangements for managing risks, as stated in the Accounts and Audit Regulations 2015 (amended 2016):</p> <p>‘A relevant authority must ensure that it has a sound system of internal control which includes effective arrangements for the management of risk’.</p> <p>Regularly reviewing the Council’s arrangements for risk and updating them as needed ensures that the Council is managing its statutory responsibility.</p> <p>Risk management can relate to legal aspects of the council’s business, however, the content of this report does not have any specific legal implications. Legal risks to the organisation are incorporated in the Service plans risk registers.</p> <p>This report is aimed at addressing the requirement that the Council achieves its strategic aims and operates its business, under general principles of good governance and that it identifies risks which threaten its ability to be legally compliant and operate within the confines of the legislative framework.</p>
<b>Risk Management:</b>	Failure to manage risks will impact on service delivery, the achievement of objectives and the Council’s Medium Term Financial Plan.

**Background Information:** The background papers relating to this report can be inspected by contacting Wendy Poole, Head of Risk Management and Audit



Telephone: 0161 342 3846



e-mail: [wendy.poole@tameside.gov.uk](mailto:wendy.poole@tameside.gov.uk)

## 1. INTRODUCTION

- 1.1 The report presents the revised and updated Corporate Risk Register for the Council for comment, challenge and approval.

## 2. WHAT IS RISK MANAGEMENT?

- 2.1 Risk Management is the process of identifying risks, evaluating their likelihood and potential impact and determining the most effective methods of controlling them or responding to them. It is a means of maximising opportunities and minimising the costs and disruption to the organisation caused by undesired events.
- 2.2 Corporate Risks are potential barriers to the council achieving its priorities and have the potential to disrupt large parts of our service.

## 3. CORPORATE RISK REGISTER

- 3.1 The Corporate Risk Register is attached at **Appendix 1**. It details the risk scores evaluated both in October 2019 and May 2020. All changes are highlighted in blue.
- 3.2 The COVID-19 Pandemic has adversely affected the majority of risk scorings within the risk register due to the uncertainty of the recovery process. Risk Number One has been added in response to the pandemic and is supported by a detailed risk log analysed by the eight Corporate Plan Themes, which will be managed by Board and Senior Management. Risks are categorised into three areas:-
- Release of Lockdown
  - Living with Covid-19
  - Building Back Better
- 3.3 The corporate risks are summarised in the risk heat maps below as follows:-

**Heat Map 1 – October 2019 (22 Risks)**

		Impact level				
		Insignificant	Minor	Medium	Major	Major Disaster
Likelihood		(1)	(2)	(3)	(4)	(5)
Almost Certain	(5)					
Very likely	(4)				3	1
Likely	(3)			1	7	
Unlikely	(2)			2	5	3
Very Low	(1)					

**Heat Map 2 – May 2020 (23 Risks)**

		Impact level				
		Insignificant	Minor	Medium	Major	Major Disaster
Likelihood		(1)	(2)	(3)	(4)	(5)
Almost Certain	(5)				2	3
Very likely	(4)			2	10	3
Likely	(3)			1		1
Unlikely	(2)					1
Very Low	(1)					

#### **4. RISK MANAGEMENT REVIEW**

- 4.1 The sub group looking at the risk management systems across both the Council and the Tameside and Glossop CCG consists of:-
- Tim Bowman
  - Tom Wilkinson
  - Tracey Simpson
  - Sarah Threlfall/Simon Brunet
  - Joanne Keast
  - Julie Speakman
  - Wendy Poole
- 4.2 Work on the format of the risk register has been undertaken; however, work is still ongoing to redefine the definitions for Impact and Likelihood so that they work for both the Council and the CCG.
- 4.3 A Risk, Insurance and Information Governance Manager has been appointed who has risk management experience at another local authority and so his support with this work will be critical and one of his key priorities.

#### **5. Recommendations**

- 5.1 As set out on the front of the report.

Corporate Plan Theme	Risk No.	Risk Description	Evaluation of Controls	Impact Score	Likelihood score	Risk Rating (Impact/ Likelihood) Oct 2019	Impact Score	Likelihood score	Risk Rating (Impact/ Likelihood) May 2020	Risk Owner (Director)	Responsible AD/SUM
Starting Well	1	Failure to meet the objectives within the Corporate Plan due to the COVID-19 Pandemic.				New Risk	5	5	25	SLT	SLT AD Group
Living Well											
Ageing Well											
Great Place Inclusive Growth											
Starting Well	2	The Council is unable to deliver the Medium Term Financial Plan - Failure to deliver services within reduced budgets and provide for future financial stability, including the maintenance of the Council's resource base and council tax collection and dealing with the current cost pressures and demand levels in Children's Services.	Effective	5	4	20	5	5	25	Kathy Roe	Tom Wilkinson
Living Well											
Ageing Well											
Great Place Inclusive Growth											
Corporate Support and Enabling Services	3	Not implementing the latest products or best practice in information technology to ensure that the organisation remains effective and efficient, enabling it to deliver its services.	Partially Effective	4	4	16	4	4	16	Kathy Roe	Tim Rainey
Ageing Well	4	Failure to manage the local home care market and care home capacity available to deliver appropriate and timely care packages and appropriate placements for people requiring long term care.	Effective	4	3	12	4	4	16	Stephanie Butterworth	Sandra Whitehead
Great Place Inclusive Growth	5	The property portfolio rationalisation necessary for the delivery of appropriate council wide services is not delivered and consequently savings and capital receipts required to fund the current and future investment programme are not achieved.	Partially Effective	4	4	16	4	5	20	Jayne Traverse	Paul Smith
Starting Well	6	Failing to protect vulnerable children - Vulnerable children are put at risk due to poor systems/processes and reduced service provision.	Effective	5	2	10	5	4	20	Richard Hancock	Tracy Morris
Starting Well	7	Failure to ensure effective services (ILACS, LAR, YJS etc.) which are highly regarded by regulators and that robust improvement plans are in place NB. likelihood of 4 is driven by SEND	Partially Effective	4	4	16	4	4	16	Richard Hancock	Tracy Morris
Corporate Support and Enabling Services	8	Failure to effectively implement and monitor the effectiveness of a health and safety management system within the organisation.	Partially Effective	4	3	12	5	4	20	Ian Saxon	Sharon Smith
Living Well	9	Failure to deliver council duties to improve the health and wellbeing of Tameside residents.	Effective	4	3	12	5	5	25	Jeanette de Gruchy	Debbie Watson
Ageing Well	10	Vulnerable adults are put at risk due to poor systems/processes and reduced service provision, impacting on the balance of safeguarding vulnerable people against promoting independence through the allocation of Direct Payments and developing new ways of working to promote independence and resilience.	Effective	4	2	8	5	4	20	Stephanie Butterworth	Sandra Whitehead
Living Well	11	Increased demand for services due to demographic changes - Tameside is unable to meet the needs of its ageing population and young people with increasingly complex needs transitioning into Adult Services requiring significant savings to be made, or reductions in levels of dependency, to manage rising levels of demand and cost.	Effective	4	2	8	4	4	16	Stephanie Butterworth	Sandra Whitehead
Corporate Support and Enabling Services	12	The inconsistent application of information standards and controls could result in a significant, unauthorised disclosure of personal and/or special category data.	Effective	4	3	12	4	4	16	Sandra Stewart / Kathy Roe	Tim Rainey Wendy Poole
Corporate Support and Enabling Services	13	Ineffective procurement and contract monitoring - Procurement does not deliver value for money and is not conducted in line with best practice, PSOs and European legislation. The strategic focus on commissioning is less effective due to a lack of skills and capacity to drive the change in culture.	Effective	4	3	12	4	4	16	Kathy Roe	Tom Wilkinson
Great Place Inclusive Growth	14	Tameside is unable to exploit growth opportunities and this has a detriment to residents, local businesses and the borough's future prosperity.	Effective	4	3	12	4	5	20	Jayne Traverse	David Berry Nigel Gilmore Mathew Chetwynd
Starting Well	15	Implementation of a Strategic Commissioning Function across the Council and the CCG may increase the operational and financial risks of the Council whilst the priorities agreed are implemented to improve outcomes for our public whilst creating a more sustainable future for the organisation.	Effective	4	3	12	4	4	16	Steven Pleasant	Single Leadership Team
Living Well											
Ageing Well											
Great Place Inclusive Growth											
Great Place Inclusive Growth	16	Vision Tameside is not completed on time and in budget <b>and associated leases and service agreements are not finalised in a timely manner.</b>	Effective	5	2	10	5	3	15	Jayne Traverse	Paul Smith
Great Place Inclusive Growth	17	Failure to provide an appropriate Civil Contingencies response to an incident or emergency affecting the community or the Council, including the risks relating to extreme weather conditions due to climate change <b>or in response to the current COVID-19 pandemic.</b>	Partially Effective	5	2	10	5	2	10	Ian Saxon Kathy Roe	Emma Varnam Mike Gurney Wendy Poole
Great Place Inclusive Growth	18	The Council fails to benefit from the opportunities generated from the increased central government devolution to the Greater Manchester Region.	Effective	3	3	9	3	4	12	Single Leadership Team	Senior Management Group

Corporate Plan Theme	Risk No.	Risk Description	Evaluation of Controls	Impact Score	Likelihood score	Risk Rating (Impact/ Likelihood) Oct 2019	Impact Score	Likelihood score	Risk Rating (Impact/ Likelihood) May 2020	Risk Owner (Director)	Responsible AD/SUM
Starting Well	19	Failure to ensure there are sufficient high quality school places (including specialist places and early years provision) and that children all have fair access to our schools.	Effective	4	2	8	4	4	16	Richard Hancock	Tim Bowman
Corporate Support and Enabling Services	20	Pension Fund investments do not provide the appropriate/anticipated level of assets to meet liabilities.	Effective	4	2	8	4	4	16	Sandra Stewart	Tom Harrington Paddy Dowdall
Great Place Inclusive Growth	21	The lack of an up to date strategic planning framework and associated local policies to manage development in Tameside.	Effective	4	2	8	4	4	16	Jayne Traverse	Jayne Traverse
Corporate Support and Enabling Services	22	Failure to prevent or detect acts of significant fraud or corruption with consequent financial or reputational damage to the Council.	Effective	3	2	6	3	4	12	Kathy Roe	Tom Wilkinson Wendy Poole
Living Well	23	In-effective community cohesion. The community cohesion activities undertaken do not have the required results, of raising awareness, integration and acceptance within the community.	Effective	3	2	6	3	4	12	Ian Saxon	Emma Varnam

# Agenda Item 6.

<b>Report to:</b>	<b>AUDIT PANEL</b>
<b>Date:</b>	9 June 2020
<b>Reporting Officer:</b>	Kathy Roe – Director of Finance
<b>Subject:</b>	<b>EXTERNAL AUDIT PROGRESS REPORT AND AUDIT STRATEGY MEMORANDUM FOR GREATER MANCHESTER PENSION FUND (GMPF)</b>
<b>Report Summary:</b>	<p>The External Audit Progress Report (Appendix 1) provides the Audit Panel with an update from External Audit on progress in delivering responsibilities as well as setting out any non-audit assurance work carried out and also summarising key national publications that may be of interest to Members.</p> <p>The Audit Strategy Memorandum for GMPF (Appendix 2) summarises the planned audit approach for the Statement of Accounts 2019/20, highlighting significant audit risks and areas of key judgements for the accounts. The document also sets out the key communications during the course of the audit. This report has previously been considered by the Pensions Management Panel.</p>
<b>Recommendations:</b>	Members of the Audit Panel are asked to note the contents of the External Audit Progress report and Audit Strategy memorandum for GMPF.
<b>Corporate Plan:</b>	The Corporate Plan determines priorities for spending which is summarised in the 2019/20 accounts.
<b>Policy Implications:</b>	There are no direct policy implications flowing from the Statement of Accounts.
<b>Financial Implications:</b> <b>(Authorised by the statutory Section 151 Officer &amp; Chief Finance Officer)</b>	The Statement of Accounts 2019/20 will provide full details of the Council's financial position at 31 March 2020 and its income and expenditure for the year ended 31 March 2020. The accounts are prepared in accordance with the CIPFA Code of Practice for Local Authority Accounting which is based on International Financial Reporting Standards.
<b>Legal Implications:</b> <b>(Authorised by the Borough Solicitor)</b>	There is a statutory duty imposed on the Council to be able to provide adequate evidence for all its financial activities set out in the Local Government and Housing Act 1989. The preparation of the annual accounts and the audit of those accounts is the main mechanism by which the adequacy of those records is tested.
<b>Risk Management:</b>	<p>The external audit provides verification of the Council's financial statements.</p> <p>By producing the annual Statement of Accounts, the Council aims to give all interested parties confidence that the public money that has been received and spent, has been properly accounted for and that the financial standing of the Council is secure.</p>

**Background Information:**

The background papers relating to this report can be inspected by contacting Heather Green, Finance Business Partner



Telephone: 0161 342 2929



e-mail: [heather.green@tameside.gov.uk](mailto:heather.green@tameside.gov.uk)

# Audit Progress Report

## Tameside Metropolitan Borough Council

May 2020





## CONTENTS

### 1. Summary

### 2. National publications

Contact us: [www.mazars.co.uk](http://www.mazars.co.uk)

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This document is to be regarded as confidential to Tameside Metropolitan Borough Council. It has been prepared for the sole use of the Audit Panel. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

# 1. AUDIT PROGRESS

## Purpose of this report

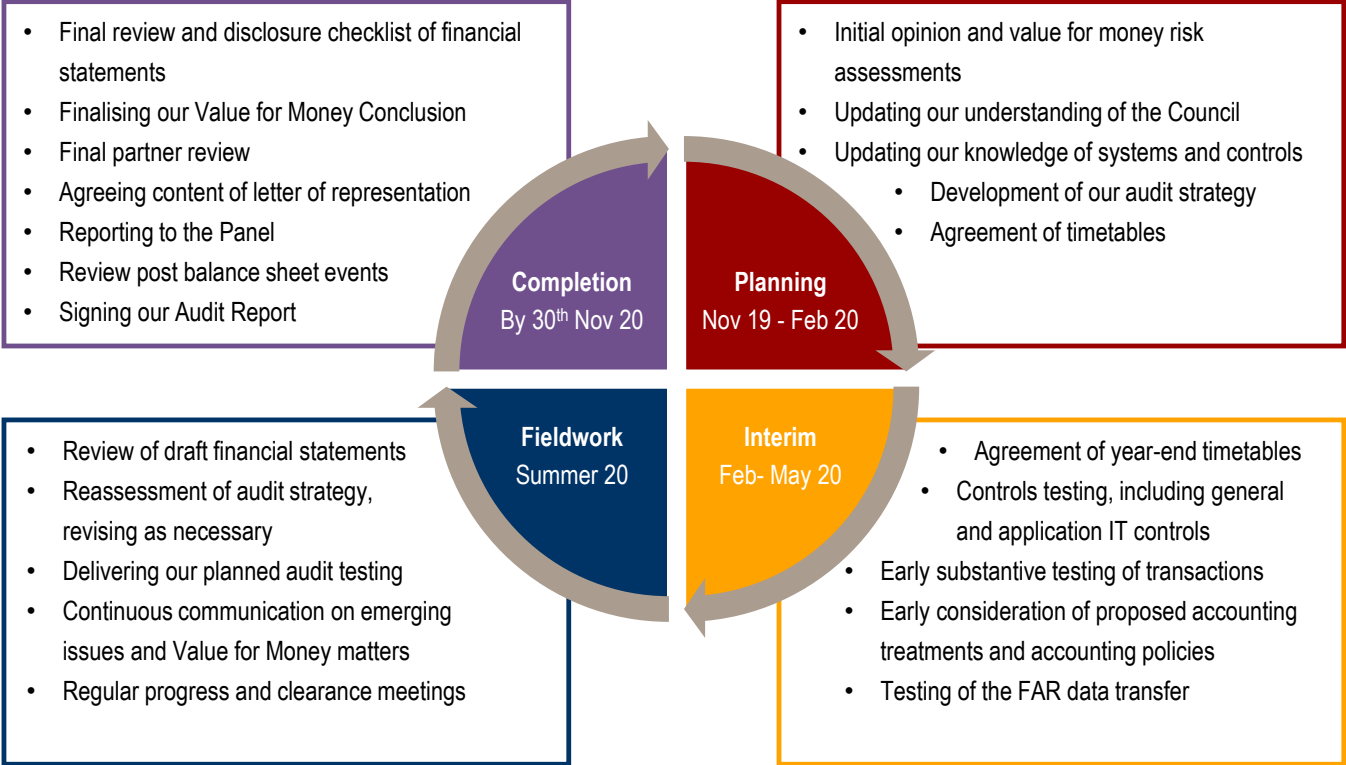
This report provides the Audit Panel with an update on progress in delivering our responsibilities as your external auditor as well as setting out any non-audit assurance work carried out and also summarising key national publications that may be of interest to Members.

## Responding to 2018/19

We have been working with your finance team to understand how they are addressing the issues that arose in relation to the 2018/19 accounts and audit process. We are in regular dialogue to understand progress against the actions that your team have identified and put in place, particularly around the identified control recommendations relating to the valuation of the Council's Property, Plant & Equipment (PPE), and the related capital accounting.

## Audit progress

Our key audit stages are summarised in the diagram shown below. Our Audit Strategy Memorandum (ASM) for 2019/20 was presented to this Panel 10 March 2020. There are no significant matters arising from our audit work that we are required to report to you at this stage. However, following the presentation of the ASM to the Panel, there have been significant national issues arising as a result of the Covid-19 pandemic, the implications of which are considered overleaf. The main impacts in relation to the accounts are the changes to the financial reporting timetable.



# 1. AUDIT PROGRESS

## MAZARS' RESPONSE TO COVID-19

During the ongoing coronavirus situation, Mazars has implemented clear and decisive measures to ensure the welfare of our people and clients while ensuring that we continue to deliver for those who rely on us.

### Ensuring resilience and maintaining the level and quality of client service

- Beyond protecting the welfare of our clients and people, Mazars' first priority is to continue to deliver on our business commitments. As part of our existing contingency planning, we have implemented systems and procedures to ensure continuity and to minimise any disruption.
- Our teams have full access to remote working technology with secure access to their applications, tools and data, wherever they are, and agile working processes are well-established across the firm.
- In a shifting environment, we will continue to adapt our approach to best navigate the uncertain situation while keeping our people and our clients front of mind.
- All partners and staff are working remotely, and our teams are making full use of virtual meetings and agile working technology to stay connected with each other and our clients, deliver on our commitments, and provide continuity and support at the time it's most needed.

Mazars' external website contains further details of its response to the emerging situation, along with daily economic briefings.

<https://www.mazars.co.uk/>

### Responding to changes – working with Tameside Metropolitan Borough Council

All Mazars' staff moved to remote working from the 16<sup>th</sup> March 2020. We are committed to supporting the Council as best we can throughout the coming period, recognising first and foremost, the need to be flexible as the current environment changes and also potential pressures on the finance team at the Council. We will maintain open communication throughout this period.

We are able to carry out the audit remotely and will put in place arrangements to allow this: e.g. regular virtual update meetings, shared site for secure transfer of data and keeping a queries log. The key difference is we will not, subject to any changes, have a physical on-site presence. We will maintain communication via regular webex / video calls.

### Revised deadlines, scope and testing strategy

Local government accounts deadlines have been revised; the original and revised deadlines are set out below.

Our testing strategy and assessment of risks, as set out in our Audit Strategy Memorandum, will be updated to take account of the emerging situation and brought to the Audit Panel at a later meeting. We revisit our testing strategy and assessment of significant risks on an on-going basis throughout the audit.

	Original key date	Revised key date
Submission of draft accounts and Annual Report	31 <sup>st</sup> May 2020	31 <sup>st</sup> August 2020
Audit Panel	July 2020	TBC
Submission of final accounts and Annual Report	31 <sup>st</sup> July 2020	30 <sup>th</sup> November 2020

## 2. SUMMARY OF NATIONAL PUBLICATIONS

This section of our report contains national publications which may be of interest to the Council, including recent publications in respect of Covid-19.

There have been many different briefings across different sectors, in respect of the emerging crisis and more are being published on an on-going basis. This summary does not intend to provide an exhaustive list of all recent publications, but to provide an overview of key areas.

Within Mazars, we liaise with the regulators for your sector on a regular basis and this will continue during the coming periods, so that we ensure we are up-to-date with emerging issues; we feed back any messages as part of on-going two-way communications.

	Publication/update	Key points
<b>Ministry of Housing, Communities and Local Government (MHCLG)</b>		
1.	<b>Fraud control in emergency management</b>	The guidance states there is an inherently high risk of fraud, and it is very likely to happen.
<b>National Audit Office (NAO)</b>		
2.	<b>Code of Audit Practice</b>	New Code governing work of auditors, applying from 1 April 2020 for 2020/21 audit years.
3.	<b>NHS Financial Management and Sustainability</b>	The NHS is treating more patients but has not yet achieved the fundamental transformation in services and finance regime needed to meet rising demand. If integrated care systems are to be successful, funding mechanisms and incentives need to support collaborative behaviours.
<b>Local Government Association (LGA)</b>		
4.	<b>Guidance for Councillors</b>	Guidance to support Councillors in supporting their wards; being updated on a regular basis.
<b>Financial Reporting Council and other regulators</b>		
5.	<b>Statement in respect of current situation</b>	Highlights the impact for auditors and organisations and also the likelihood of an increase in modified opinions.
<b>Mazars LLP</b>		
6.	<b>Response to Covid-19</b>	As summarised earlier in this report

## 2. NATIONAL PUBLICATIONS

### 1. Fraud control in emergency management, *MHCLG*, March 2020

This guidance is for leaders and fraud experts in government bodies and local authorities that are administering emergency programmes on behalf of the UK Government.

The UK Government is responding with measures to mitigate the economic and social impact of the COVID-19 pandemic. Sadly, fraudsters will try to take advantage of these emergency measures.

Government is committed to understanding these risks and taking action to reduce them, whilst dealing with the fraud that occurs where it can.

The fraud threat posed during emergency situations is higher than at other times, and all public bodies should be attuned to the risks facing their organisations and the public sector. Public bodies can reduce the threat of widespread fraud by integrating low-friction controls into payments where possible, and carrying out post-event assurance work.

The Cabinet Office has formed a COVID-19 Fraud Response Team to assist the government with its counter fraud response.

<https://www.gov.uk/government/publications/fraud-control-in-emergency-management-covid-19-uk-government-guide>

### 2. Code of Audit Practice, *National Audit Office*, March 2020

The final draft of the Code has now been approved by Parliament and will come into force on 1 April 2020. The new Code will apply from audits of local bodies' 2020-21 financial statements onwards. The NAO is now developing the detailed statutory Auditor Guidance Notes (AGNs) that will support the new Code. The most significant changes will be made to the guidance on auditor's work on arrangements to secure value for money (AGN 03) and auditor reporting (AGN 07). We plan to engage with stakeholders to develop this guidance over the coming months and will consult publicly in the summer/autumn of 2020.

We will brief the Panel on changes as more guidance emerges over the year. Key messages from the new Code are summarised below:

#### **Audit of the financial statements**

Auditors must still comply with underlying auditing standards.

#### **Value for money arrangements**

- Removal of 'except for' and 'adverse' conclusions.
- Work based around 3 reporting criteria
  - Financial sustainability
  - Governance
  - Improving the 3Es
- Auditors must report when they are not satisfied that arrangements are in place. Where weaknesses are identified, recommendations are expected at any time of the audit.

#### **Auditor reporting**

- Auditor's Annual Report introduced
  - Replaces Annual Audit Letter
  - Includes enhanced commentary against each of the specified VFM reporting criteria
  - To be issued in line with the audit report on the financial statements

<https://www.nao.org.uk/code-audit-practice/code-of-audit-practice-consultation/>

## 2. NATIONAL PUBLICATIONS

### 3. NHS Financial Management and Sustainability, *National Audit office*, February 2020

The NAO has published its eighth report on financial sustainability of the NHS: NHS Financial Management and Sustainability. The report:

- summarises the financial and operational performance of the NHS as a whole in England in 2018/19;
- examines the financial performance of local NHS organisations; and
- examines NHS service transformation and sustainability.

The report concludes that the NHS is treating more patients but has not yet achieved the fundamental transformation in services and finance regime needed to meet rising demand. The short-term fixes that the Department of Health & Social Care (DHSC), NHS England and NHS Improvement (NHSE&I) put in place to manage resources in a constrained financial environment are not sustainable. The extra money brought in to stabilise the finances of NHS bodies has continued to drive volatility and variability among trusts, while patient waiting times continue to deteriorate and the number of people waiting for treatment continues to increase.

Years of short-term funding decisions for the health sector means that resources have moved away from areas of investment in the future, such as the workforce, public health and capital. This will need to be rebalanced to ensure that the ambitions set out in The NHS Long Term Plan are realised.

To bring about lasting stability, the NHS needs a financial restructuring programme not just a recovery programme. If integrated care systems are to be successful, funding mechanisms and incentives need to support collaborative behaviours. The delivery of long-term financial sustainability is at risk unless every organisation is on a realistic path to breaking even. Until the Department and NHSE&I have implemented more sustainable solutions and dispensed with short-term financial fixes, the NAO cannot conclude that they have delivered value for money through their collective actions.

<https://www.nao.org.uk/report/nhs-financial-management-and-sustainability/>

### 4. Guidance for Councillors, *Local Government Association*, March 2020

This guidance focuses on specific issues relevant to councillors' involvement in our work leading and protecting communities, as well as in delivering the full range of normal services. Inevitably, there will be significant changes to how councils manage these responsibilities over the coming months.

This guidance highlights the role that individual ward councillors can play in supporting their communities through these difficult times. More than ever before, their role as civic and community leaders requires them to offer visible, responsible leadership that links community-led support with council structures to help build and sustain our overall resilience. Using social media and other means to link with the neighbourhood support groups that have developed in recent days will be an important part of this.

<https://www.local.gov.uk/covid-19-outbreak-councillor-guidance>

## 2. NATIONAL PUBLICATIONS

### 5. Statement on Covid-19, Financial Reporting Council and other Regulators, March 2020

A joint statement was issued by the Financial Reporting Council, the Financial Conduct Authority and Prudential Regulation Authority in response to the current situation.

The statement sets out that:

*“Successful and sustainable businesses underpin our economy and society by providing employment and creating prosperity. Equity and debt capital markets play a vital role providing finance to these businesses and will aid the recovery. Governments and regulators around the world remain focused on keeping capital markets open and orderly.*

*Capital markets rely on timely, accurate information. Investors and other stakeholders rely on financial reporting – backed by high-quality auditing. However, companies and their auditors currently face unprecedented challenges in preparing and auditing financial information”*

This statement highlights:

- highlights likelihood of more modified opinions (where difficulties in obtaining evidence or other issues);
- going concern assumption considerations and uncertainties; and
- guidance for companies and auditors.

<https://www.fca.org.uk/news/statements/joint-statement-fca-frc-pra>

# Audit Strategy Memorandum

## Greater Manchester Pension Fund

Year ending 31 March 2020





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1. Engagement and responsibilities summary
2. Your audit engagement team
3. Audit scope, approach and timeline
4. Significant risks and key judgement areas
5. Fees for audit and other services
6. Our commitment to independence
7. Materiality and misstatements

Appendix A – Key communication points

Appendix B - Forthcoming accounting and other issues

This document is to be regarded as confidential to Greater Manchester Pension Fund. It has been prepared for the sole use of the Audit Panel as the appropriate sub-committee charged with governance . No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

Members of the Audit Panel  
Tameside Metropolitan Borough Council  
Dukinfield Town Hall  
King Street  
Dukinfield  
SK16 4LA

4 March 2020

Dear Sirs / Madams

**Audit Strategy Memorandum – Year ending 31 March 2020**

We are pleased to present our Audit Strategy Memorandum for Greater Manchester Pension Fund for the year ending 31 March 2020

The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, Section 6 of this document also summarises our considerations and conclusions on our independence as auditors.

We consider two-way communication with you to be key to a successful audit and important in:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities;
- providing you with constructive observations arising from the audit process; and
- ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing Greater Manchester Pension Fund which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

This document, which has been prepared following our initial planning discussions with management, is the basis for discussion of our audit approach, and any questions or input you may have on our approach or role as auditor.

This document also contains specific appendices that outline our key communications with you during the course of the audit, and forthcoming accounting issues and other issues that may be of interest.

Client service is extremely important to us and we strive to continuously provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations so, if you have any concerns or comments about this document or audit approach, please contact me on 07721 234043.

Yours faithfully

Karen Murray  
Mazars LLP

# 1. ENGAGEMENT AND RESPONSIBILITIES SUMMARY

## Overview of engagement

We are appointed to perform the external audit of Greater Manchester Pension Fund (the Fund) for the year to 31 March 2020. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: <https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>

## Our responsibilities

Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below:

**Audit opinion**

We are responsible for forming and expressing an opinion on the financial statements.

Our audit is planned and performed so to provide reasonable assurance that the financial statements are free from material error and give a true and fair view of the financial performance and position of the Fund for the year.

**Consistency report**

We are required to form and express an opinion on the consistency of the financial statements within the Fund's annual report and the Fund's financial statements included in the Statement of Accounts of Tameside Metropolitan Borough Council.

**Electors' rights**

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of Tameside Metropolitan Borough Council and consider any objection made to the accounts. This would include an objection made to the accounts of the Fund included in the administering authority's financial statements. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom.

Our audit does not relieve management or those charged with governance, of their responsibilities. The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both those charged with governance and management. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However our audit should not be relied upon to identify all such misstatements.

As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance as to their knowledge of instances of fraud, the risk of fraud and their views on management controls that mitigate the fraud risks.

The Fund is required to prepare its financial statements on a going concern basis by the Code of Practice on Local Authority Accounting. As auditors, we are required to consider the appropriateness of the use of the going concern assumption in the preparation of the financial statements and the adequacy of disclosures made.

For the purpose of our audit, we have identified the Audit Panel as those charged with governance.



## 2. YOUR AUDIT ENGAGEMENT TEAM



### Engagement Lead

Karen Murray, Audit Partner

- [karen.murray@mazars.co.uk](mailto:karen.murray@mazars.co.uk)
- 07721 234043



### Engagement Manager

Ian Pinches, Audit Manager

- [ian.pinches@mazars.co.uk](mailto:ian.pinches@mazars.co.uk)
- 07909 977987



### Engagement Senior

Matthew Coulthard, Audit Senior

- [matthew.coulthard@mazars.co.uk](mailto:matthew.coulthard@mazars.co.uk)
- [Engagement team leader tel. number]

In addition as outlined in our engagement pack an engagement quality control reviewer has been appointed for this engagement.

### 3. AUDIT SCOPE, APPROACH AND TIMELINE

#### Audit scope

Our audit is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. Our work is focused on those aspects of your business which we consider to have a higher risk of material misstatement, such as those affected by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

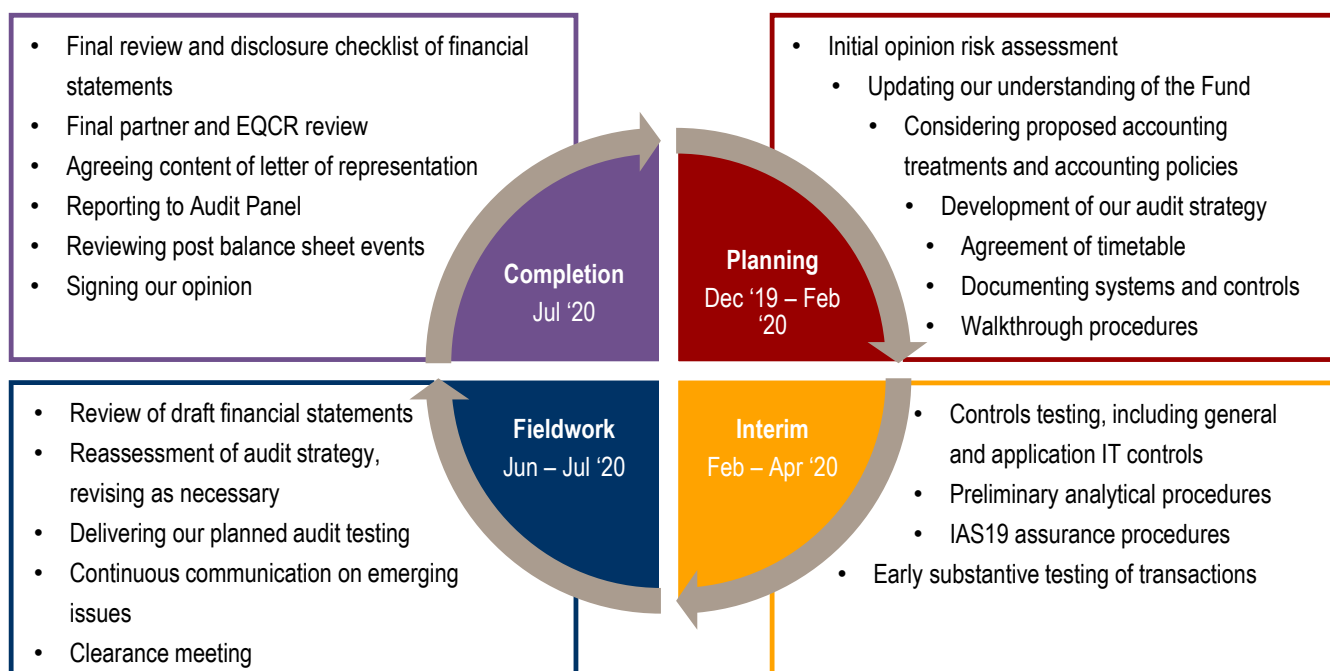
#### Audit approach

Our audit approach is a risk-based approach primarily driven by the risks we consider to result in a higher risk of material misstatement of the financial statements. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to this assessment.

If we conclude that appropriately-designed controls are in place then we may plan to test and rely upon these controls. If we decide controls are not appropriately designed, or we decide it would be more efficient to do so, we may take a wholly substantive approach to our audit testing. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise tests of details (of classes of transactions, account balances, and disclosures) and substantive analytical procedures. Irrespective of the assessed risks of material misstatement, which take into account our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transactions, account balance, and disclosure.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in more detail in section 7.

The diagram below outlines the procedures we perform at the different stages of the audit.



### 3. AUDIT SCOPE, APPROACH AND TIMELINE (CONTINUED)

**Reliance on internal audit**

Where possible we will seek to utilise the work performed by internal audit to modify the nature, extent and timing of our audit procedures. We will meet with internal audit to discuss the progress and findings of their work prior to the commencement of our controls evaluation procedures.

Where we intend to rely on the work of internal audit, we will evaluate the work performed by your internal audit team and perform our own audit procedures to determine its adequacy for our audit.

**Management’s and our experts**

Management makes use of experts in specific areas when preparing the Fund’s financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Items of account	Management’s expert	Our expert
Disclosure notes on funding arrangements and actuarial present value of promised retirement benefits	Hymans Robertson	NAO Consulting actuary: PWC
Valuation of unquoted investments not traded on active markets	Investment managers and Custodians	None considered necessary

**Service organisations**

International Auditing Standards (UK) define service organisations as third party organisations that provide services to the Fund that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services. The table below summarises the service organisations used by the Fund and our planned audit approach.

Items of account	Service organisation	Audit approach
Unquoted investment valuations and related disclosures	Investment managers and relevant organisations that provide valuations of unquoted investments	Substantive procedures
Stock lending including information used for the stock lending disclosure note	Custodian	Substantive procedures

# 4. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS

Following the risk assessment approach discussed in section 3 of this document, we have identified relevant risks to the audit of financial statements. The risks that we identify are categorised as significant, enhanced or standard, as defined below:

**Significant risk** A significant risk is an identified and assessed risk of material misstatement that, in the auditor’s judgment, requires special audit consideration. For any significant risk, the auditor shall obtain an understanding of the entity’s controls, including control activities relevant to that risk.

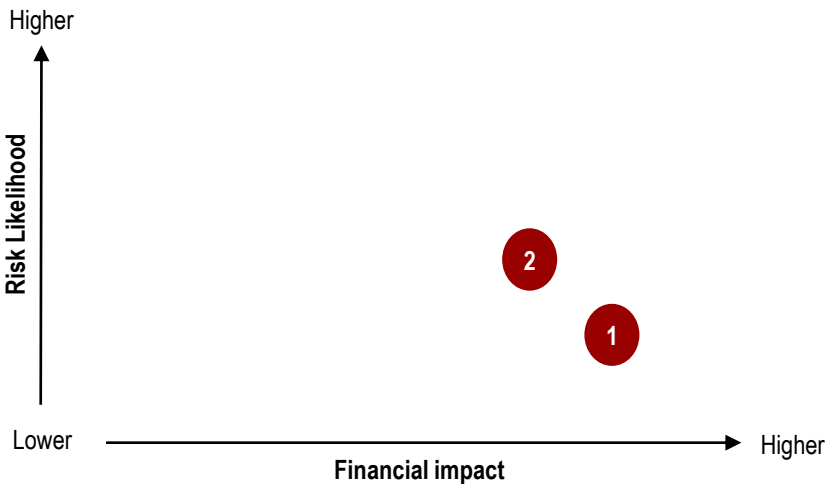
**Enhanced risk** An enhanced risk is an area of higher assessed risk of material misstatement at audit assertion level other than a significant risk. Enhanced risks incorporate but may not be limited to:

- key areas of management judgement, including accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement; and
- other audit assertion risks arising from significant events or transactions that occurred during the period.

**Standard risk** This is related to relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgement. Although it is considered that there is a risk of material misstatement, there are no elevated or special factors related to the nature, the likely magnitude of the potential misstatements or the likelihood of the risk occurring.

The summary risk assessment, illustrated in the table below, highlights those risks which we deem to be significant. We have summarised our audit response to these risks on the next page.

- 1. Management Override of Controls
- 2. Valuation of unquoted investments



## 4. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS (CONTINUED)

We provide more detail on the identified risks and our testing approach with respect to significant risks in the table below. An audit is a dynamic process, should we change our view of risk or approach to address the identified risks during the course of our audit, we will report this to the Audit Panel.

### Significant risks

	Description of risk	Planned response
1	<b>Management override of controls</b>  Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.	We plan to address the management override of controls risk through performing audit work over accounting estimates, journal entries and significant transactions outside the normal course of business or otherwise unusual.
2	<b>Valuation of unquoted investments for which a market price is not readily available</b>  As at 31 March 2019 the fair value of investments which were not quoted on an active market was £4.8bn, which accounted for approximately 20.3 per cent of net investment assets. The values included in the accounts are based on Net Asset Value or capital statements. This results in an increased risk of material misstatement.	We plan to address this risk by completing the following additional procedures: <ul style="list-style-type: none"> <li>• agree the valuation to supporting documentation including investment manager valuation statements and cash flows for any adjustments made to the investment manager valuation;</li> <li>• agree the investment manager valuation to audited accounts or other independent supporting documentation, where available;</li> <li>• where audited accounts are available, check that they are supported by a clear opinion; and</li> <li>• where available, review independent control assurance reports to identify any exceptions that could present a risk of material misstatement in the Fund's financial statements.</li> </ul>

### Revenue recognition

We have considered the presumed risk under ISA (UK) 240 in relation to revenue recognition, and have determined that there is little incentive or opportunity to manipulate revenue at the Fund. We therefore rebut this risk and do not incorporate specific risk procedures over and above our standard fraud procedures to address the management override of controls risk.

### Key areas of management judgement

Key areas of management judgement include accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement. We have not identified any such judgements.

## 5. FEES FOR AUDIT AND OTHER SERVICES

### Fees for work as the Fund's appointed auditor

The scale fee set by PSAA as communicated in our fee letter of 23 April 2019 is £43,383. At this stage we are planning to charge an addition £3,000 for additional work we will have to undertake as part of our audit tour audit of the 2019/20 financial statements. in relation to the triennial valuation as at 31 March 2019.

Service	2018/19 fee	2019/20 fee*
Code audit work for the financial statements	43,383	46,383

\* Subject to confirmation by PSAA

### Fees for pension assurance

The fee for Code audit work does not include fees chargeable to the Fund for pension assurance work undertaken at the request of employer auditors for the year ended 31 March 2020. The total fees chargeable for this assurance is estimated at £26,000 .It is expected that the Fund will recharge these fees to the relevant employers. This approach is in line with the PSAA Terms of Appointment, and the expectation within NAO's AGN01 General Guidance Supporting Local Audit.

### Fees for non-PSAA work

At this stage we have not been separately engaged by the Fund to carry out additional work.

## 6. OUR COMMITMENT TO INDEPENDENCE

We are committed to independence and are required by the Financial Reporting Council to confirm to you at least annually, in writing, that we comply with the Financial Reporting Council's Ethical Standard. In addition, we communicate any matters or relationship which we believe may have a bearing on our independence or the objectivity of the audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities creating any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:

- all partners and staff are required to complete an annual independence declaration;
- all new partners and staff are required to complete an independence confirmation and also complete computer-based ethics training;
- rotation policies covering audit engagement partners and other key members of the audit team;
- use by managers and partners of our client and engagement acceptance system which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this document, that the engagement team and others in the firm as appropriate, and Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with Karen Murray in the first instance.

Prior to the provision of any non-audit services Karen will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence. Included in this assessment is consideration of Auditor Guidance Note 01 as issued by the NAO, and the PSAA Terms of Appointment.

No threats to our independence have been identified.

Any emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report.

## 7. MATERIALITY AND MISSTATEMENTS

### Summary of initial materiality thresholds

Threshold	Initial threshold (£m)
Overall materiality	238
Performance materiality	191
Specific materiality applicable to the Fund Account	80
Performance materiality applicable to the Fund Account	64
Trivial threshold for errors to be reported to the Audit Panel	7

### Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole. Misstatements in financial statements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on consideration of the common financial information needs of users as a group and not on specific individual users.

The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- have a reasonable knowledge of business, economic activities and accounts;
- have a willingness to study the information in the financial statements with reasonable diligence;
- understand that financial statements are prepared, presented and audited to levels of materiality;
- recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and
- will make reasonable economic decisions on the basis of the information in the financial statements.

We consider materiality whilst planning and performing our audit based on quantitative and qualitative factors.

Whilst planning, we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

The materiality determined at the planning stage does not necessarily establish an amount below which uncorrected misstatements, either individually or in aggregate, will be considered as immaterial.

We revise materiality for the financial statements as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

Our provisional materiality is set based on a benchmark of net assets. We will identify a figure for materiality but identify separate levels for procedures designed to detect individual errors, and also a level above which all identified errors will be reported to the Audit Panel.

## 7. MATERIALITY AND MISSTATEMENTS (CONTINUED)

We consider that net assets remains the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark.

We expect to set a materiality threshold at 1% of net assets.

Based on the reported net assets of the Fund as at 31 March 2019 we anticipate the overall materiality for the year ending 31st March 2020 to be in the region of £238m ( £225m in the prior year).

After setting initial materiality, we continue to monitor materiality throughout the audit to ensure that it is set at an appropriate level.

### Performance Materiality

Performance materiality is the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Our initial assessment of performance materiality is based on low inherent risk, meaning that we have applied 80% of overall materiality as performance materiality.

### Misstatements

We aggregate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to the Audit Panel that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements. Based on our preliminary assessment of overall materiality, our proposed triviality threshold is £7m based on 3% of overall materiality. If you have any queries about this please do not hesitate to raise these with Karen Murray.

### Reporting to the Audit Panel

To comply with International Standards on Auditing (UK), the following three types of audit differences will be presented to the Audit Panel:

- summary of adjusted audit differences;
- summary of unadjusted audit differences; and
- summary of disclosure differences (adjusted and unadjusted).

# APPENDIX A – KEY COMMUNICATION POINTS

ISA (UK) 260 'Communication with Those Charged with Governance', ISA (UK) 265 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' and other ISAs (UK) specifically require us to communicate the following:

Required communication	Audit Strategy Memorandum	Audit Completion Report
Our responsibilities in relation to the audit of the financial statements and our wider responsibilities	✓	
Planned scope and timing of the audit	✓	
Significant audit risks and areas of management judgement	✓	
Our commitment to independence	✓	✓
Responsibilities for preventing and detecting errors	✓	
Materiality and misstatements	✓	✓
Fees for audit and other services	✓	
Significant deficiencies in internal control		✓
Significant findings from the audit		✓
Significant matters discussed with management		✓
Our conclusions on the significant audit risks and areas of management judgement		✓
Summary of misstatements		✓
Management representation letter		✓
Our proposed draft audit report		✓

# APPENDIX B – FORTHCOMING ACCOUNTING AND OTHER ISSUES



## Financial reporting changes relevant to 2019/20

There are no significant changes in the Code of Practice on Local Authority Accounting for the 2019/20 financial year.

## Financial reporting changes in future years

Accounting standard	Year of application	Commentary
IFRS 16 – Leases	2020/21	<p>The CIPFA/LASAAC Code Board has determined that the Code of Practice on Local Authority Accounting will adopt the principles of IFRS 16 Leases, for the first time from 2020/21.</p> <p>IFRS 16 will replace the existing leasing standard, IAS 17, and will introduce significant changes to the way bodies account for leases, which will have substantial implications for the majority of public sector bodies.</p> <p>The most significant changes will be in respect of lessee accounting (i.e. where a body leases property or equipment from another entity). The existing distinction between operating and finance leases will be removed and instead, the new standard will require a right of use asset and an associated lease liability to be recognised on the lessee's Balance Sheet.</p> <p>Although the number of leases the Fund is party to is expected to be low, it is important that work is undertaken to identify and assess all leases, particularly any implicit within a service contract.</p>

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<b>Report To:</b>	<b>AUDIT PANEL</b>
<b>Date:</b>	9 June 2020
<b>Reporting Officer:</b>	Kathy Roe – Director of Finance
<b>Subject:</b>	<b>REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT 2019/20</b>
<b>Report Summary:</b>	The report reviews the effectiveness of Internal Audit and measures practices and performance of the Internal Audit function with the standards set out in the Public Sector Internal Audit Standards which contributes to the overall effectiveness of the system of internal control.
<b>Recommendations:</b>	That the report be noted.
<b>Corporate Plan:</b>	Internal Audit supports the individual operations, which deliver the objectives within the Corporate Plan.
<b>Policy Implications:</b>	Effective Internal Audit supports the achievement of Council objectives and demonstrates a commitment to high standards of corporate governance.
<b>Financial Implications:</b> <b>(Authorised by the statutory Section 151 Officer and Chief Finance Officer)</b>	Effective Internal Audit assists in safeguarding assets, ensuring the best use of resources and the effective delivery of services.
<b>Legal Implications:</b> <b>(Authorised by Borough Solicitor)</b>	Demonstrates compliance with the Accounts and Audit Regulations 2015 as amended, 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 internal auditing standards or guidance”. It also must conduct a review of “the effectiveness of the system of internal control annually”.
<b>Risk Management:</b>	Assists in providing the necessary levels of assurance that the significant risks relating to Council operations are being effectively managed.
<b>Background Information:</b>	<p>The background papers relating to this report can be inspected by contacting the Report Author, Kathy Roe, Director of Finance by contacting:</p> <p> Telephone: 0161 342 5609</p> <p> e-mail: <a href="mailto:kathy.roe@nhs.net">kathy.roe@nhs.net</a></p>

## **1. INTRODUCTION**

- 1.1 The purpose of this report is to provide the Audit Panel with the background to the review of Internal Audit, the requirements of the Public Sector Internal Audit Standards, the process that has been adopted and details of the review itself.
- 1.2 It is the responsibility of the Council to conduct the annual review of the effectiveness of the system of internal control in accordance with the Accounts and Audit Regulations 2015 as detailed below and the review of internal audit is one element of the assurance process in place that culminates in the production of the Annual Governance Statement referred to in section 1.5.

### **1.3 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.

### **1.4 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.

### **1.5 Part 2 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 (Tameside MBC falls into this category), 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) (Excluded as this clause relates to Category 2 authorities and the Council is a Category 1.)

- (4) 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.

## **2. INTERNAL AUDIT IN TAMESIDE**

- 2.1 The function is managed by the Head of Risk Management and Audit Services who during 2019/20 reported directly to the Assistant Director of Finance (Deputy Section 151 Officer).
- 2.2 Internal Audit now comprises of 9.5 FTE staff that have a range of experience and relevant qualifications, and includes two dedicated Fraud Investigators/Counter Fraud Specialists.
- 2.3 The Internal Audit Service is provided to all Directorates/Service Areas together with schools and a comprehensive list of all auditable areas is maintained within the Audit Management System “Galileo”. A detailed Annual Audit Plan is produced at the start of each financial year after consultation with both officers and members. Internal Audit also provides services to the Greater Manchester Pension Fund.

## **3. PUBLIC SECTOR INTERNAL AUDIT STANDARDS**

- 3.1 The Public Sector Internal Audit Standards (PSIAS) were initially introduced in April 2013 and were updated in 2017. In February 2019 the Chartered Institute of Public Finance and Accountancy (CIPFA) published a PSIAS Application Note for Local Government to supplement the 2017 standards. The standards provide; the Mission of Internal Audit, a definition of Internal Auditing, Core Principles for the Professional Practice of Internal Auditing, a Code of Ethics for Internal Auditors working in the Public Sector and the Standards themselves. The Standards are mandatory for all internal auditors working in the UK public sector.
- 3.2 The mission for Internal Audit is:-  
**“To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight”.**
- 3.3 The definition of Internal Audit is:-  
**“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”.**
- 3.4 The definition recognises the consultancy work undertaken and emphasises the need to ensure that the audit function is adding value to and improving the organisations operations.
- 3.5 It is recognised in the standards that the provision of assurance work is the primary role for Internal Audit in the UK public sector. The role requires the Chief Audit Executive (Head of Risk Management and Audit) to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control. Consulting services are advisory in nature and are generally performed at the specific request of the organisation with the aim of improving governance, risk management and control and contributing to the overall opinion.

3.6 The Core Principles for the Professional Practice of Internal Auditing taken as a whole articulate internal audit effectiveness and confirm that it is achieving the mission of internal audit above. The principles are listed below:-

- Demonstrates integrity;
- Demonstrates competence and due professional care;
- Is objective and free from undue influence (independent);
- Aligns with the strategies, objectives and risks of the organisation;
- Is appropriately positioned and adequately resourced;
- Demonstrates quality and continuous improvement;
- Communicates effectively;
- Provides risk-based assurance;
- Is insightful, proactive and future focused; and
- Promotes organisational improvement.

3.7 The purpose of the Code of Ethics is to promote an ethical culture in the profession of internal auditing. It extends beyond the definition of internal auditing to include two essential components:-

- Principles that are relevant to the profession and practice of internal auditing.
- Rules of conduct that describe behaviour norms expected of internal auditors. These rules are an aid to interpreting the Principles into practical applications and are intended to guide the ethical conduct of internal auditors.
- There are four principles:-
  - **Integrity** – the integrity of internal auditors establishes trust and thus provides the basis of reliance on their judgement.
  - **Objectivity** – internal auditors exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. They make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgements.
  - **Confidentiality** – internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.
  - **Competency** – internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.

3.8 The standards themselves are divided into two categories and they provide confirmation that both the Core Principles and the Code of Ethics are adhered to by both individuals and entities that deliver internal auditing services:-

- Attribute Standards
- Performance Standards

3.9 Table 1 shows the individual standards within the above two categories.

**Table 1 – Public Sector Internal Audit Standards**

Standards
Attribute
1000 – Purpose, Authority and Responsibility
1100 – Independence and Objectivity
1200 – Proficiency and Due Professional Care
1300 – Quality Assurance and Improvement Programme

<b>Performance</b>
2000 – Managing the Internal Audit Activity
2100 – Nature of Work
2200 – Engagement Planning
2300 – Performing the Engagement
2400 – Communicating the Results
2500 – Monitoring Progress
2600 – Communicating the Acceptance of Risks

#### 4. PEER REVIEW OF INTERNAL AUDIT MARCH 2018

- 4.1 The Standards require that an external assessment of an organisation's internal audit function is carried out once every five years by a qualified, independent assessor or assessment team from outside of the organisation. External assessments can be in the form of a full external assessment, or a self-assessment with independent external validation.
- 4.2 In collaboration the North West Chief Audit Executives' Group (NWCAE) established a 'peer-review' process that was managed and operated by the constituent authorities. The process addressed the requirement of external assessment by 'self-assessment with independent external validation'.
- 4.3 The Peer Review for Tameside was carried out by Blackpool Council and Bolton Council in March 2018 and confirmed that the Internal Audit Service conformed to the 2013 standards.
- 4.4 The outcome report for Tameside was presented to the Audit Panel on 29 May 2018 and the five recommendations and three additional development areas were included in the Quality Assurance and Improvement Plan.

#### 5. SELF-ASSESSMENT AGAINST THE STANDARDS 2019/20

- 5.1 Table 4 shows the assessment against each of the individual standards within the two categories of Attribute and Performance and provides a comparison of the results presented to the Audit Panel in June 2019. The detailed assessments can be found at **Appendix 1**.
- 5.2 The updated standards have refreshed some of the questions included to add clarity and the standards now contain a mission for internal audit and a set of core principles which articulate internal audit effectiveness.

**Table 4 - Assessment against the Public Sector Internal Audit Standards**

<b>Standard</b>	<b>2020</b>	<b>2019</b>
<b>Attribute</b>	Fully Compliant	Fully Compliant
1000 – Purpose, Authority and Responsibility	✓	✓
1100 – Independence and Objectivity	✓	✓
1200 – Proficiency and Due Professional Care	✓	✓
1300 – Quality Assurance and Improvement Programme	✓	✓

<b>Performance</b>	<b>Fully Compliant</b>	<b>Fully Compliant</b>
2000 – Managing the Internal Audit Activity	✓	✓
2100 – Nature of Work	✓	✓
2200 – Engagement Planning	✓	✓
2300 – Performing the Engagement	✓	✓
2400 – Communicating the Results	✓	✓
2500 – Monitoring Progress	✓	✓
2600 – Communicating the Acceptance of Risks	✓	✓

- 5.3 The developments identified as a result of the above assessment are not material enough to generate any issues, in terms of conformance with the standards. The developments detailed below have been built into the Quality and Improvement Programme for 2020/21 and are detailed in Table 5 below.

**Table 5 – PSIAS Developments for 2019/20**

<b>Development</b>	<b>Responsible</b>	<b>Comments</b>
Consider allocating the formal SIRO designation to a chief officer, even if the internal audit team continues to support the SIRO function.	Director of Finance Director of Governance and Pensions	A restructure of the Risk, Insurance and Information Governance Team has been approved and once appointments have been made the roles relating to Information Governance will be reassessed.
Consideration should be given to identifying the skills needs by the audit team to assist the Council with its current transformation programme and provide training and development opportunities to address any skills shortage.	Head of Risk Management and Internal Audit	This has been addressed as part of the Annual Development Review process with the team and is kept under review during the year at supervision meetings and as Seminars, Workshops and Webinars become available.
Do internal auditors maintain a record of their professional development and training activities?	Head of Risk Management and Internal Audit	The information is currently contained in Annual Development Review Forms and the Me Learning System. The electronic training record being developed as part of a self-service option on the Payroll/HR System iTrent is delayed and therefore a spreadsheet is being used to collate training undertaken.

## **6 PERFORMANCE INDICATORS, VALUE ADDED AND FEEDBACK**

- 6.1 Internal Audit has three key performance indicators and for 2019/20 all targets were either met or exceeded:-
- 92% of Plan Complete (92% in 2018/19 - Target 90%)
  - 87% of Recommendations Implemented (93% in 2018/19 - Target 90%)
  - 100% Customer Satisfaction (100% in 2018/19 - Target 90%)
- 6.2 With regards to Added Value in the annual plan we endeavour to incorporate a mixture of assurance audits and consultancy reviews requested by management to ensure that the

service meets the needs and expectations of the Council. Part of our work involves providing independent assurance regarding the implementation of new systems to ensure that the data is migrated correctly and that the control environment is satisfactory from the outset and this work is valued by managers. During 2018/19 we worked with Governance (Systems Team and Exchequer), Children's, Cultural and Customer Services and Financial Management on the following projects:-

- UK Mail
- Tapestry – Early Years System
- Agresso
- Blue Badges

- 6.3 Furthermore, we get involved in service redesigns and providing advice and support to the process, as it is more efficient and effective if we can ensure that controls are in place at the outset rather than auditing after the event and then finding issues and concerns.
- 6.4 Customer feedback is very positive and can be demonstrated in many ways:-
- Customer satisfaction is very high at 100%, which signifies that auditees appreciate the process, albeit, sometimes they do not like the outcome, especially if a low level of assurance is given;
  - At the planning stage requests for work always outweighs resources available;
  - In year we receive a significant number of requests for advice and support;
  - In year we receive requests to get involved in new projects; and
  - The feedback from the external Peer Review conducted in March 2018 was very positive from senior officers interviewed.
- 6.5 The performance of the wider organisation is monitored by the team as we keep a watching brief over the changing profile of risks affecting service delivery from a variety of sources. Through consultation with Executive Members/Senior Managers, facilitating the Information Governance Group, fraud briefings/bulletins and attending AGMA Groups a wealth of intelligence is amassed which enables the internal audit plan and approach to be adapted to keep pace with the changing complexities of local government.
- 6.6 Clearly, an important input into the review of Internal Audit is the view of our External Auditors and a good working relationship is in place and no negative feedback has been received.

## **7. MANAGING THE RISK OF FRAUD AND CORRUPTION**

- 7.1 The Chartered Institute of Public Finance and Accountancy issued, via its Counter Fraud Centre, a Code of Practice in 2014 entitled "Code of Practice on Managing the Risk of Fraud and Corruption". The Fighting Fraud and Corruption Locally 2020 is the updated counter fraud and corruption strategy for local government. It provides a blueprint for a coordinated response to fraud and corruption perpetrated against local authorities.
- 7.2 In terms of the CIPFA requirements the self-assessment has been reviewed and the work of Internal Audit in terms of proactive and reactive fraud work does provide assurance that the requirements of the code are being adhered to. This in turn provides evidence for the assessment of Internal Audit against the Public Sector Internal Auditing Standards.
- 7.3 The requirements of the updated Fighting Fraud and Corruption Locally have been refreshed and a full assessment against the checklist is underway.

## **8. CIPFA STATEMENT ON THE ROLE OF THE HEAD OF INTERNAL AUDIT (HIA)**

8.1 The Statement sets out the five principles that define the core activities and behaviours that belong to the role of the HIA (Head of risk Management and Audit) in public service organisations and the organisational arrangements needed to support them. Successful implementation of each of the principles requires the right ingredients in terms of:-

- the organisation;
- the role; and
- the individual.

For each principle, the Statement sets out the organisational requirements to ensure that HIA's are able to operate effectively and perform their core duties. The Statement also sets out the core responsibilities of the HIA. Summaries of personal skills and professional standards then detail the leadership skills and technical expertise organisations can expect from their HIA.

8.2 The five principles are as follows:-

- The HIA plays a critical role in delivering the organisation's strategic objectives by objectively assessing the adequacy of governance and management of risks, giving an evidence-based opinion on all aspects of governance, risk management and internal control;
- The HIA in a public service organisation plays a critical role in delivering the organisation's strategic objectives by championing best practice in governance and commenting on responses to emerging risks and proposed developments;
- The HIA must be a senior manager with regular and open engagement across the organisation, particularly with the Leadership Team and with the Audit Committee;
- The HIA must lead and direct an internal audit service that is resourced appropriately, sufficiently and effectively; and
- The HIA must be professionally qualified and suitably experienced.

8.3 A self-assessment has been undertaken against the checklist published in the report by CIPFA on the role of the HIA as part of the review of the system of internal audit and the HIA (Head of Risk Management and Audit) is in full compliance with the five principles and the supporting standards.

## **9. AUDIT PANEL**

9.1 The system of internal control includes the role of the Audit Panel and, in particular, it's role in the receipt and evaluation of reports from the Head of Risk Management and Audit Services, both in terms of assurance opinions and in ensuring that appropriate arrangements are in place to evaluate and improve the effectiveness of risk management, control and governance processes across the Council. It has operated in accordance with best practice and guidance from CIPFA for 2019/20.

## **10. CONCLUSIONS**

10.1 The Self-Assessment conducted in April 2020 confirms that Internal Audit conforms to the requirements of the Public Sector Internal Audit Standards, as demonstrated in **Appendix 1**.

10.2 From the review of Internal Audit, it can be concluded that it helps the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes in accordance with the Public Sector Internal Auditing Standard's definition. Taking on board the positive comments received from our External Auditors and the positive comments received from Senior Management Teams/Executive Members assurance can be given that

the Council has an adequate and effective Internal Audit function which contributes to the overall effectiveness of the system of internal control.

## **11. RECOMMENDATION**

11.1 As set out on the front of the report.

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# APPENDIX 1

## Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note 2019 – Self-Assessment 2019/20

This checklist has been developed to satisfy the requirements set out in PSIAS 1311 and 1312 for periodic self-assessments and externally validated self-assessments as part of the Quality Assurance and Improvement Programme. It incorporates the requirements of the PSIAS as well as the Application Note in order to give comprehensive coverage of both documents.

C = Conforms, P = PARTIAL, N = Not Conforming. Evidence for each response must be provided and reasons for any partial or full non-conformance should be given, together with any compensating measures in place or actions in progress to address this.

Ref	Conformance with the Standard	C	P	N	Evidence
<b>1</b>	<b>Mission of Internal Audit</b>				
	Does the Internal audit activity aspire to accomplish the Mission of Internal Audit as set out in the PSIAS? To enhance and protect organisational value by providing risk based and objective assurance, advice and insight.	<input type="checkbox"/>			Internal Audit Charter Progress Reports Annual Report
<b>2</b>	<b>Definition of Internal Auditing</b>				
	Using evidence gained from assessing conformance with other Standards, is the internal audit activity:				
	Independent?	<input type="checkbox"/>			An experienced Team is in place Internal Audit Charter
	Objective?	<input type="checkbox"/>			Consistent process in place for conducting audit work which is reviewed and monitored Financial Regulations Internal Audit Team independent of all operational systems.
	Using evidence gained from assessing conformance with other Standards, does the internal audit activity use a systematic and disciplined approach to	<input type="checkbox"/>			Audit Manual Quality Control Checklist Internal Audit Annual Plan Report

# APPENDIX 1

Ref	Conformance with the Standard	C	P	N	Evidence
	evaluate and improve the effectiveness of risk management, control and governance processes within the organisation?				
<b>3</b>	<b>Core Principles</b>				
	<b>Demonstrates Integrity</b> Do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by demonstrating integrity?	<input type="checkbox"/>			Compliance is demonstrated below
	<b>Demonstrates competence and due professional care.</b> Do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by demonstrating competence and due professional care?	<input type="checkbox"/>			Compliance is demonstrated below
	<b>Is objective and free from undue influence (independent).</b> Do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by being objective and free from undue influence (independent)?	<input type="checkbox"/>			Compliance is demonstrated below
	<b>Aligns with Strategies, objectives and risks of the organisation</b> Do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by being aligned with the strategies, objectives, and risks of the organisation?	<input type="checkbox"/>			Compliance is demonstrated below
	<b>Is appropriately positioned and adequately resourced</b>	<input type="checkbox"/>			Compliance is demonstrated below

# APPENDIX 1

Ref	Conformance with the Standard	C	P	N	Evidence
	Do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by being appropriately positioned and adequately resourced?				
	<b>Demonstrates quality and continuous improvement</b> Do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by demonstrating quality and continuous improvement?	<input type="checkbox"/>			Compliance is demonstrated below
	<b>Communicates effectively</b> Do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by communicating effectively?	<input type="checkbox"/>			Compliance is demonstrated below
	<b>Provides risk-based assurance</b> Do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by providing risk-based assurance, based on adequate risk assessment?	<input type="checkbox"/>			Compliance is demonstrated below
	<b>Is insightful, proactive, and future-focused.</b> Do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by being insightful, proactive, and future-focused?	<input type="checkbox"/>			Compliance is demonstrated below
	<b>Promotes organisational improvement.</b> Do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by promoting organisational improvement?	<input type="checkbox"/>			Compliance is demonstrated below
<b>4</b>	<b>Code of Ethics</b>				
	<b>Integrity</b>				

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Ref	Conformance with the Standard	C	P	N	Evidence
	Using evidence gained from assessing conformance with other Standards, do internal auditors:				
	Perform their work with honesty, diligence and responsibility?	<input type="checkbox"/>			An experienced Team is in place Consistent process in place for conducting audit work which is reviewed and monitored Declaration Forms
	Observe the law and make disclosures expected by the law and the profession?	<input type="checkbox"/>			Internal Audit Charter Declaration Forms
	Not knowingly partake in any illegal activity nor engage in in acts that are discreditable to the profession of internal auditing or to the organisation?	<input type="checkbox"/>			Declaration Forms
	Respect and contribute to the legitimate and ethical objectives of the organisation?	<input type="checkbox"/>			Internal Audit Charter Internal Audit Annual Plan Report Annual Plan Customer Satisfaction Questionnaires Positive feedback from Managers
	<b>Objectivity</b> Using evidence gained from assessing conformance with other Standards, do internal auditors display objectivity by not:				
	Not taking part in any activity or relationship that may impair or be presumed to impair their unbiased assessment?	<input type="checkbox"/>			Declaration Forms
	Not accepting anything that may impair or be presumed to impair their professional judgement?	<input type="checkbox"/>			Declaration Forms

## APPENDIX 1

Ref	Conformance with the Standard	C	P	N	Evidence
	Disclosing all material facts known to them that, if not disclosed, may distort the reporting of activities under review?	<input type="checkbox"/>			Declaration Forms
	<b>Confidentiality</b> Using evidence gained from assessing conformance with other Standards, do internal auditors display objectivity by:				
	Acting prudently when using information acquired in the course of their duties and protecting that information?	<input type="checkbox"/>			The Team have all had training on Working with the Data Protection Act and Information Security
	Not using information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation?	<input type="checkbox"/>			Audit Manual Attendance at training events
	<b>Competency</b> Using evidence gained from assessing conformance with other Standards, do internal auditors display competence by :				
	Only carrying out services for which they have the necessary knowledge, skills and experience?	<input type="checkbox"/>			Audits are allocated by the Principal Auditors and the skills and experience of the team members are taken into account when work is allocated. If gaps are identified training is provided when available and appropriate
	Performing services in accordance with the PSIAS?	<input type="checkbox"/>			Consistent with the Internal Audit Manual
	Continually improving their proficiency and effectiveness and quality of their services, for example through CPD schemes?	<input type="checkbox"/>			Development needs are assessed through the Annual Development Review Process and feedback

# APPENDIX 1

Ref	Conformance with the Standard	C	P	N	Evidence
					<p>from. Audit Appraisal Sheets completed at the conclusion of an audit are used to inform the above process.</p> <p>Regular supervision meetings are also used to identify any training needs.</p> <p>Staff with professional qualifications complete CPD</p>
	Do internal auditors have regard to the on Standards of Public Life's <i>Seven Principles of Public Life</i> ?	<input type="checkbox"/>			<p>All internal auditors have been made aware of these principles and the need for compliance throughout their day to day work.</p> <p>Annual sign off of Code of Ethics as part of Declaration Forms completed by all members of the Internal Audit Team.</p>
	<b>Standards</b>				
	<b>Attribute Standards</b>				
	<b>1000 Purpose, Authority and Responsibility</b>				
	Does the internal audit charter include a formal definition of:				
	a) the purpose b) the authority, and c) the responsibility of the internal audit activity consistent with the Public Sector Internal Audit Standards (PSIAS)?	<input type="checkbox"/>			<p>Internal Audit Charter</p>

# APPENDIX 1

Ref	Conformance with the Standard	C	P	N	Evidence
<b>LGAN</b>	Does the internal audit charter define the terms 'board' and 'senior management', for the purposes of the internal audit activity? Note that it is expected that the audit committee will fulfil the role of the board in the majority of instances.	<input type="checkbox"/>			Internal Audit Charter
	Does the internal audit charter also:				
	a) Set out the internal audit activity's position within the organisation?	<input type="checkbox"/>			Internal Audit Charter
	b) Establish the CAE's functional reporting relationship with the board?	<input type="checkbox"/>			Internal Audit Charter
<b>LGAN</b>	c) Establish the accountability, reporting line and relationship between the CAE and those to whom the CAE may report administratively?	<input type="checkbox"/>			Internal Audit Charter
<b>LGAN</b>	d) Establish the responsibility of the board and also the role of the statutory officers (such as the CFO, the monitoring officer and the head of paid service) with regards to internal audit?	<input type="checkbox"/>			Internal Audit Charter
	e) Establish internal audit's right of access to all records, assets, personnel and premises and its authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities?	<input type="checkbox"/>			Internal Audit Charter
<b>LGAN</b>	f) Define the scope of internal audit activities?	<input type="checkbox"/>			Internal Audit Charter Internal Audit Strategy
<b>LGAN</b>	g) Recognise that internal audit's remit extends to	<input type="checkbox"/>			Internal Audit Charter

# APPENDIX 1

Ref	Conformance with the Standard	C	P	N	Evidence
	the entire control environment of the organisation?				Internal Audit Strategy
<b>LGAN</b>	h)	<input type="checkbox"/>			Internal Audit Strategy
<b>LGAN</b>	i) Establish the organisational independence of internal audit?	<input type="checkbox"/>			Internal Audit Charter
	j) Cover the arrangements for appropriate resourcing?	<input type="checkbox"/>			Internal Audit Charter
	k) Define the role of internal audit in any fraud-related work?	<input type="checkbox"/>			Internal Audit Charter
	l) Set out the existing arrangements within the organisation's anti-fraud and anti-corruption policies, to be notified of all suspected or detected fraud, corruption or impropriety?	<input type="checkbox"/>			Internal Audit Charter Financial Regulations
	m) Include arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities?	<input type="checkbox"/>			Internal Audit Annual Plan Report  The independence of the Head of Risk Management and Audit (CAE) is covered in the Annual Plan Report that is presented to the Audit Panel in May/June.
	n) Define the nature of assurance services provided to the organisation, as well as assurances provided to parties external to the organisation?	<input type="checkbox"/>			Internal Audit Charter
	o) Define the nature of consulting services?	<input type="checkbox"/>			Internal Audit Charter

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Ref	Conformance with the Standard	C	P	N	Evidence
	p) Recognise the mandatory nature of the PSIAS?	<input type="checkbox"/>			Internal Audit Charter
	Does the chief audit executive (CAE) periodically review the internal audit charter and present it to senior management and the board for approval?	<input type="checkbox"/>			The Audit Charter is reviewed by the Head of Risk Management and Audit (CAE) and presented and approved by the Audit Panel on an annual basis.
	Does the CAE attend audit committee meetings?	<input type="checkbox"/>			<p>The Head of Risk Management and Audit (CAE) attends all Audit Panel meetings and either the Head of Risk Management and Audit (CAE) or the Principal Auditor (Pension Fund) attends the Greater Manchester Pension Fund Local Board.</p> <p>Minutes of the Audit Panel meetings which evidence attendance can be found on <a href="http://www.tameside.gov.uk">www.tameside.gov.uk</a></p>
	Does the CAE contribute to audit committee agendas?	<input type="checkbox"/>			Yes. Democratic Services manage the agenda process and are aware of the expected reports for each meeting. A schedule of Audit content is maintained by the Head of Risk Management and Audit (CAE).
<b>1100 Independence and Objectivity</b>					
	Does the CAE have direct and unrestricted access to senior management and the board?	<input type="checkbox"/>			The Head of Risk Management and Audit (CAE) reports direct to the Director of Finance (Section 151 Officer), however, if needed the Chief Executive can be approached as set out in the Internal Audit Charter. The Head of Risk Management and Audit (CAE) is a member of the Finance Senior Leadership Team and is able to request an audience with the Single Leadership Team as required. The Head of Risk Management and Audit (CAE) can also report direct to the Chair of the Audit Panel if necessary.

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Ref	Conformance with the Standard	C	P	N	Evidence
					The Head of Risk Management and Audit (CAE) also has access to the Monitoring Officer.
	Does the CAE have free and unfettered access to, as well as communicate effectively with, the chief executive or equivalent and the chair of the audit committee?	<input type="checkbox"/>			As above.
	Are threats to objectivity identified and managed at the following levels:				
	a) Individual auditor?	<input type="checkbox"/>			Internal Audit Charter Declaration Forms Audit Planning Process
	b) Engagement?	<input type="checkbox"/>			Internal Audit Charter Declaration Forms Audit Planning Process
	c) Functional?	<input type="checkbox"/>			Internal Audit Charter Declaration Forms Audit Planning Process
	d) Organisation?	<input type="checkbox"/>			Internal Audit Charter
	<b>1100 Independence and Objectivity</b>				
	<i>1110 Organisational Independence</i>				
	Does the CAE report to an organisational level equal or higher to the corporate management team?	<input type="checkbox"/>			The Head of Risk Management and Audit (CAE) reports direct to the Director of Finance (Section 151 Officer).

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Ref	Conformance with the Standard	C	P	N	Evidence
<b>LGAN</b>	Does the CAE report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities?	<input type="checkbox"/>			The Head of Risk Management and Audit (CAE) reports direct to the Director of Finance (Section 151 Officer).
<b>LGAN</b>	Have reporting and management arrangements been put in place that preserve the CAE's independence and objectivity? This is of particular importance when the CAE is line managed by another officer of the authority.	<input type="checkbox"/>			The Head of Risk Management and Audit (CAE) reports direct to the Director Of Finance (Section 151 Officer).
<b>LGAN</b>	Does the CAE's position in the management structure:				
	a) Reflect the influence he or she has on the control environment?	<input type="checkbox"/>			The Head of Risk Management and Audit (CAE) reports direct to the Director of Finance (Section 151 Officer).  The post is respected across the Council.
	b) Provide the CAE with sufficient status to ensure that audit plans, reports and action plans are discussed effectively with the board?	<input type="checkbox"/>			The Head of Risk Management and Audit (CAE) reports direct to the Director of Finance (Section 151 Officer).  All Final Reports issued are circulated to the Chief Executive, Director of Governance and Pensions (Monitoring Officer), Director of Finance (Section 151 Officer) and the Executive Member and the Director responsible for the area under review.  Regular meetings are held with Senior Management and Executive Members to review progress against the plan, issues and concerns, new risk exposures and any changes to the plan for the remaining year.

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Ref	Conformance with the Standard	C	P	N	Evidence
	c) Ensure that he or she is sufficiently senior and independent to be able to provide credibly constructive challenge to senior management?	<input type="checkbox"/>			See above.
	Does the CAE confirm to the board, at least annually, that the internal audit activity is organisationally independent? The following examples can be used by the CAE when assessing the organisational independence of the internal audit activity:				
	The board:				
	a) approves the internal audit charter	<input type="checkbox"/>			Approved annually in May/June.
	b) approves the risk-based audit plan	<input type="checkbox"/>			Approved annually in May/June.
	c) approves the internal audit budget and resource plan	<input type="checkbox"/>			The budget for the internal audit service is presented as part of the Budget Report to Full Council in February each year. The Audit Panel approves the Audit Plan which is balanced to resources.
	d) receives communications from the CAE on the activity's performance (in relation to the plan, for example)	<input type="checkbox"/>			Progress Reports are presented to the Audit Panel and Greater Manchester Pension Fund Local Board quarterly.  Meeting are also held with Senior Managers and Executive Members to discuss audit activity, audit planning, feedback and changes to services/structures which may have an impact on the audit plan and or the control environment.  The Head of Risk Management and Audit (CAE)

## APPENDIX 1

Ref	Conformance with the Standard	C	P	N	Evidence
					also meets with the Executive Member for Finance and Performance.
	e) approves decisions relating to the appointment and removal of the CAE	N/A			Only Directors/Assistant Directors have elected member involvement in the recruitment process.
	f) Approves the remunerations of the CAE				The remuneration of the CAE is set in line with the Councils Pay Scales. All job descriptions are evaluated using a standard job evaluation process
	g) seeks reassurance from management and the CAE as to whether there are any inappropriate scope or resource limitations.	<input type="checkbox"/>			Annual Audit Plan. Quarterly progress reports
	Does the chief executive or equivalent undertake, countersign, contribute feedback to or review the performance appraisal of the CAE?		<input type="checkbox"/>		The Annual Development Review (ADR) adopted by the Council is a cascade approach in which the Chief Executive sets the objectives for the Director of Finance (Section 151 Officer) who in turn sets the objectives of the Head of Risk Management and Audit (CAE).
	Is feedback sought from the chair of the audit committee for the CAE's performance appraisal?	<input type="checkbox"/>			The Director of Finance (Section 151 Officer) would be able to request input from the Chair of the Audit Panel.
	<i>1111 Direct Interaction with the Board</i>				
	Does the CAE communicate and interact directly with the board?	<input type="checkbox"/>			The Head of Risk Management and Audit (CAE) attends all Audit Panel Meetings. The meetings of the Greater Manchester Pension Fund Local Board are attended by the Head of Risk Management and Audit (CAE) and/or the Principal Auditor responsible for the Pension Fund. Evidence can be found on <a href="http://www.tameside.gov.uk">www.tameside.gov.uk</a>

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Ref	Conformance with the Standard	C	P	N	Evidence
	<i>1112 Chief Audit Executive Roles Beyond Internal Auditing</i>				
	Where the CAE has roles or responsibilities that fall outside of internal auditing, are adequate safeguards in place to limit impairments to independence or objectivity?				The Head of Risk Management and Audit (CAE) is responsible for Risk Management, Insurance, Business Continuity Planning and the Lead for Information Governance and the Council's Senior Information Risk Owner (SIRO). Adequate safeguards are in place which rely on the integrity of the postholder and arrangements set out in the Internal Audit Charter and Annual Audit Planning Report which state that audits in these areas will be managed by another person namely the Assistant Director of Finance or another audit team would be invited to undertake the audit to provide complete independence.
	Does the board periodically review these safeguards?				It is reported annually to the Audit Panel.
	<i>1120 Individual Objectivity</i>				
	Do internal auditors have an impartial, unbiased attitude?	<input type="checkbox"/>			Internal Audit Charter Declaration Forms Audit Planning Process
	Do internal auditors avoid any conflict of interest, whether apparent or actual?	<input type="checkbox"/>			Internal Audit Charter Declaration Forms Audit Planning Process
	<i>1130 Impairment to Independence or Objectivity</i>				

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Ref	Conformance with the Standard	C	P	N	Evidence
	If there has been any real or apparent impairment of independence or objectivity, has this been disclosed to appropriate parties (depending on the nature of the impairment and the relationship between the CAE and senior management/the board as set out in the internal audit charter)?	<input type="checkbox"/>			This would be assessed for each assignment and any concerns would be reported by the Head of Risk Management and Audit (CAE).
	Have internal auditors assessed specific operations for which they have been responsible within the previous year?	<input type="checkbox"/>			This would be assessed for each assignment allocated to new members of the team as part of the work allocation process to ensure auditors do not audit areas they were involved with previously.
	If there have been any assurance engagements in areas over which the CAE also has operational responsibility, have these engagements been overseen by someone outside of the internal audit activity?	<input type="checkbox"/>			No such reviews have taken place recently, if they had the Head of Risk Management and Audit (CAE) would not be involved and the Assistant Director of Finance (Deputy Section 151 Officer) would oversee the process.
<b>LGAN</b>	Are assignments for ongoing assurance engagements and other audit responsibilities rotated periodically within the internal audit team?	<input type="checkbox"/>			This is done as far as possible and is managed by the Principal Auditors on an assignment by assignment basis. It does get more difficult to ensure rotation with a reducing sized audit team.
<b>LGAN</b>	Have internal auditors declared interests in accordance with organisational requirements?	<input type="checkbox"/>			Declarations forms are completed by staff annually.
<b>LGAN</b>	Where any internal auditor has accepted any gifts, hospitality, inducements or other benefits from employees, clients, suppliers or other third parties (other than as may be allowed by the organisation's own policies), has this been declared and investigated fully?	<input type="checkbox"/>			<p>There has only been one instance of this when the Head of Risk Management and Audit (CAE) won an overnight stay at Shrigley Hall as part of the CIPFA Audit Weekend and this was declared and given to the Mayor's Office. Evidence available upon request.</p> <p>Any issues identified would be fully investigated.</p>

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Ref	Conformance with the Standard	C	P	N	Evidence
					Staff care required to adhere to the Councils policy in relation to this.
<b>LGAN</b>	Have any instances been discovered where an internal auditor has used information obtained during the course of duties for personal gain?	N/A			No such incidents have been identified and therefore further investigation has not been required.
<b>LGAN</b>	Have internal auditors disclosed all material facts known to them which, if not disclosed, could distort their reports or conceal unlawful practice, subject to any confidentiality agreements?	<input type="checkbox"/>			All auditors are experienced and are aware of the standards required. All work is reviewed by a supervising auditor usually a Principal Auditor.  Furthermore, Principal Auditors attend planning meetings to obtain background information and discuss the Terms of Reference.
	If there has been any real or apparent impairment of independence or objectivity relating to a proposed consulting services engagement, was this disclosed to the engagement client before the engagement was accepted?	<input type="checkbox"/>			No issues such as these have been identified.
	Where there have been significant additional consulting services agreed during the year that were not already included in the audit plan, was approval sought from the board before the engagement was accepted?	<input type="checkbox"/>			No significant additional consulting services agreed during the year. Any changes to the Audit Plan would be discussed with the Director of Finance (Section 151 Officer) and reported to the Audit Panel or the Greater Manchester Pension Fund Local Board.
<b>3.3</b>	<b>1200 Proficiency and Due Professional Care</b>				
	<i>1210 Proficiency</i>				
	Does the CAE hold a professional qualification,	<input type="checkbox"/>			The Head of Risk Management and Audit (CAE) is

## APPENDIX 1

Ref	Conformance with the Standard	C	P	N	Evidence
	such as CMIIA/CCAB or equivalent?				CIPFA qualified and also holds a PGC in Management.
	Is the CAE suitably experienced?	<input type="checkbox"/>			The Head of Risk Management and Audit (CAE) has 13 years' experience as the CAE, 4 years' experience as a Principal Auditor, 8 Years' as an operation Financial Manager, 3 years' as an auditor and 3 years' as a supernumerary CIPFA Trainee. All gained whilst working for Tameside MBC.
<b>LGAN</b>	Is the CAE responsible for recruiting appropriate internal audit staff, in accordance with the organisation's human resources processes?	<input type="checkbox"/>			The Head of Risk Management and Audit (CAE) is responsible for the recruitment of appropriate internal audit staff in accordance with Council policies and procedures.
<b>LGAN</b>	Does the CAE ensure that up-to-date job descriptions exist that reflect roles and responsibilities and that person specifications define the required qualifications, competencies, skills, experience and personal attributes?	<input type="checkbox"/>			Job descriptions are in place for each member of the team and these are reviewed periodically to ensure relevance (normally when a post is being recruited too).
	Does the internal audit activity collectively possess or obtain the skills, knowledge and other competencies required to perform its responsibilities?	<input type="checkbox"/>			All staff have an Annual Development Review and regular supervisions to discuss this and to identify any gaps. Training, where applicable, is sought and delivered. Internal Audit no longer employees a Computer Auditor and buys in support to complement the team from Salford MBC. Identified in the Annual Audit Plan Report and Internal Audit Strategy.
	Where the internal audit activity does not possess the skills, knowledge and other competencies required to perform its responsibilities, does the CAE obtain competent advice and assistance?	<input type="checkbox"/>			Advice and assistance would be obtained. As above ICT support is bought in from Salford MBC. Staff also attend seminars/ workshops and webinars to update their skills and knowledge.

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Ref	Conformance with the Standard	C	P	N	Evidence
	Do internal auditors have sufficient knowledge to evaluate the risk of fraud and anti-fraud arrangements in the organisation?	<input type="checkbox"/>			The Internal Audit Team do have an awareness of fraud, as the majority are very experienced auditors. In addition, the Council's Counter Fraud Team is also the responsibility of the Head of Risk Management and Audit (CAE) and is co-located within the same office and learning is shared across the team. Therefore more specialist skills are available within the wider team if required.
	Do internal auditors have sufficient knowledge of key information technology risks and controls?	<input type="checkbox"/>			The Team in place is very experienced. Whilst we do not employ a computer auditor, who would specialise in this field, we have access to the CIPFA ICT Control Matrices. Contingency days are bought from Salford MBC for the provision of ad hoc support and guidance to assist with other planned work.
	Do internal auditors have sufficient knowledge of the appropriate computer-assisted audit techniques that are available to them to perform their work, including data analysis techniques?	<input type="checkbox"/>			An experienced Team is in place. All members of the Team have access to 'IDEA' which is an audit interrogation product. Excel is also used and pivot tables are used to analyse data.
	<i>1220 Due Professional Care</i>				
	Do internal auditors exercise due professional care by considering the:				
	a) Extent of work needed to achieve the engagement's objectives?	<input type="checkbox"/>			Audit procedures are set out in the Audit Manual and the Control Quality Checklist. All work is reviewed by a supervising auditor, usually a Principal Auditor, and all Final Reports/Post Audit Reviews are reviewed by the Head of Risk
	b) Relative complexity, materiality or significance of matters to which assurance procedures are applied?	<input type="checkbox"/>			

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	c) Adequacy and effectiveness of governance, risk management and control processes?	<input type="checkbox"/>			Management and Audit (CAE).
	d) Probability of significant errors, fraud, or non-compliance?	<input type="checkbox"/>			Several members of the team have a professional CCAB/IIA qualification and all have been trained to exercise due professional care.
	e) Cost of assurance in relation to potential benefits?	<input type="checkbox"/>			
	Do internal auditors exercise due professional care during a consulting engagement by considering the:				
	a) Needs and expectations of clients, including the nature, timing and communication of engagement results?	<input type="checkbox"/>			See above.
	b) Relative complexity and extent of work needed to achieve the engagement's objectives?	<input type="checkbox"/>			See above.
	c) Cost of the consulting engagement in relation to potential benefits?	<input type="checkbox"/>			See above.
	<i>1230 Continuing Professional Development</i>				
<b>LGAN</b>	Has the CAE defined the skills and competencies for each level of auditor?	<input type="checkbox"/>			These are outlined in the job descriptions/person specifications for each job. Annual Development Reviews review performance and development. Regular supervisions review any ongoing issues throughout the year.
<b>LGAN</b>	Does the CAE periodically assess individual auditors against the predetermined skills and competencies?	<input type="checkbox"/>			Through the appraisal process outlined above. At the conclusion of an audit an Auditor Appraisal Sheet is completed by both the auditor and the

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					supervisor to review the audit undertaken. The process is used to review performance, identify individual training needs and improvements in the audit process or wider Council issues.
	Do internal auditors undertake a programme of continuing professional development?	<input type="checkbox"/>			This is determined through the appraisal process outlined above. All CCAB qualified staff have to commit to CPD and the Annual Development Process adopted by the Council has been approved by both CIPFA and ACCA as an Approved Scheme.
	Do internal auditors maintain a record of their professional development and training activities?		<input type="checkbox"/>		<p>This is recorded as part of the Annual Development Review Process and held within the Me Learning platform which is used by the Council to provide E-Learning courses to all staff.</p> <p>A self-service facility within the Councils Payroll System iTrent is being developed to provide a centralised record of all training undertaken for staff. A spreadsheet is being compiled in the interim.</p>
<b>3.4</b>	<b>1300 Quality Assurance and Improvement Programme</b>				
	Has the CAE developed a Quality Assurance and Improvement Programme (QAIP) that covers all aspects of the internal audit activity and enables conformance with all aspects of the PSIAS to be evaluated?	<input type="checkbox"/>			Detailed in the Quality Assurance and Improvement Programme which is presented to the Audit Panel annually in May/June.
	Does the QAIP assess the efficiency and effectiveness of the internal audit activity and identify opportunities for improvement?	<input type="checkbox"/>			Detailed in the Quality Assurance and Improvement Programme which is presented to the Audit Panel annually in May/June.

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	Does the CAE maintain the QAIP?	<input type="checkbox"/>			The Quality Assurance and Improvement Programme is presented annually to members. The review of audit activity and improvements is presented in the Annual Audit Report, quarterly progress reports and the annual review of Internal Audit.
	Are any statutory requirements for review of the internal audit activity satisfied?				In line with the Accounts and Audit Regulations an annual review of the effectiveness of the system of internal control is undertaken and reported to the Audit Panel. This is based on an annual self-assessment against the PSIAS and an external review every 5 years.
	<i>1310 Requirements of the Quality Assurance and Improvement Programme</i>				
	Does the QAIP include both internal and external assessments?	<input type="checkbox"/>			Both are covered in the Quality Assurance and Improvement Programme.
	<i>1311 Internal Assessments</i>				
<b>LGAN</b>	Does the CAE ensure that audit work is allocated to staff with the appropriate skills, experience and competence?	<input type="checkbox"/>			The Principal Auditors are responsible for ensuring that members of the Internal Audit Team are allocated work which is appropriate to them. Any issues or concerns are raised through the regular supervision process. Meetings are regularly held between the Head of Risk Management and Audit (CAE) and the Principal Auditors to discuss work allocations, progress against the plan, staff issues and training requirements.

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	Do internal assessments include ongoing monitoring of the internal audit activity, such as:				
	a) Routine quality monitoring processes?	<input type="checkbox"/>			<p>The process for this is defined in the Audit Manual and the Quality Control Checklist which is used for all audits. It includes ongoing review throughout the assignment and then a final quality review by the Head of Risk Management and Audit (CAE).</p> <p>At the conclusion of an audit the performance of the Auditor is assessed by the Supervisor using the Audit Management system "Galileo" and during supervisions and Annual Development Reviews to cover:-</p> <ul style="list-style-type: none"> <li>• Timescales;</li> <li>• Days Taken;</li> <li>• Level of Supervision;</li> <li>• Working Papers;</li> <li>• Audit Process; and</li> <li>• Audit Report.</li> </ul>
	b) Periodic assessments for evaluating conformance with the PSIAS?	<input type="checkbox"/>			A review is undertaken annually and reported to the Audit Panel.
<b>LGAN</b>	Does ongoing performance monitoring contribute to quality improvements through the effective use of performance targets?	<input type="checkbox"/>			<p>The key performance indicators and targets for the service are included in the Quality Assurance and Improvement Programme and the Annual Plan Report presented to the Audit Panel/Greater Manchester Pension Fund Local Board. The agreed targets include:</p> <ul style="list-style-type: none"> <li>- % Compliance with PSIAS;</li> <li>- % of Plan Complete;</li> <li>- % of Recommendations Implemented;</li> </ul>

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					<ul style="list-style-type: none"> <li>- % of Satisfied Customers; and</li> <li>- No of Reported Irregularities.</li> </ul> <p>They are reviewed annually and actual performance against the above measures is reported to the Audit Panel/Greater Manchester Pension Fund Local Board as part of the Risk Management and Audit Annual Report.</p>
	Is there a set of comprehensive targets which between them encompass all significant internal audit activities?	<input type="checkbox"/>			Yes see above.
<b>LGAN</b>	Are the performance targets developed in consultation with appropriate parties and included in any service level agreement?	<input type="checkbox"/>			The performance targets are discussed with the Director of Finance (Section 151 Officer), the Executive Member for Finance and Performance and the Audit Panel/Greater Manchester Pension Fund Local Board.
<b>LGAN</b>	Does the CAE measure, monitor and report on progress against these targets?	<input type="checkbox"/>			Progress against targets is reported annually to the Audit Panel and the Greater Manchester Pension Fund Local Board.
<b>LGAN</b>	Does ongoing performance monitoring include obtaining stakeholder feedback?	<input type="checkbox"/>			A customer satisfaction questionnaire is issued at the end of each audit assignment and the results are reported to the Audit Panel and Greater Manchester Pension Fund Local Board annually as part of the suite of internal audit PIs. Regular meetings take place with Senior Managers and Executive Members to obtain feedback on service delivery.
	Are the periodic self-assessments or assessments carried out by people external to the internal audit activity undertaken by those with a sufficient knowledge of internal audit practices?	<input type="checkbox"/>			Periodic self-assessments are undertaken by the Head of Risk Management and Audit (CAE) and the Principal Auditors who are all professionally qualified, experienced and knowledgeable of internal

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	Sufficiency would require knowledge of the PSIAS and the wider guidance available such as the Local Government Application Note and/or IIA practice advisories, etc.				audit practices.  A self-assessment is conducted annually against the PSIAS and reported to the Audit Panel as part of the annual review of Internal Audit.
<b>LGAN</b>	Does the periodic assessment include a review of the activity against the risk-based plan and the achievement of its aims and objectives?	<input type="checkbox"/>			The Head of Risk Management and Audit (CAE) reviews activity against the audit plan as this is one of the key performance indicators and the results of this are reported to the Audit Panel and Greater Manchester Pension Fund Local Board, as part of the Risk Management and Audit Services Quarterly Progress Report. Quarterly Activity Reports are issued to Senior Managers and Executive Members which provide a review of progress against the plan, the status of each audit in their area and the assurance level given to all finalised audits.
	<i>1312 External Assessments</i>				
	Has an external assessment been carried out, or is planned to be carried out, at least once every five years?	<input type="checkbox"/>			An external assessment was conducted in March 2018, utilising the NW Chief Audit Executive Group peer review process which was approved by the Audit Panel.  A review will be undertaken every five years.
<b>LGAN</b>	Has the CAE discussed the alternative approaches to external assessment with the board? This should reflect the relative costs of the different approaches, the potential advantages of an external viewpoint, and whether there are factors	<input type="checkbox"/>			The Head of Risk Management and Audit (CAE) has looked at the options available including the use of an external firm or peer review. The self-assessment plus independent validation is deemed to be the most appropriate approach and the best value for money. This was agreed with the previous

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	which might be considered to warrant a demonstrably independent assessment.				Director of Finance (Section 151 Officer) and the Peer Review Process adopted by the North West Chief Audit Executive Group was reported to and approved by the Audit Panel on 1 November 2016. The service was assessed using the approach in March 2018. The Options for the next External Assessment will be discussed with the Director of Finance and presented to the Audit Panel for approval.
	Has the CAE properly discussed the qualifications and independence of the assessor or assessment team with the board?	<input type="checkbox"/>			The approach was presented and approved by the Audit Panel on 1 November 2016. See comment above about future external assessments.
<b>LGAN</b>	Has the CAE agreed the scope of the external assessment with an appropriate sponsor, such as the chair of the audit committee, the CFO or the chief executive?	<input type="checkbox"/>			The approach was agreed by the Audit Panel on 1 November 2016. See comment above about future external assessments.
	Has the CAE agreed the scope of the external assessment with the external assessor or assessment team?	<input type="checkbox"/>			The Peer Review Process adopted by the North West Chief Audit Executive Group is detailed in a Memorandum of Understanding and was approved by the Audit Panel on 1 November 2016. See comment above about future external assessments.
	Has the assessor or assessment team demonstrated its competence in both areas of professional practice of internal auditing and the external assessment process? Competence can be determined in the following ways: a) experience gained in organisations of similar size b) complexity	<input type="checkbox"/>			The Peer Review Process adopted by the North West Chief Audit Executive Group is detailed in a Memorandum of Understanding and was approved by the Audit Panel on 1 November 2016.  It is conducted by Heads of Audit/Audit Managers of the various teams that make up the North West Chief Audit Executive Group. The Assessment Team consists of two Heads of

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	c) sector (i.e. the public sector) d) industry (i.e. local government), and e) technical experience. Note that if an assessment team is used, competence needs to be demonstrated across the team and not for each individual member.				Internal Audit/Audit Managers from two different authorities and all assessment reviews are moderated by two different Heads of Internal Audit/Audit Managers. See comment above about future external assessments.
	How has the CAE used his or her professional judgement to decide whether the assessor or assessment team demonstrates sufficient competence to carry out the external assessment?	<input type="checkbox"/>			The Peer Review Process adopted by the North West Chief Audit Executive Group is detailed in a Memorandum of Understanding and was approved by the Audit Panel on 1 November 2016. See comment above about future external assessments.
	Does the assessor or assessment team have any real or apparent conflicts of interest with the organisation? This may include, but is not limited to, being a part of or under the control of the organisation to which the internal audit activity belongs.	<input type="checkbox"/>			The Peer Review Process adopted by the North West Chief Audit Executive Group is detailed in a Memorandum of Understanding and was approved by the Audit Panel on 1 November 2016. See comment above about future external assessments.
	<i>1320 Reporting on the Quality Assurance and Improvement Programme</i>				
	Has the CAE reported the results of the QAIP to senior management and the board?	<input type="checkbox"/>			The Self-Assessment against the Public Sector Internal Audit Standards is presented to the Audit Panel annually in May/June.  The Head of Risk Management and Audit (CAE) reports performance against the targets in the Risk Management and Audit Annual Report, this is discussed with the Assistant Director of Finance (Deputy Section 151 Officer) and presented to the Audit Panel in May/June.

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					<p>Continual improvements to service delivery or process are reported to the Audit Panel in the Risk Management and Audit Quarterly Progress Reports.</p> <p>Direct reference to the QAIP is included in the Annual Report and progress reports presented to the Audit Panel.</p>
	Note that:				
	a) the results of both external and periodic internal assessment must be communicated upon completion	<input type="checkbox"/>			<p>Results of delivery of the actions outlined in the Annual Audit Plan are reported to the Audit Panel/Greater Manchester Pension Fund Local Board on an annual basis.</p> <p>Results of any benchmarking exercises are reported as and when undertaken and discussed with the Assistant Director of Finance (Deputy Section 151 Officer) and presented to the Audit Panel.</p> <p>The results from Customer Satisfaction Questionnaires are used internally within the service to identify training needs and reported to the Audit Panel/Greater Manchester Pension Fund Local Board annually as part of the Risk Management and Audit Annual Report.</p> <p>The Review of Internal Audit, which is based on a self-assessment in between external reviews is based on the Public Sector Internal Audit Standards, and is reported to the Audit Panel every June.</p> <p>The result of the external assessment, which was</p>

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					conducted in March 2018, was reported to the Audit Panel in May 2018.
	b) the results of ongoing monitoring must be communicated at least annually	<input type="checkbox"/>			See above.
	c) the results must include the assessor's or assessment team's evaluation with regards to the degree of the internal audit activity's conformance with the PSIAS.	<input type="checkbox"/>			See above.
	Has the CAE included the results of the QAIP and progress against any improvement plans in the annual report?	<input type="checkbox"/>			Development Work undertaken was mentioned in the annual report; however, due to capacity issues resources were concentrated on delivering the audit plan.
	<i>1321 Use of 'Conforms with the International Standards for the Professional Practice of Internal Auditing'</i>				
	Has the CAE stated that the internal audit activity conforms with the PSIAS only if the results of the QAIP support this?	<input type="checkbox"/>			Annual Report. Review of Internal Audit Report.
	<i>1322 Disclosure of Non-conformance</i>				
	Has the CAE reported any instances of non-conformance with the PSIAS to the board?	<input type="checkbox"/>			The External Assessment completed in March 2018 confirmed that the service conformed to the standards. Self-Assessments conducted since the external review have not identified any instances of non-compliance. Regularly reported to the Audit Panel. The review/self-assessment is reported to the Audit Panel annually in June and an update is provided in Progress Reports and the Annual Report

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					presented by the Head of risk Management and Audit.
	Has the CAE considered including any significant deviations from the PSIAS in the governance statement and has this been evidenced?	<input type="checkbox"/>			The self-assessment against the PSIAS used for the External Assessment did not identify any, and the updated self-assessments for 2018/19 and 2019/20 have not identified any significant deviations thereafter.
<b>4</b>	<b>Performance Standards</b>				
<b>4.1</b>	<b>2000 Managing the Internal Audit Activity</b>				
	Do the results of the internal audit activity's work achieve the purposes and responsibility of the activity, as set out in the internal audit charter?	<input type="checkbox"/>			The Head of Risk Management and Audit (CAE) presents Quarterly Progress Reports and an Annual Report to the Audit Panel/Greater Manchester Pension Fund Local Board.
	Does the internal audit activity conform with the <i>Definition of Internal Auditing</i> and the <i>Standards</i> ?	<input type="checkbox"/>			Internal Audit Charter Annual Audit Plan Annual Audit Plan Report Audit Manual
	Do individual internal auditors, who are part of the internal audit activity, demonstrate conformance with the <i>Code of Ethics</i> and the <i>Standards</i> ?	<input type="checkbox"/>			All Audit Staff sign Declaration Forms to say that they have read the Code of Ethics. The achievement of the Annual Audit Plan and positive feedback from auditees and senior managers is testament that internal auditors demonstrate conformance. No complaints or concerns have ever been raised.
	Does the internal audit activity add value to the organisation and its stakeholders by:-				

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	a) Providing objective and relevant assurance?	<input type="checkbox"/>			Internal Audit Charter Internal Audit Strategy
	b) Contributing to the effectiveness and efficiency of the governance, risk management and internal control processes?	<input type="checkbox"/>			Final Audit Reports Head of Risk Management and Audit's (CAE) Annual Report  Request from Senior Managers/Executive Members for audit reviews.  Positive customer feedback.
	<i>2010 Planning</i>				
	Has the CAE determined the priorities of the internal audit activity in a risk-based plan and are these priorities consistent with the organisation's goals?	<input type="checkbox"/>			Internal Audit Plan Internal Audit Plan Report The plan is created in consultation with Senior Management, Executive Members and the Assistant Director of Finance (Deputy Section 151 Officer). All activities in the "audit universe" are risk assessed in the audit management system Galileo.
	Does the risk-based plan take into account the requirement to produce an annual internal audit opinion?	<input type="checkbox"/>			Internal Audit Plan Internal Audit Plan Report  In compiling the risk based plan attention to the overall levels of assurance given across all service areas is monitored to ensure the balance will generate an annual audit opinion.
	Does the risk-based plan take into account the organisation's assurance framework?	<input type="checkbox"/>			Internal Audit Plan Internal audit Plan Report Assurance Framework The process adopted takes into account the various sources of assurance across the Council for

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					<p>example:-</p> <ul style="list-style-type: none"> <li>• Scrutiny Reviews/Reports;</li> <li>• Inspection Reports;</li> <li>• Corporate Risk Register;</li> <li>• Corporate Plan;</li> <li>• External Audit Letter/Reports;</li> <li>• Code of Corporate Governance;</li> <li>• AGS Director Assurance Letters;</li> <li>• AGS Self-Assessment Checklists; and</li> <li>• Investigations undertaken and Control Reports.</li> </ul>
	Does the risk-based plan incorporate or is it linked to a strategic or high-level statement of:				
	a) How the internal audit service will be delivered?	<input type="checkbox"/>			<p>Internal Audit Plan Report Internal Audit Charter Internal Audit Strategy</p>
	b) How the internal audit service will be developed in accordance with the internal audit charter?	<input type="checkbox"/>			<p>Detailed in the Internal Audit Plan Report and the Quality Assurance Improvement Programme.</p>
	c) How the internal audit service links to organisational objectives and priorities?	<input type="checkbox"/>			<p>The Council's objectives are set out in the Corporate Plan. Internal Audit supports the individual operations, which deliver the objectives within this by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.</p> <p>Regular meetings with Executive Members and Senior Managers ensure that the Audit Plan reflects the needs of the organisation and keeps pace with priorities. These meetings are important as they enable the risk assessments in the Audit</p>

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					Management System to be updated.
	Does the risk-based plan set out how internal audit's work will identify and address local and national issues and risks?	<input type="checkbox"/>			See above.  In compiling the plan local issues/risks are identified by liaising with Executive Members and Senior Managers and the Assistant Director of Finance (Deputy Section 151 Officer).  National issues/risks are identified by attending training events/seminars/workshops/NW Chief Audit Executive Group, researching TIS Online, Better Governance Forum and the CIPFA Fraud Centre. A Review of the published Fraud Report is also undertaken.
	In developing the risk-based plan, has the CAE taken into account the organisation's risk management framework and relative risk maturity of the organisation?	<input type="checkbox"/>			The Head of Risk Management and Audit (CAE) is also responsible for the Council's risk management framework and overseeing the corporate risk register and therefore has a good insight into areas of specific concern.
	If such a risk management framework does not exist, has the CAE used his or her judgement of risks after input from senior management and the board and evidenced this?	<input type="checkbox"/>			The Head of Risk Management and Audit (CAE) is also responsible for the Council's risk management framework and overseeing the corporate risk register and therefore has a good insight into areas of specific concern.
<b>LGAN</b>	Does the risk-based plan set out the:				
	a) Audit work to be carried out?	<input type="checkbox"/>			Internal Audit Plan. Internal Audit Plan Report. Audit Charter
	b) Respective priorities of those pieces of audit work?	<input type="checkbox"/>			

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	c) Estimated resources needed for the work?	<input type="checkbox"/>			
<b>LGAN</b>	Does the risk-based plan differentiate between audit and other types of work?	<input type="checkbox"/>			Internal Audit Plan. Internal Audit Plan Report. Audit Charter The risk based plan details:- <ul style="list-style-type: none"> <li>• Audits to be undertaken;</li> <li>• Planning and Control Days;</li> <li>• Contingency for Advice and Support;</li> <li>• Post Audit Review Days; and</li> <li>• Investigation/Counter Fraud Days.</li> </ul>
<b>LGAN</b>	Is the risk-based plan sufficiently flexible to reflect the changing risks and priorities of the organisation?	<input type="checkbox"/>			If new risks emerge in year then the Head of Risk Management and Audit (CAE) has the option to make a change to the plan and seeks approval for this from the Director of Finance (Section 151 Officer) and the relevant Director concerned. Any changes to the audit plan are reported to the Audit Panel as part of the Head of Risk Management and Audit (CAE) Quarterly Progress Report.  Audit assignments are normally planned on a quarterly basis which helps ensure flexibility should risks change in the year.
	Does the CAE review the plan on a regular basis and has he or she adjusted the plan when necessary in response to changes in the organisation's business, risks, operations, programmes, systems and controls?	<input type="checkbox"/>			The Principal Auditors are responsible for monitoring the plan and meeting with Executive Members and Senior Managers to identify any changes needed to the plan. These changes are then discussed with the Head of Risk Management and Audit (CAE) and reported to the Audit Panel and the Greater Manchester Pension Fund Local Board.

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					Adjustments may also be required due to gaps in resources.
	Is the internal audit activity's plan of engagements based on a documented risk assessment?	<input type="checkbox"/>			<p>Annually the Principal Auditors review the audit universe in the Audit Management System Galileo in preparation for meetings with Senior Managers and Executive Members. The Meetings are held to review the audit universe to ensure it is correct and up to date and includes any new risk exposures, identify what audits are due to be undertaken and their key areas of concern. All of the above feeds into the risk assessment process.</p> <p>The risk assessment in the Audit Management System Galileo is based on:-</p> <ul style="list-style-type: none"> <li>• Susceptibility to Error/Fraud;</li> <li>• Control Environment;</li> <li>• Sensitivity and Reputation of the Council;</li> <li>• Complexity;</li> <li>• Volume and Value of Transactions;</li> <li>• Management Concerns;</li> <li>• Management Changes;</li> <li>• Specific Business Risks/Business Importance;</li> <li>• Quality, Integrity and Security of Information; and</li> <li>• Years since Previous Audit.</li> </ul> <p>Following the planning meetings the risk assessments are updated in Galileo and a list of audits in priority order is produced.</p> <p>Consultation then takes place with colleagues in Financial Management to ascertain if they have any concerns in their areas of responsibility.</p>

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					<p>The Head of Risk Management and Audit (CAE) then meets with the Principal Auditors to further develop the planning process by reviewing the assurance framework and assessing the list of audits to provide challenge into the process. Once the list is agreed it is then matched against available resources to agree the draft plan for the new financial year.</p> <p>Process outlined in the Annual Plan Report, Internal Charter and Audit Manual.</p>
	Is the risk assessment used to develop the plan of engagements undertaken at least annually?	<input type="checkbox"/>			Yes - see above.
<b>LGAN</b>	In developing the risk-based plan, has the CAE also considered the following:				
	a) Any declarations of interest (for the avoidance for conflicts of interest)?	<input type="checkbox"/>			<p>The Head of Risk Management and Audit (CAE) challenges the Principal Auditors on their inclusion of audits on the list to check there are no conflicts.</p> <p>Any conflicts within the Internal Audit Team are reviewed and resolved as the work is allocated.</p> <p>Annual Audit Plan Annual Audit Plan Report Audit Manual</p>
	b) The requirement to use specialists, e.g. IT or contract and procurement auditors?	<input type="checkbox"/>			<p>Annual Audit Plan. Annual Audit Plan Report Internal Audit Strategy</p>

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					The Council does not employ an IT Specialist and uses the services of Salford MBC Computer Services.
	c) Allowing contingency time to undertake ad hoc reviews or fraud investigations as necessary?	<input type="checkbox"/>			<p>Advice and Support days are included for each service area in the plan which can be used for ad hoc reviews.</p> <p>A separate resource is available for Fraud Investigation/Counter Fraud Work and the details are included in the Annual Audit Plan and the Annual Audit Plan Report</p>
	d) The time required to carry out the audit planning process effectively as well as regular reporting to and attendance of the board, the development of the annual report and the CAE opinion?	<input type="checkbox"/>			<p>Days are included within the plan for:-</p> <ul style="list-style-type: none"> <li>• Planning and Control</li> <li>• Reporting to Members</li> </ul> <p>Annual Audit Plan Annual Audit Plan Report Internal Audit Charter Internal Audit Strategy</p>
	In developing the risk-based plan, has the CAE consulted with senior management and the board to obtain an understanding of the organisation's strategies, key business objectives, associated risks and risk management processes?	<input type="checkbox"/>			<p>Senior Management are involved in the planning/risk assessment process. Individual Executive Members are consulted as part of the planning process to determine the draft plan.</p> <p>The draft plan is discussed with the Assistant Director of Finance (Deputy Section 151 officer) and shared with both the Monitoring Officer and External Audit ahead of it being presented to the Audit Panel/Greater Manchester Pension Fund Local Board for approval.</p>

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					As with all plans the Audit Panel/Greater Manchester Pension Fund Local Board are advised that the plan will be kept under constant review to ensure it captures the requirements of the organisation. Both bodies are informed that any changes will be reported to the future meetings.
	Does the CAE identify and consider the expectations of senior management, the board and other stakeholders for internal audit opinion and any other conclusions?	<input type="checkbox"/>			<p>Input from senior management, executive members and other stakeholders is important to the planning process to ensure risk assessments are up to date, priorities are identified and indicative timings discussed. However, the Head of Risk Management and Audit (CAE) and the Principal Auditors have a wealth of experience and a detailed knowledge of the Council and their professional judgement is paramount to the compilation of the plan and they are all aware that managers may steer Internal Audit away from areas to save receiving unfavourable audit opinions.</p> <p>In terms of individual assignments a draft report is issued and then a closure meeting is arranged to seek management opinion on the factual accuracy of the report and acceptance of the recommendations.</p> <p>Input from stakeholders is important so that they buy into the recommendations made.</p>
	Does the CAE take into consideration any proposed consulting engagement's potential to improve the management of risks, to add value and to improve the organisation's operations before accepting them?	<input type="checkbox"/>			<p>Consultancy Reviews are assessed as part of the planning process.</p> <p>In some circumstances it adds more benefit and value to the organisation to undertake this type of review.</p>

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	<i>Are consulting engagements that have been accepted included in the risk-based plan?</i>	<input type="checkbox"/>			All audits/reviews are listed in the Annual Audit Plan to ensure that the plan balances to resources and that management and the Audit Panel/Greater Manchester Pension Fund Local Board are fully aware of the work plan for the year. However, plans can and do change and these changes would be notified to the Audit Panel/Greater Manchester Pension Fund Local Board as part of the quarterly progress report.
	<i>2020 Communication and Approval</i>				
	Has the CAE communicated the internal audit activity's plans and resource requirements to senior management and the board for review and approval?	<input type="checkbox"/>			Annual Audit Plan is presented to the Assistant Director of Finance (Deputy Section 151 Officer) and to the Audit Panel/ Greater Manchester Pension Fund Local Board for approval in May/June.
	Has the CAE communicated any significant interim changes to the plan and/or resource requirements to senior management and the board for review and approval, where such changes have arisen?	<input type="checkbox"/>			Presented to the Audit Panel/Greater Manchester Pension Fund Local Board in the Risk Management and Audit Progress Reports.  Discussed with management as and when required and reported as part of quarterly activity reports.
	Has the CAE communicated the impact of any resource limitations to senior management and the board?	<input type="checkbox"/>			Resource requirements/issues are set out in the Audit Plan Report presented to the Audit Panel/ Greater Manchester Pension Fund Local Board. They are also discussed in detail with management and the Assistant Director of Finance (Deputy Section 151 Officer).  Quarterly Activity Reports presented to management detail the plan, actual days per audit and any issues with resources.

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Ref	Conformance with the Standard	C	P	N	Evidence
	<i>2030 Resource Management</i>				
	Does the risk-based plan explain how internal audit's resource requirements have been assessed?	<input type="checkbox"/>			This is covered in the Risk Management and Audit Service Annual Plan Report and the detail is held in the planning working papers.
<b>LGAN</b>	Has the CAE planned the deployment of resources, especially the timing of engagements, in conjunction with management to minimise disruption to the functions being audited, subject to the requirement to obtain sufficient assurance?	<input type="checkbox"/>			All audits are planned in conjunction with management, and priorities are discussed at the planning meetings and the quarterly activity meetings.
<b>LGAN</b>	If the CAE believes that the level of agreed resources will impact adversely on the provision of the internal audit opinion, has he or she brought these consequences to the attention of the board? This may include an imbalance between the work plan and resource availability and/or other significant matters that jeopardise the delivery of the plan or require it to be changed.	<input type="checkbox"/>			Any issues with delivering the plan would be discussed with the Assistant Director of Finance (Deputy Section 151 Officer) and reported to the Audit Panel/Greater Manchester Pension Fund Local Board as part of the Annual Audit Plan Report and the Quarterly Progress Reports.
	<i>2040 Policies and Procedures</i>				
	Has the CAE developed and put into place policies and procedures to guide the internal audit activity?	<input type="checkbox"/>			Internal Audit Manual Quality Control Checklist  A detailed process is outlined in the above documents and confirmed by the review process undertaken by the Principal Auditors and Head of Risk Management and Audit.
<b>LGAN</b>	Has the CAE established policies and procedures to guide staff in performing their duties in a manner than conforms to the PSIAS?	<input type="checkbox"/>			Internal Audit Manual. Quality Control Checklist

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	Examples include maintaining an audit manual and/or using electronic management systems.				<p>School audits are performed using an Audit Programme which guides the auditor through the process.</p> <p>All other audits are performed using the Audit Management System Galileo which again guides the auditor through the process in conjunction with the Quality Control Checklist.</p> <p>We also have a matrix in place detailing the distribution list for reports to ensure reports are issued in a consistent manner.</p>
LGAN	Are the policies and procedures regularly reviewed and updated to reflect changes in working practices and standards?	<input type="checkbox"/>			<p>Improvement days are held which give the opportunity for policies and procedures to be reviewed.</p> <p>Staff are experienced and if something is causing an issue it is either raised at a supervision meeting, an ADR or at a team meeting.</p>
	<i>2050 Coordination</i>				
	Does the risk-based plan include an adequately developed approach to using other sources of assurance and any work that may be required to place reliance upon those sources?	<input type="checkbox"/>			<p>This is discussed with senior managers when the Principal Auditors meet them as part of the audit planning process and any external inspections may influence whether a review will be included on the audit plan.</p> <p>This would be captured as part of the planning meeting notes.</p> <p>We also review the External Auditors reports and plan and liaise with Scrutiny, or review their web</p>

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					<p>pages, to see what reviews they have undertaken or are planning to undertake.</p> <p>When auditing the Pension Fund assurance is obtained from various sources e.g. Third Party Auditors or Industry Regulators.</p> <p>Where assurance provided by a third party is used, checks are undertaken to determine the degree of reliance that can placed on them.</p>
<b>LGAN</b>	Has the CAE carried out an assurance mapping exercise as part of identifying and determining the approach to using other sources of assurance?	<input type="checkbox"/>			<p>See above response.</p> <p>An Assurance Framework is in place.</p>
	Does the CAE share information and coordinate activities with other internal and external providers of assurance and consulting services?	<input type="checkbox"/>			<p>Quarterly liaison meetings are in place with the Councils External Auditor where work is shared. The Head of Risk Management and Audit (CAE)/Principal Auditors will also liaise with other internal services undertaking review work and provide copies of audit reports when appropriate to do so. Scrutiny reports and plans are reviewed.</p> <p>Audits/Reviews are started in full consultation with management and any external inspections due would be taken into account so that resources are not duplicated and areas over inspected.</p>
<b>LGAN</b>	Does the CAE meet regularly with the nominated external audit representative to consult on and coordinate their respective audit plans?	<input type="checkbox"/>			<p>See above.</p> <p>External Audit also attend both the Audit Panel/Greater Manchester Pension Fund Local Board.</p>

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	Where key organisational risks relate to work undertaken through partnerships, the auditor may be able to take assurance from work undertaken by others, or by obtaining assurance directly.				When auditing the Pension Fund assurance is obtained from various sources e.g. Third Party Auditors or Industry Regulators. Where assurance provided by a third party is used, checks are undertaken to determine the degree of reliance that can be placed on them.
	<i>2060 Reporting to Senior Management and the Board</i>				
	Does the CAE report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility and performance relative to its plan?	<input type="checkbox"/>			<p>This is done via the Risk Management and Audit Quarterly Progress Reports to the Audit Panel/Greater Manchester Pension Fund Local Board.</p> <p>Management/Executive Members receive Quarterly Activity Reports and regular liaison meetings are held with them to discuss progress to date, outstanding audits, new risks, changing priorities and any issues/concerns that need to be taken into account.</p> <p>Urgent matters would be discussed with the Director of Finance (Section 151 Officer) and/or the Assistant Director of Finance (Deputy Section 151 Officer).</p> <p>Weekly planning meetings are held with the Assistant Director of Finance (Deputy Section 151 Officer) where feedback on audit activity is provided.</p> <p>The Head of Risk Management and Audit (CAE) has a 1:1 with the Director of Finance (Section 151 Officer) quarterly and a 1:1 with the Assistant Director of Finance (Deputy Section 151 Officer)</p>

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					monthly.
	Does the periodic reporting also include significant risk exposures and control issues, including fraud risks, governance issues and other matters needed or requested by senior management and the board?	<input type="checkbox"/>			See above.
	Is the frequency and content of such reporting determined in discussion with senior management and the board and are they dependent on the importance of the information to be communicated and the urgency of the related actions to be taken by senior management or the board?	<input type="checkbox"/>			See above.
	<i>2070 External Service Provider and Organisational Responsibility for Internal Auditing</i>				
	Where an external internal audit service provider acts as the internal audit activity, does that provider ensure that the organisation is aware that the responsibility for maintaining and effective internal audit activity remains with the organisation?	N/A			N/A
	Does the internal audit activity evaluate and contribute to the improvement of the organisation's governance, risk management and internal control processes?	N/A			N/A
	Does the internal audit activity evaluate and contribute to the improvement of the above using a systematic and disciplined approach?	N/A			N/A

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Ref	Conformance with the Standard	C	P	N	Evidence
	<i>2110 Governance</i>				
	Does the internal audit activity assess and make appropriate recommendations to improve the organisation's governance processes for :				
	Making strategic and operational decisions?				
	Overseeing risk management and control?				
	a) Promote appropriate ethics and values within the organisation?	<input type="checkbox"/>			<p>This is all demonstrated in the Head of Risk Management and Audit's (CAE) Annual Audit Plan Report and Quarterly Progress Reports presented to the Audit Panel/Greater Manchester Pension Fund Local Board.</p> <p>Activity reports provided to Senior Management and Executive Members.</p> <p>Meetings with Senior Management and Executive Members.</p> <p>Feedback from Managers at meetings or returned via Customer Satisfaction Questionnaires.</p> <p>Covered in the Internal Audit Charter and Strategy.</p> <p>Head of Risk Management and Audits (CAE) Annual Report.</p> <p>Internal Audit is regularly asked for advice by managers when changes are being made to systems or processes.</p> <p>Internal Auditors work closely with the Risk,</p>
	b) Ensure effective organisational performance management and accountability?	<input type="checkbox"/>			
	c) Communicate risk and control information to appropriate areas of the organisation?	<input type="checkbox"/>			
	d) Coordinate the activities of and communicate information among the board, external and internal auditors and management?	<input type="checkbox"/>			

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					Insurance and Information Governance Team and the Fraud Investigators to ensure learning is shared across all disciplines.
	Has the internal audit activity evaluated the:				This would be built into the risk and controls reviewed within service area audits.
	a) design	<input type="checkbox"/>			
	b) implementation, and	<input type="checkbox"/>			
	c) effectiveness of the organisation's ethics-related objectives, programmes and activities?	<input type="checkbox"/>			
	Has the internal audit activity assessed whether the organisation's information technology governance supports the organisation's strategies and objectives?	<input type="checkbox"/>			<p>This would be delivered on a system by system basis. However, days are included in the plan each year to review ICT Services. Salford Computer Audit Services are engaged to undertake the more technical reviews and days are also included for advice and support in relation to ICT controls in other audit reviews.</p> <p>When new systems are being introduced Internal Audit are involved and a system sign off is completed to ensure that the system is fit for purpose and does not expose the Council to any unforeseen risks.</p>
	<i>2120 Risk Management</i>				
	Has the internal audit activity evaluated the effectiveness of the organisation's risk management processes by determining that:				

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	a) Organisational objectives support and align with the organisation's mission?	<input type="checkbox"/>			<p>The Head of Risk Management and Audit (CAE) is also responsible for setting the Council's Risk Management Framework and therefore is able to influence whether the Council is taking adequate steps to effectively manage risk.</p> <p>All reports that are presented to the Single Leadership Team, Board, Panels, Working Groups and Council all have to consider the risk management implications as it is built into the reporting template.</p> <p>The Corporate Risk Register was reviewed and presented to the Audit Panel in October 2019 and an update will be presented in June 2020.</p> <p>The risk management process is under review in conjunction with the Single Leadership Team to determine the most effective way forward as we continue to integrate with the CCG. The Corporate Risk Register has been aligned with the Themes of the Corporate Plan</p>
	b) Significant risks are identified and assessed?	<input type="checkbox"/>			<p>See above.</p> <p>All audits are risk based and involve reviewing the risks for the area under review.</p>
	c) Appropriate risk responses are selected that align risks with the organisation's risk appetite?	<input type="checkbox"/>			<p>See above.</p>
	d) Relevant risk information is captured and communicated in a timely manner across the organisation, thus enabling the staff,	<input type="checkbox"/>			<p>See above.</p> <p>A written report is issued to management for all work</p>

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	management and the board to carry out their responsibilities?				<p>undertaken by the Internal Audit Team setting out the risks reviewed and the findings and recommendations.</p> <p>The progress reports presented by the Head of Risk Management and Audit to the Audit Panel/ Greater Manchester Pension Fund Local Board cover these aspects.</p> <p>Where a fraud investigation is undertaken a control report is produced thereafter to ensure that any control issues identified are resolved to minimise similar frauds occurring in the future.</p>
	Has the internal audit activity evaluated the risks relating to the organisation's governance, operations and information systems regarding the:				
	a) Achievement of the organisation's strategic objectives?	<input type="checkbox"/>			<p>The Councils strategic objectives are set out in the Corporate Plan. The Annual Audit Plan is risk based and meets the priorities identified during the planning process undertaken in conjunction with Senior Managers, Executive Members, Director of Finance (Section 151 Officer) and the Assistant. Director of Finance (Deputy Section 151 Officer).</p>
	b) Reliability and integrity of financial and operational information?	<input type="checkbox"/>			<p>Audits within the Annual Audit Plan meet this requirement. Several audits within the plan specifically cover this point, e.g. General Ledger, Payroll, Creditors. Operational audits also cover aspects depending on the risks reviewed. A System Sign Off is also undertaken to ensure the integrity of data/information when new systems are introduced or existing amended/updated.</p>

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	c) Effectiveness and efficiency of operations and programmes?	<input type="checkbox"/>			See above.
	d) Safeguarding of assets?	<input type="checkbox"/>			See above.
	e) Compliance with laws, regulations, policies, procedures and contracts?	<input type="checkbox"/>			See above.
	<p>Has the internal audit activity evaluated the potential for fraud and also how the organisation itself manages fraud risk?</p> <p>CIPFA has issued a Code of Practice on Managing the Risk of Fraud and Corruption, and strongly recommends that it is used as the basis for assessment of how an authority manages its fraud risk.</p>	<input type="checkbox"/>			<p>This is done as part of the annual planning process and details are included in the Annual Audit Plan and Report.</p> <p>Frauds investigated are reviewed.</p> <p>Attendance at regional fraud groups also provides intelligence and shared learning.</p> <p>National Fraud reports and fraud alerts/bulletins produced by NAFN Data and Intelligence Services are reviewed.</p> <p>The Code of Practice has been used to assess the team in conjunction with the requirements of the Strategy for Fighting Fraud and Corruption Locally.</p>
	Do internal auditors address risk during consulting engagements consistently with the objectives of the engagement?	<input type="checkbox"/>			All consultancy reviews are risk based and focus on risk and control issues and they are delivered in line with the objectives of the engagement.
	Are internal auditors alert to other significant risks when undertaking consulting engagements?	<input type="checkbox"/>			<p>As above.</p> <p>An experienced Team is in place and auditors are alert to other risks.</p>
	Do internal auditors incorporate knowledge of risks gained from consulting engagements into their				An experienced Team is in place, managed by two experienced Principal Auditors and the knowledge of

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	evaluation of the organisation's risk management processes?				risks gained from consulting requirements where appropriate are used to evaluate the organisations risk management processes.
	Do internal auditors successfully avoid managing risks themselves, which would in effect lead to taking on management responsibility, when assisting management in establishing or improving risk management processes?	<input type="checkbox"/>			Risks, controls, findings and recommendations are presented to management in an Internal Audit Report for action by the relevant service.
	<i>2130 Control</i>				
	Has the internal audit activity evaluated the adequacy and effectiveness of controls in the organisation's governance, operations and information systems regarding the:				
	a) Achievement of the organisation's strategic objectives?	<input type="checkbox"/>			This is achieved through the delivery of the Annual Audit Plan and following the recognised audit procedure set out in the Audit Manual/Quality Control Checklist, using the Audit Management System Galileo.
	b) Reliability and integrity of financial and operational information?	<input type="checkbox"/>			See above.
	c) Effectiveness and efficiency of operations and programmes?	<input type="checkbox"/>			See above.
	d) Safeguarding of assets?	<input type="checkbox"/>			See above.
	e) Compliance with laws, regulations, policies, procedures and contracts?	<input type="checkbox"/>			See above.

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	Do internal auditors utilise knowledge of controls gained during consulting engagements when evaluating the organisation's control processes?	<input type="checkbox"/>			<p>Auditors provide an update of their work at regular one to one meetings with their Principal Auditor. Regular meetings are held between the Head of Risk Management and Audit (CAE) and the Principal Auditors where key findings are discussed. Feedback is provided on a regular basis from all staff. All reports are read by the Head of Risk Management and Audit (CAE) including investigation reports before they are issued. Liaison between team members is excellent and they share learning and experience on a regular basis to support one another.</p> <p>However, care is taken to ensure that auditors involved in consultancy do not then audit the area.</p>
<b>4.3</b>	<b>2200 Engagement Planning</b>				
	Do internal auditors develop and document a plan for each engagement?	<input type="checkbox"/>			<p>A Terms of Reference document is issued for all audits/reviews, which outlines the objectives, scope, timing and resources with the exception of schools.</p> <p>A standard programme is in place for schools and ahead of the visit, once confirmed with the Head, a pre audit questionnaire and an ICT questionnaire is issued, which asks for information to be provided before the visit.</p> <p>With regards to Greater Manchester Pension Fund Employer Visits a set programme is in place and liaison takes place in advance of a visit. A letter is sent to the Director of Finance which explains the process.</p>

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	Does the engagement plan include the engagement's:				
	a) Objectives?	<input type="checkbox"/>			See above.
	b) Scope?	<input type="checkbox"/>			See above.
	c) Timing?	<input type="checkbox"/>			See above.
	d) Resource allocations?	<input type="checkbox"/>			See above.
	Do internal auditors consider the following in planning an engagement, and is this documented:				
	a) The objectives of the activity being reviewed?	<input type="checkbox"/>			<p>This is documented in the Terms of Reference which forms part of the standard suite of documents produced for an audit. An introductory meeting is held with the service area under review to discuss aspects of the review and to obtain up to date information about the service area. All information is stored within the Audit Management System Galileo.</p> <p>A risk based approach is adopted and the aspects listed are covered when the audit/review is being planned.</p>
	b) The means by which the activity controls its performance?	<input type="checkbox"/>			See above.
	c) The significant risks to the activity being audited?	<input type="checkbox"/>			See above.
	d) The activity's resources?	<input type="checkbox"/>			See above.

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	e) The activity's operations?	<input type="checkbox"/>			See above.
	f) The means by which the potential impact of risk is kept to an acceptable level?	<input type="checkbox"/>			See above.
	g) The adequacy and effectiveness of the activity's governance, risk management and control processes compared to a relevant framework or model?	<input type="checkbox"/>			See above.
	h) The opportunities for making significant improvements to the activity's governance, risk management and control processes?	<input type="checkbox"/>			See above.
	Where an engagement plan has been drawn up for an audit to a party outside of the organisation, have the internal auditors established a written understanding with that party about the following:	<input type="checkbox"/>			On behalf of the Greater Manchester Pension Fund we do audit bodies external to the Council and the same process is adopted as for the Council. A Terms of Reference is issued and the planning takes place with both the organisation concerned and the Officer responsible for that area of work within the Greater Manchester Pension Fund. For Pension Fund Employer Visits a letter is also used to outline the objectives and scope of the audit.
	a) Objectives?	<input type="checkbox"/>			See above.
	b) Scope?	<input type="checkbox"/>			See above.
	c) The respective responsibilities and other expectations of the internal auditors and the outside party (including restrictions on distribution of the results of the engagement and access to engagement records)?	<input type="checkbox"/>			This would be defined as part of the Terms of Reference and the reporting process.

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	For consulting engagements, have internal auditors established an understanding with the engagement clients about the following:				
	a) Objectives?	<input type="checkbox"/>			This would be discussed and agreed for each review and Terms of Reference issued, if appropriate.
	b) Scope?	<input type="checkbox"/>			See above.
	c) The respective responsibilities of the internal auditors and the client and other client expectations?	<input type="checkbox"/>			See above.
	For significant consulting engagements, has this understanding been documented?	<input type="checkbox"/>			See above.
	<i>2210 Engagement Objectives</i>				
	Have objectives been agreed for each engagement?	<input type="checkbox"/>			These are agreed with the service at the audit planning meeting and then formalised in the Terms of Reference.
	Have internal auditors carried out a preliminary risk assessment of the activity under review?	<input type="checkbox"/>			This is discussed between the Principal Auditor and the Auditor responsible for the review ahead of the audit planning meeting with the service area. The auditor would start to research the area under review to determine the potential risks and controls to be covered. This would be done by using control matrices available, TIS Online, looking at previous audits delivered and by speaking to colleagues in the team. The risks would be discussed with the service at the audit planning meeting and the key risks to focus on would be prioritised and agreed.

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	Do the engagement objectives reflect the results of the preliminary risk assessment that has been carried out?	<input type="checkbox"/>			All Terms of Reference are reviewed by the Principal Auditors who will ensure that the preliminary work is reflected in the objectives, however, this can change when the planning meeting takes place and throughout the audit if something comes to light. It is important that the scope of the audit is deliverable within the days allocated to the audit.
	Have internal auditors considered the probability of the following, when developing the engagement objectives:				
	a) Significant errors?	<input type="checkbox"/>			<p>The auditors will consider each of these factors when planning the audit and developing the Internal Control Evaluation Action Plan which lists the risks and controls to be covered.</p> <p>This is reviewed by the Principal Auditor in line with the Audit Manual and Quality Control Checklist.</p>
	b) Fraud?	<input type="checkbox"/>			See above.
	c) Non-compliance?	<input type="checkbox"/>			See above.
	d) Any other risks?	<input type="checkbox"/>			See above.
	Have internal auditors ascertained whether management and/or the board have established adequate criteria to evaluate and determine whether objectives and goals have been accomplished?	<input type="checkbox"/>			Internal audit undertake periodic reviews of performance management across the Council and the need for this is identified as part of the Annual Audit Planning process.
	If the criteria have been deemed adequate, have	<input type="checkbox"/>			Performance management is an area which is

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	the internal auditors used the criteria in their evaluation of governance, risk management and controls?				considered as a standard control in each audit assignment.
	If the criteria have been deemed inadequate, have the internal auditors worked with management and/or the board to develop appropriate evaluation criteria?	<input type="checkbox"/>			Such issues would be reported in an audit report to management and agreement to the recommendations would be obtained from senior management.
<b>LGAN</b>	If the value for money criteria have been referred to, has the use of all the organisation's main types of resources been considered; including money, people and assets?	<input type="checkbox"/>			Value is one of the control objectives considered in all audit reviews, however, full value for money audits are not routinely completed.
	Do the objectives set for consulting engagements address governance, risk management and control processes as agreed with the client?	<input type="checkbox"/>			This would be agreed on a case by case basis with the service for each consultancy assignment.
	Are the objectives set for consulting engagements consistent with the organisation's own values, strategies and objectives?	<input type="checkbox"/>			The Principal Auditors and the Head of Risk Management and Audit (CAE) would make this assessment based on the request for consultancy work to determine whether it was consistent with the Council's objectives. If not, the assignment would not be accepted.
	<i>2220 Engagement Scope</i>				
	Is the scope that is established for the engagement sufficient to satisfy the engagement's objectives?	<input type="checkbox"/>			This would be confirmed in the Terms of Reference once agreed with the service area manager.
	Does the engagement scope include consideration of the following relevant areas of the organisation:				
	a) Systems?	<input type="checkbox"/>			This would be confirmed in the Terms of Reference

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					once agreed with the service area manager.
	b) Records?	<input type="checkbox"/>			See above.
	c) Personnel?	<input type="checkbox"/>			See above.
	d) Premises?	<input type="checkbox"/>			See above.
	Does the engagement scope include consideration of the following relevant areas under the control of outside parties, where appropriate:				
	a) Systems?	<input type="checkbox"/>			This would be agreed on a case by case basis dependent on the nature of the audit assignment and discussed at the audit planning meeting to ensure all parties were engaged and aware of the review.
	b) Records?	<input type="checkbox"/>			See above.
	c) Personnel?	<input type="checkbox"/>			See above.
	d) Premises?	<input type="checkbox"/>			See above.
	Where significant consulting opportunities have arisen during an assurance engagement, was a specific written understanding as to the objectives, scope, respective responsibilities and other expectations drawn up?	<input type="checkbox"/>			Any changes to an audit would be agreed with senior management in advance to ensure clarity and understanding. Principal Auditors would use their experience and professional judgement to determine the best way forward and consult with the Head of Risk Management and Audit (CAE) where appropriate.  Consideration would be given to separating the two aspects and assigning another auditor to the

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					consultancy element to reduce the risk of impartiality.
	Where significant consulting opportunities have arisen during an assurance engagement, were the results of the subsequent engagement communicated in accordance with the relevant consulting Standards?	<input type="checkbox"/>			The reporting lines and format for reporting would be agreed at the outset of the review and reporting would be consistent with the standards adopted as per the Audit Manual/Control Checklist and the Audit Management System Galileo, which holds all the standard reporting templates.
	For a consulting engagement, was the scope of the engagement sufficient to address any agreed-upon objectives?	<input type="checkbox"/>			This would be agreed with the service area at the planning meeting and documented in the Terms of Reference.
	If the internal auditors developed any reservations about the scope of a consulting engagement while undertaking that engagement, did they discuss those reservations with the client and therefore determine whether or not to continue with the engagement?	<input type="checkbox"/>			Any concerns would be flagged with the Principal Auditor who would raise this with the Service Manager and the Head of Risk Management and Audit (CAE).
	During consulting engagements, did internal auditors address the controls that are consistent with the objectives of those engagements?	<input type="checkbox"/>			This would be documented in the Audit Management System Galileo and agreed at the planning meeting and covered by the Terms of Reference. The quality control process in place ensures that the controls have been sufficiently addressed.
	During consulting engagements, were internal auditors alert to any significant control issues?	<input type="checkbox"/>			The auditors are mindful of control issues and if a matter was significant enough this would be reported to their Principal Auditor and if necessary the Head of Risk Management and Audit (CAE).

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	<i>2230 Engagement Resource Allocation</i>				
	Have internal auditors decided upon the appropriate and sufficient level of resources required to achieve the objectives of the engagement based on:				
	a) The nature and complexity of each individual engagement?	<input type="checkbox"/>			An estimated resource is included in the annual internal audit plan at the outset of each financial year. These timescales are usually adhered to unless there is a reason to amend. Any requirement for increased resource will be agreed with the Principal Auditor and Head of Risk Management and Audit (CAE). If it transpires that the allocated days are not required then the auditor has the flexibility to deliver under resource as long at the objectives of the scope have been met. This would be checked as part of the quality control process.
	b) Any time constraints?	<input type="checkbox"/>			See above.
	c) The resources available?	<input type="checkbox"/>			See above.
	<i>2240 Engagement Work Programme</i>				
	Have internal auditors developed and documented work programmes that achieve the engagement objectives?	<input type="checkbox"/>			This is outlined in the Internal Audit Manual/Quality Control Checklist and driven by using the Audit Management System Galileo which hosts all the standard documents/templates used.
	Do the engagement work programmes include the following procedures for:				
	a) Identifying information?	<input type="checkbox"/>			This is outlined in the internal audit quality control

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					checklist and driven by using the Audit Management System Galileo which hosts all the standard documents/templates. The Team consists of a number of experienced auditors who are able to undertake audits and cover the aspects listed below.
	b) Analysing information?	<input type="checkbox"/>			See above.
	c) Evaluating information?	<input type="checkbox"/>			See above.
	d) Documenting information?	<input type="checkbox"/>			See above.
	Were work programmes approved prior to implementation for each engagement?	<input type="checkbox"/>			The work programme/internal control evaluation action plan and any test schedules are reviewed by the Principal Auditor prior to work being undertaken.
	Were any adjustments required to work programmes approved promptly?	<input type="checkbox"/>			These would be approved with the Principal Auditor and/or the Head of Risk Management and Audit (CAE) as required.
<b>4.4</b>	<b>2300 Performing the Engagement</b>				
	Have internal auditors carried out the following in order to achieve each engagement's objectives:				
	a) Identify sufficient information?	<input type="checkbox"/>			This is achieved through using the Audit Management System Galileo which guides the auditor through the audit process and holds the standard documents/templates in line with the Audit Manual/Quality Control Checklist. Any issues would be picked up as part of the quality review process and during supervisions.

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Ref	Conformance with the Standard	C	P	N	Evidence
	b) Analyse sufficient information?	<input type="checkbox"/>			See above.
	c) Evaluate sufficient information?	<input type="checkbox"/>			See above.
	d) Document sufficient information?	<input type="checkbox"/>			See above.
	<i>2310 Identifying Information</i>				
	Have internal auditors identified the following in order to achieve each engagement's objectives:				
	a) Sufficient information?	<input type="checkbox"/>			This is achieved through using the Audit Management System Galileo which guides the auditor through the audit process and holds the standard documents/templates in line with the Audit Manual/Quality Control Checklist. Any issues would be picked up as part of the quality review process and during supervisions.
	b) Reliable information?	<input type="checkbox"/>			See above.
	c) Relevant information?	<input type="checkbox"/>			See above.
	d) Useful information?	<input type="checkbox"/>			See above.
	<i>2320 Analysis and Evaluation</i>				
	Have internal auditors based their conclusions and engagement results on appropriate analyses and evaluations?	<input type="checkbox"/>			The information is recorded on the Audit Management System Galileo, which is used to populate the standard documents/templates as defined in the Audit Manual/Quality Control Checklist. Each audit is reviewed by a Principal Auditor and all working papers are reviewed to ensure that the objectives of the audit have been

## APPENDIX 1

Ref	Conformance with the Standard	C	P	N	Evidence
					achieved and that the conclusions and recommendations are based on sound analyses and evaluations.
<b>LGAN</b>	Have internal auditors remained alert to the possibility of the following:				
	a) intentional wrongdoing	<input type="checkbox"/>			<p>As part of each assignment the auditor needs to complete an internal control evaluation action plan which lists all relevant risks, expected controls, actual controls and then an evaluation of the outcome. There are a number of specific risks which should be looked at as part of each audit therefore ensuring that key themes are considered throughout.</p> <p>The team consists of a number of experienced auditors who are alert to the possibility of wrongdoing, errors and omissions, poor value for money, failure to comply with management policy and conflicts of interest.</p> <p>Issues are reported to the Principal Auditors and, where necessary, additional resources would be drafted in to assist depending on the issue identified or it may be referred to the Fraud Investigators/Counter Fraud Specialists. Liaison takes place with the Head of Risk Management and Audit (CAE) where appropriate.</p>
	b) errors and omissions	<input type="checkbox"/>			See above.
	c) poor value for money	<input type="checkbox"/>			See above.

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Ref	Conformance with the Standard	C	P	N	Evidence
	d) failure to comply with management policy, and	<input type="checkbox"/>			See above.
	e) conflicts of interest	<input type="checkbox"/>			See above.
	When performing their individual audits, and has this been documented?	<input type="checkbox"/>			This would be documented within the Audit Management System Galileo.
	<i>2330 Documenting Information</i>				
	Have internal auditors documented the relevant information required to support engagement conclusions and results?	<input type="checkbox"/>			<p>This would all be documented in the Audit Management System Galileo. Principal Auditors check compliance as part of the quality review process. A suite of standard documents/templates have been prepared which auditors need to complete throughout their assignments.</p> <p>A review checklist is in place which the auditors complete throughout the assignment which links to all key documentation which needs to be in place. Any queries would be referred back to the auditor in the form of "Review Points" for further work or clarification.</p>
<b>LGAN</b>	Are working papers sufficiently complete and detailed to enable another experienced internal auditor with no previous connection with the audit to ascertain what work was performed, to re-perform it if necessary and to support the conclusions reached?	<input type="checkbox"/>			See above.
	Does the CAE control access to engagement records?	<input type="checkbox"/>			The arrangements for releasing reports are set out in the Annual Audit Plan Report, the Internal Audit Charter and the reporting matrix.

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Ref	Conformance with the Standard	C	P	N	Evidence
					Internal Audit working papers are maintained and recorded within the Audit Management System Galileo which is held on the Council's servers managed by ICT Services. Access to the system is restricted to members of the Internal Audit Team and controlled by a username and password.
	Has the CAE obtained the approval of senior management and/or legal counsel as appropriate before releasing such records to external parties?	<input type="checkbox"/>			As detailed in the Quality Control Checklist audit reports have to be cleared for issue by the Assistant Director responsible for the area under review and the Head of Risk Management and Audit (CAE). Any areas of concern in the report relating to legal issues would be discussed with the Head of Legal Services and likewise employment issues with the Assistant Director of People and Workforce Development. Any significant issues would be raised the appropriate Director and the Assistant Director of Finance (Deputy Section 151 Officer).
	Has the CAE developed and implemented retention requirements for all types of engagement records?	<input type="checkbox"/>			The retention periods are set out in the Audit Manual and the Councils Retention and Disposal Guidelines and Schedule which are available of the Staff Portal as part of the Information Governance page.
	Are the retention requirements for engagement records consistent with the organisation's own guidelines as well as any relevant regulatory or other requirements?	<input type="checkbox"/>			The retention periods are set out in the Audit Manual and in the Councils Retention and Disposal Guidelines and Schedule which are available of the Staff Portal as part of the Information Governance page.
	<i>2340 Engagement Supervision</i>				
	Are all engagements properly supervised to ensure that objectives are achieved, quality is assured and	<input type="checkbox"/>			The Principal Auditor will attend the planning meeting with the auditor to ensure a shared

## APPENDIX 1

Ref	Conformance with the Standard	C	P	N	Evidence
	that staff are developed?				<p>knowledge of the area and agreement in respect of the objectives and scope of the audit. A quality review process is built in the process to ensure that adequate supervision arrangements are in place. If the auditor feels it appropriate to meet with the Head of Risk Management and Audit (CAE) at any stage to discuss the audit then this will be accommodated.</p> <p>The Quality Control Checklist and the Galileo system capture key dates where supervision has taken place.</p>
	Is appropriate evidence of supervision documented and retained for each engagement?	<input type="checkbox"/>			<p>See above response. When a draft report is issued from the Audit Management System Galileo a number of review points can be raised in the system and it keeps a trail of these to ensure all points have been closed before the report is issued. The Principal Auditors are responsible for ensuring all aspects of the Quality Control Process are adhered to and documented.</p>
<b>4.5</b>	<b>2400 Communicating Results</b>				
	Do internal auditors communicate the results of engagements?	<input type="checkbox"/>			<p>Draft and final reports are issued by the Head of Risk Management and Audit (CAE). The Auditor and Principal Auditor would attend the closure meeting to verbally communicate the findings and recommendations and discuss management responses.</p>
	<i>2410 Criteria for Communicating</i>				
	Do the communications of engagement results include the following:				

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Ref	Conformance with the Standard	C	P	N	Evidence
	a) The engagement's objectives?	<input type="checkbox"/>			A standard reporting template is used which covers:- <ul style="list-style-type: none"> <li>• Introduction;</li> <li>• Audit Scope and Objectives;</li> <li>• Risks;</li> <li>• Audit Outcome;</li> <li>• Audit Assurance;</li> <li>• Action Plan; and</li> <li>• Levels of Priority/Assurance.</li> </ul>
	b) The scope of the engagement?	<input type="checkbox"/>			As above.
	c) Applicable conclusions?	<input type="checkbox"/>			As above.
	d) Recommendations and action plans, if appropriate?	<input type="checkbox"/>			As above.
<b>LGAN</b>	Has the internal auditor discussed the contents of the draft final report with the appropriate levels of management to confirm factual accuracy, seek comments and confirm the agreed management actions?	<input type="checkbox"/>			A draft report closure meeting is held for every audit prior to the final report being issued.
<b>LGAN</b>	If recommendations and an action plan have been included, are recommendations prioritised according to risk?	<input type="checkbox"/>			All recommendations are graded with a priority:- High Medium Low Efficiency
<b>LGAN</b>	If recommendations and an action plan have been included, does the communication also state agreements already reached with management, together with appropriate timescales?	<input type="checkbox"/>			Recommendations will be discussed at the draft report closure meeting and an agreed action, target date and responsible officer will be agreed with service management and their response will be included in the final report.

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Ref	Conformance with the Standard	C	P	N	Evidence
<b>LGAN</b>	If there are any areas of disagreement between the internal auditor and management, which cannot be resolved by discussion, are these recorded in the action plan and the residual risk highlighted?	<input type="checkbox"/>			<p>This happens very rarely as agreement is reached through negotiation. If a recommendation could not be agreed then it would be recorded as 'Not Agreed' in the action plan and included in the final report which goes to the Chief Executive, Director of Governance and Pensions (Monitoring Officer), Director of Finance (Section 151 Officer) and the Executive Member for the service area under review.</p> <p>Disagreements would be discussed with the Assistant Director of Finance (Deputy Section 151 Officer).</p>
<b>LGAN</b>	Do communications disclose all material facts known to them in their audit reports which, if not disclosed, could distort their reports or conceal unlawful practice, subject to confidentiality requirements?	<input type="checkbox"/>			The auditors are expected to disclose material facts in the report and this is checked by the Principal Auditor when reviewing the working papers.
<b>LGAN</b>	Do the final communications of engagement results contain, where appropriate, the internal auditor's opinions and/or conclusions, building up to the annual internal audit opinion on the control environment?	<input type="checkbox"/>			Every report includes an audit outcome and an audit assurance level/statement. The Head of Risk Management and Audit (CAE) takes account of these when preparing the annual opinion.
	When an opinion or conclusion is issued, are the expectations of senior management, the board and other stakeholders taken into account?	<input type="checkbox"/>			The draft report will include the assurance statement which can be discussed with senior management before the report is issued. The Audit Panel/Greater Manchester Pension Fund Local Board will have sight of the final assurance statement and have the ability to call officers to a future meeting to explain their response where a low level of assurance has been issued.

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Ref	Conformance with the Standard	C	P	N	Evidence
	When an opinion or conclusion is issued, is it supported by sufficient, reliable, relevant and useful information?	<input type="checkbox"/>			This is achieved through adherence to the Audit Manual/Quality Control Checklist and the use of the Audit Management System Galileo, a thorough review process and discussion and engagement with management to ensure the report accurately reflects the area reviewed and that the recommendations are accepted for implementation.
	Where appropriate, do engagement communications acknowledge satisfactory performance of the activity in question?	<input type="checkbox"/>			If good practice is identified as part of the review this is outlined in the audit outcome section of the report. This is also reflected by the number of recommendations made and the assurance level given.
	When engagement results have been released to parties outside of the organisation, does the communication include limitations on the distribution and use of the results?	<input type="checkbox"/>			Where applicable this would be added to the report and the email communication sent with it.
<b>LGAN</b>	Where the CAE has been required to provide assurance to other partnership organisations, or arm's length bodies such as trading companies, have the risks of doing so been managed effectively, having regard to the CAE's primary responsibility to the management of the organisation for which they are engaged to provide internal audit services?	<input type="checkbox"/>			When undertaking reviews of partnership arrangements these are done on behalf of the Council and the scope would be set to ensure that the audit focuses on the Council's interests.
	<i>2420 Quality of Communications</i>				
	Are communications:				
	a) Accurate?	<input type="checkbox"/>			All fieldwork is reviewed by the Principal Auditors. Reports are initially issued as draft and a closure

## APPENDIX 1

Ref	Conformance with the Standard	C	P	N	Evidence
					meeting held with the service to agree the findings and recommendations before the final report is issued. The final report is reviewed by the Head of Risk Management and Audit (CAE). This process is captured in the Audit Manual/Quality Control Checklist
	b) Objective?	<input type="checkbox"/>			As above this would be part of the quality review process.
	c) Clear?	<input type="checkbox"/>			As above.
	d) Concise?	<input type="checkbox"/>			As above.
	e) Constructive?	<input type="checkbox"/>			As above.
	f) Complete?	<input type="checkbox"/>			As above.
	g) Timely?	<input type="checkbox"/>			A draft report deadline is agreed with the client at the outset of the audit. The auditor will then plan their work to ensure that the deadline is achieved and adequate time is factored in for quality review by the Principal Auditor.
	<i>2421 Errors and Omissions</i>				
	If a final communication has contained a significant error or omission, did the CAE communicate the corrected information to all parties who received the original communication?	<input type="checkbox"/>			The factual accuracy of the report should be dealt with at draft report stage where a closure meeting is held with the service to agree the findings and recommendations. If an error was identified after issuing the final report and notified to Internal Audit, the Head of Risk Management and Audit (CAE) would discuss this with the Principal Auditor and make an assessment on whether the change was

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Ref	Conformance with the Standard	C	P	N	Evidence
					necessary and if so the final report would be amended and recirculated to all recipients.
	<i>2430 Use of 'Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing'</i>				
	Do internal auditors report that engagements are 'conducted in conformance with the PSIAS' only if the results of the QAIP support such a statement?	<input type="checkbox"/>			All reports state that the "This Audit has been undertaken in accordance with the Public Sector Internal Audit Standards". Conformance is reported to the Audit Panel/Greater Manchester Pension Fund Local Board on an annual basis.
	<i>2431 Engagement Disclosure of Nonconformance</i>				
	Where any non-conformance with the PSIAS has impacted on a specific engagement, do the communication of the results disclose the following:				
	a) The principle or rule of conduct of the <i>Code of Ethics</i> or <i>Standard(s)</i> with which full conformance was not achieved?	<input type="checkbox"/>			<p>The Self-assessment undertaken by the Head of Risk Management and Audit against the PSIAS has not identified any significant issues. A full report is provided to the Audit Panel annually assessing the service against PSIAS. The only issue reported to the Panel was the requirement to have an external assessment every five years.</p> <p>In terms of individual pieces of work these are monitored throughout the audit by the Principal Auditors and subject to final review by the Head of Risk Management and Audit (CAE) before being issued. If any concerns came to light throughout the work these would be reported to the Head of Risk</p>

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Ref	Conformance with the Standard	C	P	N	Evidence
					Management and Audit (CAE) who would report to the Assistant Director of Finance (Deputy Section 151 Officer) as appropriate. To date, no incidents have come to light and therefore it is not possible to evidence examples of where this has happened.
	b) The reason(s) for non-conformance?	<input type="checkbox"/>			See above.
	c) The impact of non-conformance on the engagement and the engagement results?	<input type="checkbox"/>			See above.
	<i>2440 Disseminating Results</i>				
	Has the CAE determined the circulation of audit reports within the organisation, bearing in mind confidentiality and legislative requirements?	<input type="checkbox"/>			<p>Reporting lines within the service area will be agreed at the audit planning meeting, however, as set out in the Annual Plan Report, Internal Audit Charter and Reporting Matrix, a standard reporting protocol is in place.</p> <p>At the draft report stage this will usually include the relevant Assistant Director, Head of Service and any service manager involved in delivering the service or responsible for implementing a recommendation.</p> <p>The final report will go to all of the above and the Chief Executive, Director of Governance and Pensions (Monitoring Officer), Director of Finance (Section 151 Officer), Assistant Director of Finance (Deputy Section 151 Officer) the Director and Executive Member for the area under review and External Audit.</p> <p>The assurance level for each audit will be reported to Audit Panel/ Greater Manchester Pension Fund</p>

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Ref	Conformance with the Standard	C	P	N	Evidence
					<p>Local Board.</p> <p>Reporting to external organisations in relation to the Pension Fund is discussed with the managers at each stage of the process.</p> <p>Should any other officer require a copy of the report a request must be made to the Head of Risk Management and Audit (CAE) who will then either seek approval from the Assistant Director of Finance (Deputy Section 151 Officer) or relevant Director requesting authorisation to release the report.</p> <p>Extract Reports may be issued in some instances where an officer may be responsible for only one or two recommendations and that officer does not need to see the full detail of the report.</p>
	Has the CAE communicated engagement results to all appropriate parties?	<input type="checkbox"/>			As above.
	Before releasing engagement results to parties outside the organisation, did the CAE:				
	a) Assess the potential risk to the organisation?	<input type="checkbox"/>			See above.
	b) Consult with senior management and/or legal counsel as appropriate?	<input type="checkbox"/>			See above.
	c) Control dissemination by restricting the use of the results?	<input type="checkbox"/>			See above.
	Where any significant governance, risk management and control issues were identified	<input type="checkbox"/>			Ordinarily, when undertaking a consultancy engagement the results of this would be reported to

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Ref	Conformance with the Standard	C	P	N	Evidence
	during consulting engagements, were these communicated to senior management and the board?				the service commissioning the work. However, if serious issues were identified then the Head of Risk Management and Audit (CAE) would flag these with the Director of Finance (Section 151 Officer) and/or the Assistant Director of Finance (Deputy Section 151 Officer) and, if necessary, instigate a change to the audit plan so that the issues can be looked at in more detail.
	<i>2450 Overall Opinion</i>				
	Has the CAE delivered an annual internal audit opinion?	<input type="checkbox"/>			This is included in the Annual Report which is presented to the Audit Panel/Greater Manchester Pension Fund Local Board every year usually May/June.
	Does the annual internal audit opinion conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control?	<input type="checkbox"/>			This is reported in the Head of Risk Management and Audit's (CAE) Annual Report to the Audit Panel/Greater Manchester Pension Fund Local Board.
	Does the annual internal audit opinion take into account the expectations of senior management, the board and other stakeholders?	<input type="checkbox"/>			The annual opinion is reported to the Director of Finance (Section 151 Officer)/Assistant Director of Finance (Deputy Section 151 Officer) and the Audit Panel/ Greater Manchester Pension Fund Local Board who can comment should they wish.
	Is the annual internal audit opinion supported by sufficient, reliable, relevant and useful information?	<input type="checkbox"/>			The annual audit opinion is based on the results of audit work over the financial year and recorded in the Audit Management System Galileo.

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Ref	Conformance with the Standard	C	P	N	Evidence
					<p>Regular activity reports are provided to Senior Management which show the plan for their area, actual days delivered, the status of the audit and any assurance levels allocated.</p> <p>Assurance levels are reported to the Audit Panel/Greater Manchester Pension Fund Local Board at every meeting in the Progress Report presented by the Head of Risk Management and Audit Services (CAE).</p> <p>The annual opinion draws on the information from these and also the details included in the Annual Governance Statement.</p>
	Does the communication identify the following:				
	a) The scope of the opinion, including the time period to which the opinion relates?	<input type="checkbox"/>			Annual Report.
	b) Any scope limitations?	<input type="checkbox"/>			Annual Report.
	c) The consideration of all related projects including the reliance on other assurance providers?	<input type="checkbox"/>			Annual Report.
	d) The risk or control framework or other criteria used as a basis for the overall opinion?	<input type="checkbox"/>			Annual Report.
	Where a qualified or unfavourable annual internal audit opinion is given, are the reasons for that opinion stated?	<input type="checkbox"/>			These would be detailed in the Annual Report should the need arise.
	Has the CAE delivered an annual report that can	<input type="checkbox"/>			The Annual Report produced by the Head of Risk

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Ref	Conformance with the Standard	C	P	N	Evidence
	be used by the organisation to inform its governance statement?				Management and Audit is used as part of the assurance framework for the Annual Governance Statement.
	Does the annual report incorporate the following:				
	a) The annual internal audit opinion?	<input type="checkbox"/>			Annual Report.
<b>LGAN</b>	b) A summary of the work that supports the opinion?	<input type="checkbox"/>			Annual Report.
<b>LGAN</b>	c) A disclosure of any qualifications to the opinion?	<input type="checkbox"/>			Annual Report.
<b>LGAN</b>	d) The reasons for any qualifications to the opinion?	<input type="checkbox"/>			Annual Report.
<b>LGAN</b>	e) A disclosure of any impairments or restriction in scope?	<input type="checkbox"/>			Annual Report.
<b>LGAN</b>	f) A comparison or work actually carried out with the work planned?	<input type="checkbox"/>			Annual Report.
	g) A statement on conformance with the PSIAS?	<input type="checkbox"/>			Annual Report.
<b>LGAN</b>	h) The results of the QAIP?	<input type="checkbox"/>			Annual Report.
<b>LGAN</b>	i) Progress against any improvement plans resulting from the QAIP?	<input type="checkbox"/>			Annual Report.
<b>LGAN</b>	j) A summary of the performance of the internal audit activity against its performance measures and targets?	<input type="checkbox"/>			Annual Report.

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Ref	Conformance with the Standard	C	P	N	Evidence
	k) Any other issues that the CAE judges is relevant to the preparation of the governance statement?	<input type="checkbox"/>			Reference is made in the Annual Report that it provides assurance for the Annual Governance Statement.
<b>4.6</b>	<b>2500 Monitoring Progress</b>				
	Has the CAE established a process to monitor and follow up management actions to ensure that they have been effectively implemented or that senior management have accepted the risk of not taking action?	<input type="checkbox"/>			<p>Post Audit Reviews are conducted six months after the issue of a final report. However, if a low level of assurance is given then the Post Audit Review is conducted after three months.</p> <p>All Post Audit Reviews are recorded in a spreadsheet and monitored by both the auditor who issued the final report and the Principal Auditor. The audit management system is not used to track recommendations, although this has been identified as a development area.</p> <p>When they fall due the auditor will prepare the Post Audit Review document from Galileo making reference to the final report issued to ensure the process has captured all the recommendations made. This is then issued to the responsible officers for completion. Meetings are then arranged to discuss the recommendations and whether they have been implemented. Once completed and the evidence collated the Post Audit Review is reviewed by the Principal Auditor. Before it is released the Assistant Director for the area is asked to authorise release in accordance with the quality control checklist.</p>

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Ref	Conformance with the Standard	C	P	N	Evidence
					<p>The final document is then sent to the Head of Risk Management and Audit (CAE) for review. Once approved it is circulated to all recipients of the final report.</p> <p>Results of progress are reported at summary level to the Audit Panel/Greater Manchester Pension Fund Local Board at each meeting. Any significant outstanding recommendations that are of concern to Internal Audit would be reported to the Audit Panel/Greater Manchester Pension Fund Local Board; however, in the majority of cases these are implemented.</p> <p>A more detailed report is provided to management as part of the quarterly review meetings which are conducted by the Principal Auditors.</p>
	Where issues have arisen during the follow-up process, has the CAE considered revising the internal audit opinion?	<input type="checkbox"/>			A revised audit opinion is not issued as the Post Audit Review only looks at the recommendations made, it does not revisit all controls examined at the audit and therefore at that stage cannot confirm that all controls are still operating effectively. In the Post Audit Review report an outcome is reported which indicates that by implementing the recommendations the internal controls in place will have improved.
	Do the results of monitoring management actions inform the risk-based planning of future audit work?	<input type="checkbox"/>			This is considered as part of the risk assessment of the audit universe which is undertaken each year during the annual planning process.
	Does the internal audit activity monitor the results of consulting engagements as agreed with the	<input type="checkbox"/>			This is agreed on a case by case basis with the service area concerned.

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Ref	Conformance with the Standard	C	P	N	Evidence
	client?				
<b>4.7</b>	<b>2600 Communicating the Acceptance of Risks</b>				
	If the CAE has concluded that management has accepted a level of risk that may be unacceptable to the organisation, has he or she discussed the matter with senior management?	<input type="checkbox"/>			If agreement could not be reached then this would be recorded in the internal audit report next to the relevant audit recommendation by way of an Audit Comment, which would reiterate the original recommendation. Significant issues would be raised with the Service Director and the Director of Finance (Section 151 Officer)/Assistant Director of Finance (Deputy Section 151 Officer) and where appropriate reported to the Audit Panel/ Greater Manchester Pension Fund Local Board. However, this has not happened in recent years and usually agreement is reached with senior management through negotiations prior to reaching the escalation stage.
	If, after discussion with senior management, the CAE continues to conclude that the level of risk may be unacceptable to the organisation, has he or she communicated the situation to the board?	<input type="checkbox"/>			See above.

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# Agenda Item 8.

<b>Report To:</b>	<b>AUDIT PANEL</b>
<b>Date:</b>	9 June 2019
<b>Reporting Officer:</b>	Wendy Poole – Head of Risk Management and Audit Services
<b>Subject:</b>	<b>RISK MANAGEMENT AND AUDIT SERVICES – ANNUAL REPORT 2019/20</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>Corporate Plan:</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> (Authorised by the statutory Section 151 Officer and Chief Finance Officer)	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> (Authorised by the Borough Solicitor)	<p>The legal framework the Council operates within is set out in the main body of the report.</p> <p>In particular the Council has a statutory responsibility to have in place arrangements for managing risks, as stated in the Accounts and Audit Regulations 2015 (amended 2016), 'A relevant authority must ensure that it has a sound system of internal control which includes effective arrangements for the management of risk'.</p> <p>The purpose of the legislative requirements is to ensure that the Council delivers its strategic aim and operates its business, under general principles of good governance which members need to consider when receiving this report.</p>
<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>Background Information:</b>	<p>The background papers can be obtained from the author of the report, Wendy Poole, Head of Risk Management and Audit Services by contacting:</p> <p> Telephone: 0161 342 3846</p> <p> e-mail: <a href="mailto:wendy.poole@tameside.gov.uk">wendy.poole@tameside.gov.uk</a></p>

## 1 INTRODUCTION

- 1.1 The purpose of the report is to present a review of the Risk Management and Audit Services for 2019/20. It covers Internal Audit, Risk Management and Insurance and the National Anti-Fraud Network (NAFN) Data and Intelligence Services.
- 1.2 The definition of Internal Audit is outlined by the Public Sector Internal Audit Standards as follows:  
“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”.
- 1.3 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 organisation’s 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.

## 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 Director of Finance as the Council’s Section 151 Officer who will rely on the work of the Internal Audit Service for assurance that the Council’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) Relates to Category 2 Authorities and not applicable to the Council.
- (4) 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 2019/20**

3.1 The major achievements of the Service Unit for 2019/20 are as follows: -

- Following the External Peer Review of Internal Audit in March 2018 which judged the service to be compliant with the Public Sector Internal Audit Standards (PSIAS) the Self-Assessment for 2019/20 has reaffirmed full compliance.
- The implementation rate for audit recommendations was 87%.
- 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 2018/19 was produced in accordance with best practice and agreed timescales and no adverse comments were received when our External Auditors (Grant Thornton) reviewed it.
- The National Anti-Fraud Network (NAFN) Data and Intelligence Services rolled out the updated Communications Data services based on the Investigatory Powers Act 2016.

- Following an inspection in November 2018, NAFN received an excellent inspection report from the Investigatory Powers Commissioners Officer (IPCO) and for the third year, no recommendations were received.
- NAFN were shortlisted for two awards at the iNetwork Innovation Awards and were successful in winning the Effective Information Sharing and Security Award.
- Cashable savings of £50,722 have been identified in relation to duplicate Creditor Payments which were identified by the National Fraud Initiative Exercise 2018 and investigated by Internal Audit.
- Cashable savings of approximately £25,000 have been identified as a result of work undertaken on assistance cases in financial irregularities.

## 4 COVERAGE FOR 2019/20

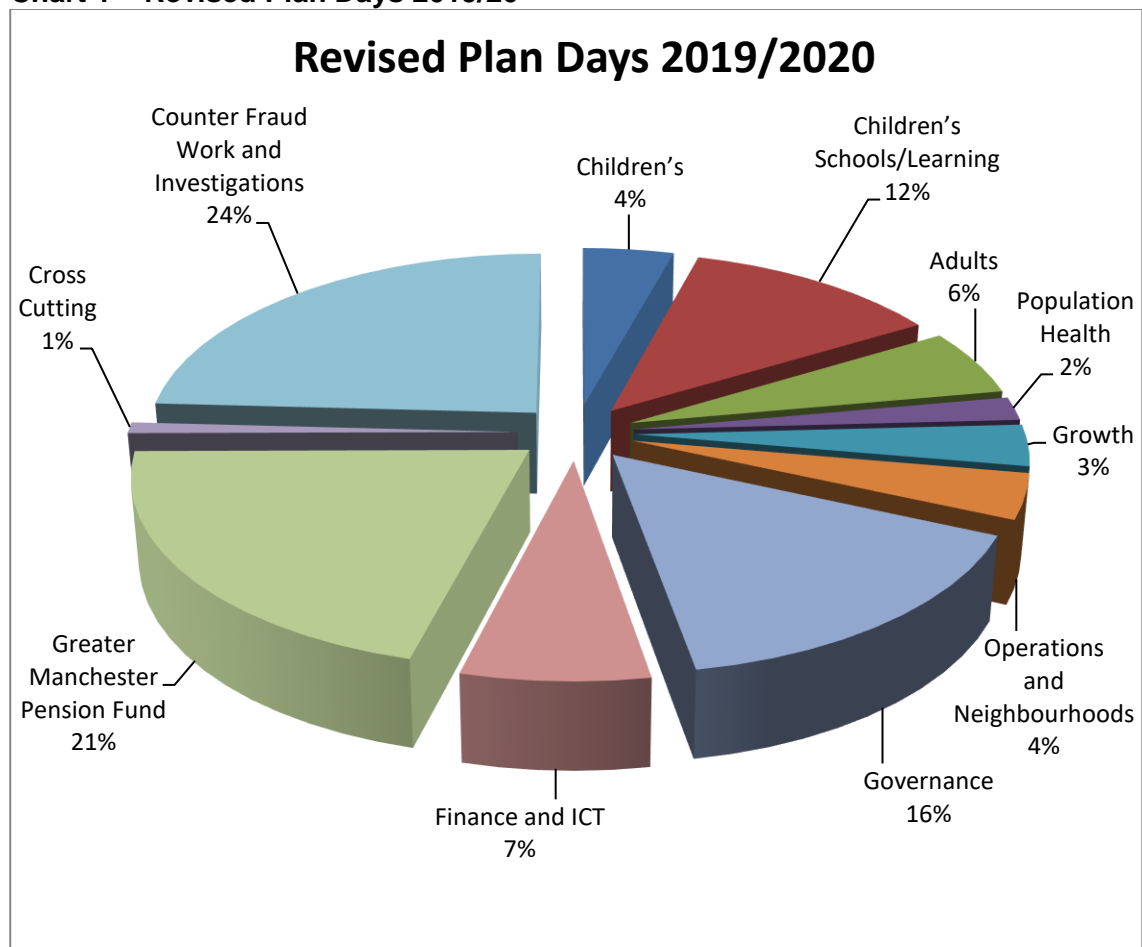
- 4.1 The report presented to the Audit Panel on 4 June 2019 provided an overview of the work planned for 2019/20 for the Service Unit. The Original Annual Audit Plan of 1,515 days was detailed in the report and approved by the Audit Panel. The Audit Plan, however, as reported during the year has been revised on a regular basis to ensure that it was 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 approved plan, the revised plan, the actual days delivered as at 31 March 2020 and the percentage completed. **Appendix 1** provides a detailed breakdown of the 2019/20 Audit Plan.

**Table 1 – Audit Plan Progress as at 31 March 2020**

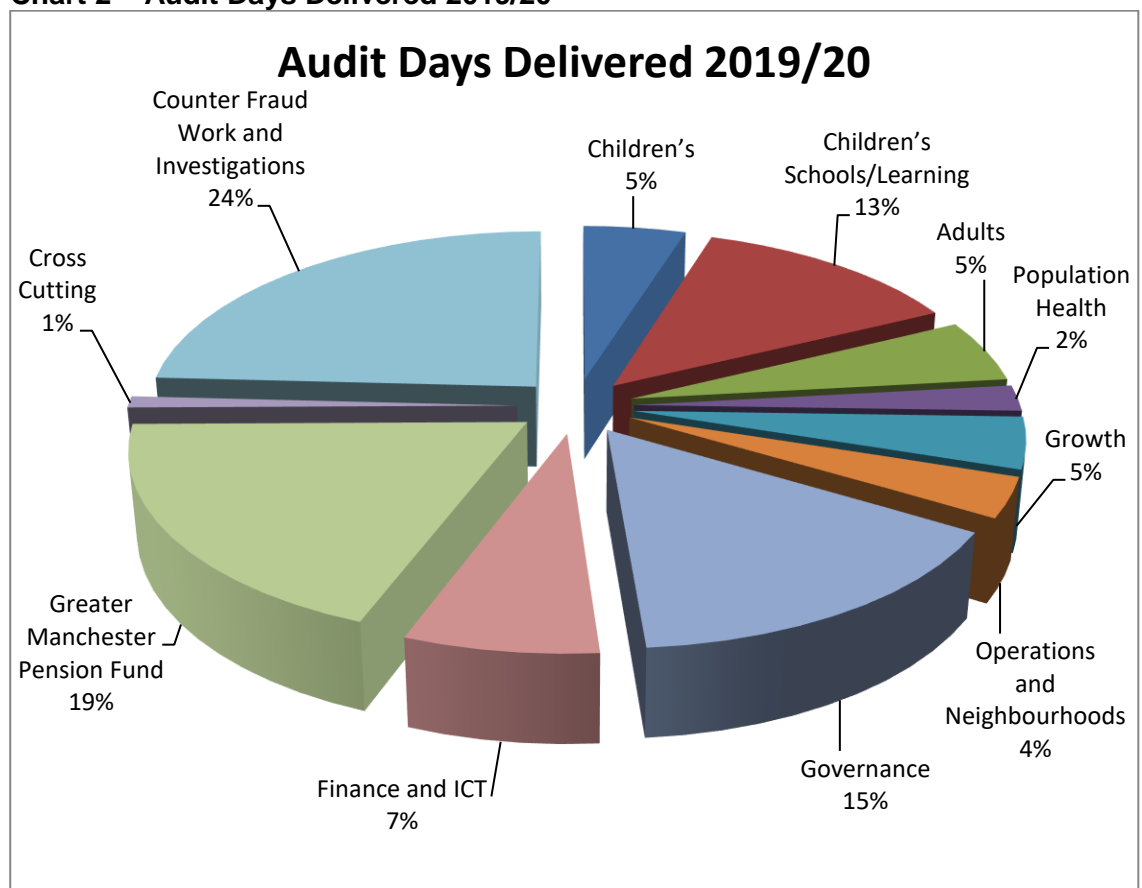
Directorate/Service Area	Approved Plan Days 2019/20	Revised Plan Feb 2020	Actual Days to March 2020	% Complete Against Revised Plan
Children's	78	64	74	116
Children's Schools/Learning	177	181	195	108
Adults	78	86	83	97
Population Health	26	30	34	113
Growth	68	53	68	128
Operations and Neighbourhoods	64	58	53	91
Governance	186	233	232	99
Finance	134	101	105	104
Cross Cutting	70	14	15	107
Greater Manchester Pension Fund	311	311	289	93
Fraud/Information Investigations	324	360	366	102
<b>Total Planned Days for 2018/2019</b>	<b>1,515</b>	<b>1,491</b>	<b>1,513</b>	<b>101</b>

- 4.3 Despite the Revised Plan at February 2020 showing a reduction in planned days, unproductive time (Sickness, Leave and Training) was minimised during February and March and the total days delivered were two short of the Approved Audit Plan.
- 4.4 Delivery of the Audit Plan was not affected by the COVID-19 Pandemic in the last two weeks of March, when the Council and the rest of the UK went into lockdown. All members of the team were able to work from home successfully and have continued to do so.
- 4.5 The charts detail the Revised Plan Days and Actual Days Delivered per Directorate/Service Area for 2019/20.

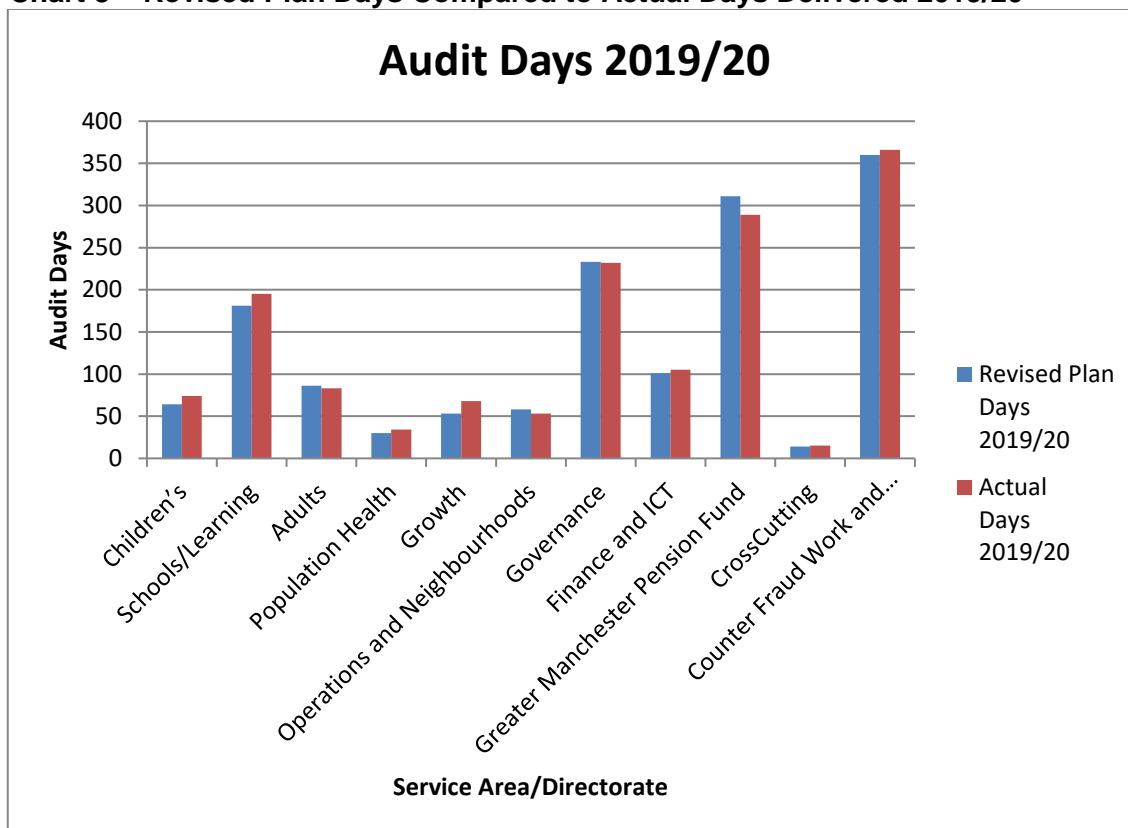
**Chart 1 – Revised Plan Days 2019/20**



**Chart 2 – Audit Days Delivered 2019/20**



**Chart 3 – Revised Plan Days Compared to Actual Days Delivered 2019/20**



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

- **Actual Productive Audit Days Delivered against the Revised Plan**  
The days delivered against the plan, including Fraud Work totalled 1,513 compared to the revised plan of 1,491, which represents 101%.
- **Actual Productive Audit Days Delivered against the Original Plan**  
The days delivered against the plan, including Fraud Work totalled 1,513 compared to the original plan of 1,515, which represents 99.9%.
- **Percentage of Planned Audits Completed**  
This measure focuses on the planned audits, calculates the actual rate of completion per audit, and then consolidates the individual outcomes into one single percentage figure. The figure for 2019/20 is 92% which is comparable with the previous year 2018/19.

4.7 Whilst the number of days delivered has exceeded the revised plan, not all these days related to planned work, as a number of priority jobs were requested in latter part of the year, days have been allocated to investigate information incidents and a number of control reports in response to both fraud/information incidents have been produced to prevent further incidents occurring.

4.8 The following sections of the report provide details of the key areas covered during the period April 2019 to March 2020 and comment on any important issues arising from our work.

#### **Financial Systems:**

4.9 During 2019/20 work has been undertaken on the financial systems detailed in Table 2 below 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:-

**Table 2 – Financial Systems Audits 2019/20**

Audit	Level of Assurance	Comments	
Softbox	Medium	Final Report Issued 17/03/2020	PAR - August 2020
Income Management	Medium	Final Report Issued 08/01/2020	PAR - July 2020
Payroll – School/Third Party Providers	High	Final Report Issued 17/09/2019	PAR - March 2020 Work In Progress
External Audit Checks - Payroll	Completed – No significant issues highlighted		
Capital Projects – Schools	Low	Draft Report Issued – 10/03/2020	
Procurement – STAR Audit New Supplier Set Up	Medium	Draft Report Issued – 30/01/2020	
Budgetary Control and Financial Management – Children’s Services	Low	Draft Report Issued – 09/01/2020	
Work In Progress			
Housing Benefits			
External Audit Checks - General Expenditure			
Review of Corporate Procedures - General Ledger and Budgetary Control			
Fixed Asset Register – System Sign Off			

- 4.10 One financial systems audit was undertaken on the Pension Fund, as detailed in Table 3 below. 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:-

**Table 3 – Financial Systems Audits 2018/19**

Audit	Level of Assurance	Comments	
Creditor Payments	Medium	Final Report Issued 03/02/2020	PAR - August 2020

- 4.11 Sections 4.12 to 4.20 provide details of the audit work undertaken in each directorate.

4.12 **Adults**

Areas reviewed during the year have included:-

- Locality Teams Care Management
- Homemaker Service
- Integrated Urgent Care Team
- Nursing and Residential Home Contractual Arrangements/Payments

4.13 **Children's/Learning**

Areas reviewed during the year have included:-

- Budgetary Control and Financial Management
- Troubled Families
- Petty Cash and Procurement Cards
- Special Educational Needs and Disability (SEND)

4.14 **Population Health**

Areas reviewed during the year have included:-

- Active Tameside
- Health Visiting Service

4.15 **Growth**

Areas reviewed during the year have included:-

- Capital Projects – Education

- Planning Process
- System Sign Off – Planning System
- Hattersley Collaboration Agreement

#### 4.16 **Operations and Neighbourhoods**

Areas reviewed during the year have included:-

- Stores and Stock Control
- Youth Service
- Local Authority Bus Subsidy Grant

#### 4.17 **Governance**

Areas reviewed during the year have included:-

- System Sign off – Complaints and information System
- Housing Benefits
- COVID-19 Award of Grants to Businesses
- Softbox
- iTrent Self-Services
- GMPF Annual Return – Compliance Checks
- Car Allowance and Bank Holiday Pay Assurance Work
- Deferred Payment Scheme Reconciliation Exercise
- External Audit Checks – Payroll
- Looked After Children's Health

#### 4.18 **Finance**

Areas reviewed during the year have included:-

- Corporate Procedures – General Ledger and Budgetary Control
- Bank Reconciliation Procedures
- Income Management
- External Audit Checks – General Expenditure
- Fixed Asset Register System Sign off
- Cyber Security Review/ ISO 27001 Gap analysis
- Third Party Supplier Management

#### 4.19 **Crosscutting**

Areas reviewed during the year have included:-

- GMCA Grant Assurance work
- Procurement – STAR Audit New Supplier Set Up

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

Areas reviewed during the year have included:-

- Creditor Payments
- Information Governance/GDPR
- Altair – Administration to Payroll Upgrade
- iConnect
- First Bus Asset Transfers
- GLIL Regulated Vehicle
- Transfer of Assets to New custodian
- Visits to Contributing Bodies
- Advice in relation to system change and updates

4.21 A summary of the audit opinions issued in relation to risk/system based audit work for 2019/20 compared to 2018/19 and 2017/18 is shown in Table 4 below: -

**Table 4 – Final Reports System Based Audits**

Opinion	Total for 2019/20	%	Total for 2018/19	%	Total for 2017/18	%
High	7 (6)	27	11 (9)	37	8 (7)	42
Medium	14 (3)	54	13 (5)	43	8 (2)	42
Low	5 (1)	19	6 (3)	20	4 (1)	16
<b>Totals</b>	<b>26 (10)</b>	<b>100</b>	<b>30 (17)</b>	<b>100</b>	<b>20 (10)</b>	<b>100</b>

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

- 4.22 In addition to the twenty six final reports issued above, a further nine draft reports have been issued for comments and management responses and these will be reported to the Panel in due course.
- 4.23 Sixteen schools have been audited and final reports issued as part of our cyclical review programme during 2019/2020. A summary of the opinions issued for schools during 2019/20 compared to 2018/19 and 2017/18 is shown in Table 5 below: -

**Table 5 – Audit Opinions – Schools**

Opinion	Total for 2019/20	%	Total for 2018/19	%	Total for 2017/18	%
High	1	8	8	35	8	50
Medium	12	92	13	56	5	31
Low	0	0	2	9	3	19
<b>Totals</b>	<b>13</b>	<b>100</b>	<b>23</b>	<b>100</b>	<b>16</b>	<b>100</b>

- 4.24 One further draft report has been issued for comments and management responses and this will be reported to the Panel in due course.
- 4.25 In addition to the reports issued in Tables 4 and 5, 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 areas listed below are examples of this work:-
- Grant Certification;
  - Advice and consultancy work provided to support service redesigns and the implementation of new or updated systems;
  - Investigations into allegations of Fraud/Irregularities
  - Investigating Information Incidents; and
  - Control Reports.
- 4.26 It is important to note, however, that whilst the above work does not generate an audit opinion it still provides assurance to the Head of Risk Management and Audit Services in terms of the overall audit opinion and 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 fraud/irregularity investigations are resolved to improve the control environment.
- 4.27 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. Fifty three Post Audit Reviews have been completed in total during the year and these are detailed in Appendix 1. A summary of the 19 Post Audit Reviews completed during Quarter 4 is presented in Table 6 below. It details the number of recommendations made and implemented. The percentage rate of recommendations implemented for 2019/20 is 87%.
- 4.28 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. Seventeen Post Audit Reviews are in progress, which will be reported to the Panel at a future meeting.

**Table 6 – Post Audit Reviews – Recommendations Implemented**

Post Audit Reviews	Recommendations			Comments
	Made	Implemented		
	No.	No.	%	
Control Report Thefts at Tame Street Garage	12	12	100	
Control Report - Misappropriation of Service Users Monies	4	4	100	
Control Report Droylsden Library Thefts	11	11	100	
Unitisation	4	4	100	
Visits to Bolton at Home	6	6	100	
Broadbottom C E Primary	8	8	100	
Mottram C E Primary	8	8	100	
St Joseph's R C Primary and Nursery	9	9	100	
- St Christopher's R C Primary	10	10	100	
Samuel Laycock School	7	7	100	
Special Educational Needs and Disability (SEND)	16	16	100	
Integrate Urgent Care Team	21	20	95	The outstanding recommendation related to training and is being addressed by management.
Corries Primary and Nursery	19	17	89	Recommendations relating to the Budget Plan and IT Pen Testing are being addressed by the School.
Cromwell High School	6	5	83	An issue with the School Charge Card is being dealt with by the School.
Ravensfield Primary School	11	9	82	Outstanding issues in relation to the School Charge Card and Bank Mandate are being resolved by the School.
St Mary's CE Infant and Nursery School	14	11	79	Recommendations relating to Lettings, Ordering and Petty Cash are still being implemented by the School.
Visit to Trafford Borough Council	9	5	55	Action is still needed in relation to the Leavers process and the Year-End Reconciliation.
Visit to Salford City Council	9	4	44	Outstanding recommendations related to; Leavers, Outstanding Tasks and Final Pay/Assumed Pensionable Pay are being addressed.
Community Response	24	3	12	The service is now under full review and the recommendations made at the audit will be considered as the work is undertaken

## 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 regularly 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 2019 to March 2020 is summarised in Table 7 below.

**Table 7 – Investigations Undertaken from April 2019 to March 2020**

Detail	No. of Cases
Cases B/Forward from 2018/19	8
Current Year Referrals	6
<b>Total</b>	<b>14</b>
Cases Closed	5
Cases Still under Investigation	9
<b>Total</b>	<b>14</b>
<b>Assistance Cases</b>	<b>16</b>

- 5.4 The above investigations can be categorised by fraud type as shown in Table 8 below.

**Table 8 – Investigations by Fraud Type**

Fraud Type	No. of Cases	Value £	Recovered To Date £	Annual Savings £
Adult Social Care	9	36,593	16,321	81,206
Business Rates	1	7,572	0	N/A
Procurement	1	Not Known	N/A	Not Known
Misappropriation of Public Funds	2	44,281	2,370	N/A
Pension Overpayment	1	5,644	Investigation Ongoing	
<b>Total</b>	<b>14</b>	<b>94,090</b>	<b>18,691</b>	<b>81,206</b>

- 5.5 All fourteen 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 8, are estimated based on the information available to date. Several of the cases are still being investigated or prepared for prosecution and the value of the fraud could change as the case progresses. The Annual Savings represent the cashable savings to the Council in relation to Direct Payments that have been stopped as a direct result of Internal Audit's involvement in the case.
- 5.6 The assistance cases whereby Internal Audit help managers to progress investigations/irregularities, referred to in Table 7 above, have identified potential savings in the region of £25,000.

- 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” and the more recently updated Fighting Fraud and Corruption Locally Strategy.

### **Fighting Fraud and Corruption Locally**

- 5.8 CIPFA recently published the updated Fighting Fraud and Corruption Locally, a strategy for the 2020's, a response to economic crime and fraud. It provides a blueprint for a coordinated response to fraud and corruption perpetrated against local authorities. It builds on the previous two strategies which focused upon pillars of activity that summarised the areas local authorities should concentrate efforts on. These were 'acknowledge', 'prevent' and 'pursue'. These pillars are still applicable, however, during the research for this strategy another two areas of activity emerged that underpin those pillars and are 'govern' and 'protect'.

- 5.9 The five pillars of the strategy are:-

Govern -	Having robust arrangements and executive support to ensure anti-fraud, bribery and corruption measures are embedded throughout the organisation. Having a holistic approach to tackling fraud is part of good governance.
Acknowledge -	Acknowledging and understanding fraud risks and committing support and resource to tackling fraud in order to maintain a robust anti-fraud response.
Prevent -	Preventing and detecting more fraud by making better use of information and technology, enhancing fraud controls and processes and developing a more effective anti-fraud culture.
Pursue -	<p>Punishing fraudsters and recovering losses by prioritising the use of civil sanctions, developing capability and capacity to investigate fraudsters and developing a more collaborative and supportive local enforcement response.</p> <p>Local authorities have achieved success by following this approach; however, they now need to respond to an increased threat and protect themselves and the community.</p> <p>The second new area that has appeared during the research recognises the increased risks to victims and the local community.</p>
Protect -	<p>Protecting against serious and organised crime, protecting individuals from becoming victims of crime and protecting against the harm that fraud can do to the community.</p> <p>For a local authority this will also cover protecting public funds, protecting its organisation from fraud and cybercrime and also protecting itself from future frauds.</p>

- 5.10A copy of Fighting Fraud and Corruption Locally is attached at **Appendix 2**. Section 4 details the Local Response and provides a checklist of requirements. A Self-Assessment against this is underway and will be presented to the July 2020 meeting of the Audit Panel.

### **National Fraud Initiative**

- 5.11 The data sets for the National Fraud Initiative (NFI) 2018 Exercise were uploaded in October 2018 and the initial matches identified for Tameside were received in February 2019. However, the website is refreshed on an ongoing basis as matches are added.

Table 9 below provides a summary of the key matches identified and the savings/errors highlighted. The NFI database is now closed for the 2018 exercise as preparations are underway for the 2020 exercise which will commence in October 2020 when all the data sets are uploaded.

5.12 **Table 9 – National Fraud Initiative (NFI) Findings**

NFI Data Set	NFI Report Ref.	Number of Matches	Report Match Rating	No. of Error/Frauds	Value of Error/Frauds
Pensions to DWP Deceased Persons	52	897	High	-	-
Pensions to Payroll	54 and 55	2,123	High	-	-
Deferred Pensions to DWP Deceased	53	145	High	-	-
Housing Benefits to Student Loans	2	67	High	7 Errors	£29,174
Housing Benefits Claimants to DWP Deceased	49.1	82	High	-	-
Housing Benefit Claimants to Pensions	13.1 14.1	496	High	77 Errors	£15,362
Council Tax Reduction Scheme to Pensions	435.1 436.1	783	High	-	-
Council Tax Reduction Scheme to Payroll	435 436	82	High	-	-
Personal Budgets to DWP Deceased	400.1	2	High	-	-
Blue Badge to DWP Deceased	172.1	34	High	13 Errors	£7,475
Private Residential Care Homes to DWP Deceased	173	50	High	-	-
Personal Budgets to Pensions	415	12	High	1 Fraud	£321
Housing Benefit Claimants to Taxi Drivers	47.5	2	Low	1 Error	£1,511
Council Tax Reduction to HMRC Earnings and Capital	483.1	41	High	12 Errors	£31,839
Council Tax Reduction to HMRC Household Composition	483.2	500	High	35 Errors	£127,854
Housing Benefit Claimants to HMRC Household Composition	484.2	155	High	18 Errors	£63,415
<b>Totals</b>		<b>5,471</b>		<b>163 Errors 1 Fraud</b>	<b>£276,630 £321</b>

5.13 Investigations undertaken have identified a total of 163 errors with a value of £276,630 and a single fraud valued at £321. Whilst identified as errors, the amounts identified will be recovered where possible. Going forward the Council benefits from the investigations conducted as part of NFI as council tax reduction discounts and housing benefits paid out to claimants will be reduced.

- 5.14 Matches were received in relation to duplicate creditor payments and from the work undertaken by Internal Audit, savings of £50,722 have been identified which will now be recovered.
- 5.15 The Blue Badge saving of £7,475 is based on a notional figure of £575 per blue badge error, which is provided by the Cabinet Office and represents the estimated loss of income

## 6 NATIONAL ANTI-FRAUD NETWORK (NAFN)

- 6.1 NAFN exists to support members in the protection of the public purse. The service provides a single point of contact for members assisting them in the acquisition of data and intelligence to support fraud investigations, enforcement action and debt recovery. It is important to note that the number of local authorities in England has reduced by 11 due to mergers, despite this, membership remains strong. A breakdown of the membership is provided in Table 10 below:-

**Table 10 – NAFN Membership**

Member Type	March 2020	March 2019	Target	%	% Increase (Decrease)
Local Authorities	355	359	408	87	(1)
Housing Associations	62	58	N/A	-	7
Other Public Bodies	19	15	N/A	-	27
<b>Totals</b>	<b>436</b>	<b>432</b>	<b>-</b>	<b>-</b>	<b>1</b>
Registered Users	13,575	12,657	N/A	-	7

- 6.2 The number of requests received during 2019/20 is detailed in Table 11 below has increased overall by just over 8% from the previous year. The significant increase in the number of communication data requests (67%) is due to the commencement of the Investigatory Powers Act, in June 2019. This saw the introduction of an independent authorisation body, Office for Communications Data Authorisation (OCDA) and removed the need for local authorities to obtain judicial approval when seeking to acquire communications data.
- 6.3 A detailed report regarding NAFN will be presented to the next meeting of the Audit Panel.

### 6.4 Table 11 – NAFN Requests Received

Type of Request	2019/20	2018/19	Increase (Decrease)	% Change
General Data Protection	31,294	33,530	(2,236)	(7)
DVLA	14,044	15,584	(1,540)	(10)
Investigatory Powers Act	1,725	1,032	693	67
Authorised Officers	11,638	12,108	(470)	(4)
Type B (Online)	174,474	152,762	21,712	14
<b>Grand Total</b>	<b>233,175</b>	<b>215,016</b>	<b>18,159</b>	<b>8.4</b>

- 6.5 The success of the NAFN AGM and Annual Conference, the Investigatory Powers Commissioner's Office (IPCO) inspection, winning of an award at the iNetwork Innovation Awards 2019 and the continued support to members has been reported to the Audit Panel in progress reports during the year.

- 6.6 During the final quarter of the year work has commenced to review the NAFN website, to ensure that it is fit for purpose in terms of providing an excellent user experience and that the computer language and design are future proofed to enable further updates as NAFN develops and introduces new services.
- 6.7 Work has also continued in relation to the development of an intelligence service and the revised e-learning and CPD modules which will allow investigators to update their skills and record their training.

## **7 RISK MANAGEMENT AND INSURANCE**

- 7.1 The Risk, Insurance and Information Governance Team provide services to the whole Council including schools. The key priorities for the team during 2019/2020 were:-
- To work with the Single Leadership Team to review the Corporate Risk Register and link it to the updated Corporate Plan Themes and Priorities.
  - To facilitate the continued implementation of the Information Governance Framework, ensuring that the Council is compliant with all Data Protection legislation.
  - Following the review of Business Continuity Plans across services, work will be concentrated on producing the Corporate Business Continuity Plan and determining how to introduce a testing regime for both service plans and the corporate plan in response to a major incident.
  - To work with our Insurance Brokers to compile all the information needed for the Insurance Tender so that the contract can be awarded by 1 April 2020.
  - To review the insurance database used to ensure it is fit for purpose and that the reporting functionality 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.
- 7.2 Due to capacity issues caused by vacancies on the team, work in relation to the tasks above has been delayed in some areas. In May 2019 one of the Risk, Insurance and Information Governance Officers left and a service review was undertaken. The review added two posts into the structure; it re-introduced the manager role and added an assistant to provide admin support to the team. To date appointments have been made to the Manager and Assistant roles and recruitment is ongoing to appoint a second Risk, Insurance and Information Governance Officer. Interviews were held in March just before we went into lockdown and an offer made, however, due to the uncertainty in relation to COVID-19, the offer was rejected. Recruitment will recommence shortly.
- 7.3 Work during Quarter 4 has therefore concentrated on:-
- Information Governance - work has been prioritised to respond to requests for support and assistance in completing Data Protection Impact Assessments (DPIA), sharing and processing agreements to enable new projects to commence and the review/investigation of information incidents and near misses.
  - Reactive work in dealing with Insurance Claims has continued to ensure all necessary timescale are adhered to.
  - Considerable work has been undertaken in finalising the Insurance procurement exercise and all insurance covers were in place by 1 April 2020.
  - In January the Department for Education extended the insurance scheme currently in place for academies to cover all maintained schools. An assessment was

undertaken to compare the cost of the scheme to the cost of commercial insurance and moving all schools to the scheme realised a significant saving for schools. In addition to the cost savings schools benefit from more favourable insurance terms and lower excesses. In conjunction with the Assistant Director of Learning, the team assisted in providing reports for the Schools Forum, communications for the schools and enrolling them all onto the scheme.

- However, work in relation to the review and development of the risk registers and business continuity planning has not progressed as planned due to the number of vacancies. This work will be prioritised in 2020/21 once the Risk, Insurance and Information Governance Manager is in post.

## 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, the North West Chief Audit Executive Group is aiming to reintroduce the comparison of a small number of key performance indicators during the coming year.

8.2 The Key Performance Indicators for Internal Audit for 2019/20 are detailed in Table 12 below and they are compared to the two previous years 2018/19 and 2017/18.

**Table 12 - Key Performance Indicators 2019/20**

	Indicator	Target	19/20	18/19	17/18	Comments
1	Compliance with Public Sector Internal Audit Standards	100%	100%	100%	100%	Target Achieved
2	% of Plan Completed	90%	92%	92%	93%	Target Achieved
3	Customer Satisfaction (per questionnaires)	90% of customers "satisfied ≥ 65%"	100%	100%	100%	Target Achieved
4	% Recommendations Implemented	90%	87%	93%	90%	Target Not Achieved
5	No. of Irregularities Reported/Investigated	Downward Trend	14	15	8	Target Achieved

8.3 Four of the five targets have been achieved for 2019/20, the unachieved target relates to the Percentage of Recommendations Implemented. 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 reviews/redesigns.

8.4 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.

## 9 PUBLIC SECTOR INTERNAL AUDIT STANDARDS

- 9.1 The Internal Audit function was judged to be compliant with the Public Sector Internal Audit Standards (PSIAS) following an External Peer Review in March 2018, and the recommendations from the review have been implemented enhancing the service further. Furthermore, the Self-Assessment completed for 2019/20 against the updated standard reaffirmed full compliance.
- 9.2 The Review of Internal Audit 2019/20 Report earlier on the agenda provided details of the full Self-Assessment undertaken against the individual standards for 2019/20.
- 9.3 The Quality Assurance and Improvement Programme which is presented to the Audit Panel in March 2020 as part of the Risk Management and Audit Planned Work 2020/21 Report detailed the service developments for 2020/21, including any minor issues identified from the 2019/20 Self-Assessment.

## 10 QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME (QAIP)

- 10.1 The process and procedures in place within Internal Audit are continually reviewed and any issues/inefficiencies identified are addressed immediately to assist and improve productivity.
- 10.2 The service developments included in the Quality Assurance and Improvement Programme for 2019/20 are listed below in Table 13 together with a progress update.

**Table 13 – Progress Update on Service Developments**

Development	Progress to March 2019
PSIAS Standard 1130 Consider allocating the formal SIRO designation to a chief officer, even if the internal audit team continues to support the SIRO function.	A restructure of the Risk, Insurance and Information Governance Team has been approved and once appointments have been made the roles relating to Information Governance will be reassessed.
Consideration should be given to identifying the skills needed by the audit team to assist the Council with its current transformation programme and provide training and development opportunities to address any skills shortage.	This has been addressed as part of the Annual Development Review process with the team and is kept under review during the year at supervision meetings and as Seminars, Workshops and Webinars become available.
Do internal auditors maintain a record of their professional development and training activities?	The information is currently contained in Annual Development Review Forms and the Me Learning System. The electronic training record being developed as part of a self-service option on the Payroll/HR System iTrent is delayed and therefore a spreadsheet is being used to collate training undertaken.
To review the Post Audit Review process to consider whether the use of the Audit Management system 'Galileo' can realise any further efficiencies in the process.	This piece of work has not been completed due to capacity issues and the need to deliver the Audit Plan.
To finalise the review all fraud, bribery and corruption policies, procedures and plans etc. to ensure they are fit for purpose,	Due to the Maternity Leave of one of the Fraud Investigators, this work has been paused and will be recommenced during

Development	Progress to March 2019
seeking the appropriate approval and then consider how to effectively disseminate the information to members and officers.	2020/21.
To work with the Assistant Director of Finance and the Deputy Chief Finance Officer (CCG) to develop a greater understanding of the Clinical Commissioning Group's services to develop an integrated service offering.	Ongoing.
To conduct a service review with the assistance of the Assistant Director of Finance to ensure that the staffing structure across the whole of the Risk Management and Audit Service is effective to deliver the expectations placed upon the team.	A Service Redesign Report which concentrated on the Risk, Insurance and Information Governance Team was presented to the Employer Consultation Group (ECG) on 15 October and approved. Appointments have been made to the Manager role and the Assistant role and Recruitment is now ongoing to appoint a Risk, Insurance and Information Governance Officer.

## 11 INDEPENDENCE OF INTERNAL AUDIT

- 11.1 In accordance with the Public Sector Internal Audit Standards, the Internal Audit Team/Function has continued to remain independent of any non-audit operational responsibilities during 2019/20.
- 11.2 As indicated above in Table 13 the independence of the Head of Risk Management and Audit Services has not been reviewed in line with the recommendation made as a result of the External Peer Review and will be addressed during 2020/21.
- 11.3 However, any audit work in areas directly managed by the Head of Risk Management and Audit Services would be managed by somebody independent to the process, for instance the Assistant Director of Finance or the audit would be undertaken by another AGMA Audit Team.

## 12 AUDIT OPINION BASED ON RESULTS OF 2019/20 ACTIVITY

- 12.1 The Audit Panel can take reasonable assurance that arrangements to secure governance, risk management and internal control, within those areas reviewed, are suitably designed and applied effectively.
- 12.2 The COVID-19 pandemic has not undermined the controls in place for 2019/20, as it is based on the audit work undertaken and the levels of assurance allocated to completed audits which were almost complete prior to the lockdown commencing. Looking to 2020/21 Internal Audit has been involved in advising on changes to systems and processes and despite the whole workforce working from home we are still able to conduct audits and are keeping in contact with Directors and Assistant Directors to offer support and assistance where required.
- 12.2 As stated in previous years it has to be accepted that the gross risk for the Council has increased in recent years (as we have reduced capacity whilst 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.

### **13 ANNUAL GOVERNANCE STATEMENT DEVELOPMENT PLAN 2019/20**

- 13.1 A full update of the above Development Plan for 2019/20 will be presented to the July meeting of the Audit Panel as part of the Annual Governance Report.

### **14 RECOMMENDATION**

- 14.1 As set out on the front of the report.

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INTERNAL AUDIT ACTIVITY 2019/20

APPENDIX 1

Name	Original Approved Plan 2019/20	Revised Plan February 2020	Actual Days to Date	Variance	Status	Level of Assurance
Determination and Recovery of Adult Service Care and Support Charges	11	15	15	0	Draft Report Issued	
PAR - Determination and Recovery of Adult Charges	0	3	0	-3	Rescheduled to 2020/21	
Clients Financial Affairs - Deputyships and Appointeeships	10	0	0	0	Rescheduled to 2020/21	
PAR - Council Tax Full System	0	4	3	0	Completed	
Control Report - Raising Council Tax Bills	0	15	16	1	Draft Report Issued	
PAR - NNDR Full System	1	1	1	0	Completed	
Control Report - NNDR Refund Fraud	0	3	3	0	Final Report Issued	N/A
Debtors Review	4	18	17	-1	Completed	
Review of Financial Systems - Housing Benefits	15	15	6	-9	Work in Progress	
Deferred Payment Scheme - Reconciliation Exercise	2	3	3	0	Final Report Issued	N/A
Deferred Payment Scheme	10	0	0	0	Rescheduled to 2020/21	
Award of Grants to Businesses	0	0	8	8	Work in Progress	
System Sign Off - Complaints and Information System	5	10	10	0	Completed	
PAR - DBS Procedures	1	1	1	0	Completed	
Registrars Financial Audit	5	4	0	-4	Rescheduled to 2020/21	
Members Allowances - Publication	3	3	3	0	Completed	
Control Report Information Incident	0	0	3	3	Draft Report Issued	
Softbox	15	15	16	1	Final Report Issued	Medium
iTRENT Self Service	10	10	11	1	Completed	
PAR - Procure and Pay	4	7	7	0	Completed	
PAR - Payroll Whole System	1	1	1	0	Completed	
Car Allowances Annual Review	2	2	2	0	Completed	
Apprenticeship Levy	1	1	1	0	Final Report Issued	Medium
PAR - Apprenticeship Levy	0	1	0	-1	Work in Progress	
GMPF Annual Return - Compliance Checks	4	6	6	0	Completed	
Revised Pay Structure	0	4	4	0	Completed	
External Audit Checks - Payroll	10	10	8	-2	Completed	
Agresso Upgrade - Sign off	1	1	1	0	Completed	
Review of Bank Holiday Pay	0	10	12	2	Draft Report Issued	
System Sign off - iTrent re GMPF iConnect	0	2	0	-1	Completed	
Liquid Logic	1	1	1	0	Final Report Issued	Medium
PAR - Liquid Logic	0	1	2	1	Work in Progress	
Looked After Children's Health	15	20	22	2	Draft Report Issued	
Social Media Controls	1	4	4	0	Final Report Issued	Medium
PAR - Social Media	0	1	1	0	Work in Progress	
ICS Data Checks	15	0	1	1	Rescheduled to 2020/21	
Planning and Control	10	8	8	0	Completed	
Advice and Support	15	35	36	1	Completed	
Post Audit Reviews	16	0	0	0	Completed	
TOTAL FOR GOVERNANCE	186	233	232	-1		

FINANCE						
Information Governance	15	0	0	0	Rescheduled to 2020/21	
Review of Corporate Procedures - General Ledger and Budgetary Control	15	15	15	0	Work in Progress	
Bank Reconciliation Procedures	3	4	5	0	Final Report Issued	Medium
PAR - Bank Reconciliation Procedures	0	2	2	1	Work in Progress	
PAR - VAT	0	1	1	0	Work in Progress	
PAR - Treasury Management	0	1	1	0	Completed	
George Byron Trust - Audit of Accounts	0	1	1	0	Completed	
Income Management	10	11	12	1	Final Report Issued	Medium
External Audit Checks - General Expenditure	1	1	1	0	Completed	
External Audit Checks - General Expenditure	10	10	11	1	Work in Progress	
Fixed Asset Register - Sign off	0	6	6	0	Work in Progress	
ICT Business Continuity and Disaster Recovery	20	0	1	1	Rescheduled to 2020/21	
Cyber Security-ISO27001 Gap Analysis	1	9	9	0	Final Report Issued	Medium
PAR - Cyber Security Review/ISO 27001 Gap Analysis	0	0	1	1	Work in Progress	
Network Security	15	4	6	2	Rescheduled to 2020/21	
Third Party Supplier Management	10	15	15	0	Draft Report Issued	
Planning and Control	10	10	11	1	Completed	
Advice and Support	10	10	8	-2	Completed	
Post Audit Reviews	14	2	0	-2	Completed	
TOTAL FOR FINANCE	134	101	105	4		

CROSSCUTTING						
Post Audit Reviews	2	0	0	0	Completed	
Contingency for Greater Manchester Combined Authority/Devolution Assurance and Joint Working	15	5	5	0	Completed	
UK Mail - Advice and Support	3	3	2	-1	Completed	
Statutory Compliance	20	0	0	0	Deferred	
Audit of Final Accounts	10	0	0	0	Suspended	
Procurement	20	0	0	0	Rescheduled to 2020/21	
Procurement - STAR Audit New Supplier Set Up	0	6	6	0	Draft Report issued	
TOTAL FOR CROSSCUTTING	70	14	15	1		

GREATER MANCHESTER PENSION FUND

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# Fighting Fraud and Corruption Locally

A strategy for the 2020s

A response to economic crime and fraud



# With support from:



This is the third Fighting Fraud and Corruption Locally Strategy, produced by local government for local government.

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# Foreword

## — Richard Watts

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Since the first strategy was produced in 2011 councils have faced significant financial challenges. Councils have innovated, collaborated and prioritised in order to meet the financial challenge and to protect front line services. Tackling the threat of fraud and corruption has been and continues to be a cornerstone of protecting council finances and enabling them to maximise the value of every pound spent on behalf of local residents.

Every pound siphoned off by a fraudster is a pound that cannot be spent on services where they are needed. Councils need to be vigilant. Councils have a good record in countering fraud and the strategy contains numerous case studies and examples of successes.

As the strategy highlights, it is estimated that about one in three of all crimes committed nationally is fraud based and fraudsters are always seeking new ways to take money. The strategy also highlights that potential losses to fraud could run into hundreds of millions or even billions of pounds if preventative action is not

taken. Councils need to be agile and work together with national agencies and the Government to respond to new fraud threats, to prevent losses and to protect vulnerable people in our society. Collaboration to counter and prevent fraud is a theme running through the strategy.

The Fighting Fraud and Corruption Locally Strategy is an excellent example of how councils can come together for the overall benefit of local services and residents served. The strategy has been led by the Fighting Fraud and Corruption Locally Board. This Board has been described as “a coalition of the willing”. It is a group of senior multi-disciplinary experts from councils working together with partners, that work with the councils on counter fraud activities. The Board is currently chaired by a representative from the Society of Local Authority Chief Executives (SOLACE). The Board members and the organisations they come from all provide their expertise on a pro bono basis, for the benefit of the sector and to help counter fraud. The board is supported by the LGA. In carrying out the research to draft this new strategy, the board has run several workshops up and down the country that have been attended by representatives from more than 250 councils. The work of all these people is reflected in the strategy and our thanks are due to all of them.

The strategy outlines, outlines a governance framework for continuing national and regional collaboration on counter fraud under the Fighting Fraud and Corruption Locally umbrella. Section four of the strategy outlines a practical programme and checklist for individual councils to follow.

I am happy to endorse this strategy on behalf of the LGA and welcome it as an opportunity for councils to review and further improve their counter fraud work in the 2020s.

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**Cllr Richard Watts**

Chair Resources Board, Local  
Government Association  
Leader Islington Council

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# Foreword

## — Mike Haley

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As the Chair of the Joint Fraud Taskforce I am delighted to support The Fighting Fraud and Corruption Locally 2020 strategy at a time when incidences of fraud and corruption are rising and there is an identified need for councils and their leaders to adopt a robust response.

Having worked as a fraud investigator I understand the importance of collaborative working and of having a structure and framework that guides and governs counter fraud and associated corruption activities.

Through working together and applying the principles of this strategy I am convinced that, perhaps for the first time, we have a model for true collaboration that is so important in identifying fraudsters, often organised groups, who seek to undermine and take financial advantage of systemic vulnerabilities and abuse those citizens in our community who are in themselves vulnerable.

I recognise the challenge that we all face in having to balance demands on resource across essential services at a time when funding is constrained. However, I also recognise the important role that local authorities and their frontline services play in tackling fraud and corruption that are a drain on those resources. Savings through enforcement and bringing fraudsters to justice can be used to support our social services and can build stronger and safer communities.

I am convinced that this strategy is an important step in tackling fraud and corruption that is so corrosive to society. In my role as Chair of the Joint Fraud Taskforce I welcome my local authority colleagues. By working together, I am convinced that we can deliver a step change in tackling fraud.

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**Mike Haley**

Chair of the Joint Fraud Taskforce

The Joint Fraud Taskforce is a partnership between banks, law enforcement and government to deal with economic crime.

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# Executive Summary

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*Fighting Fraud and Corruption Locally 2020 is the updated counter fraud and corruption strategy for local government. It provides a blueprint for a coordinated response to fraud and corruption perpetrated against local authorities with the support of those at the top.*

**By using this strategy local authorities will:**

- *develop and maintain a culture in which fraud and corruption are unacceptable*
- *understand the harm that fraud can do in the community*
- *understand their fraud risk*
- *prevent fraud more effectively*
- *use technology to improve their response*
- *share information and resources more effectively*
- *better detect fraud loss*
- *bring fraudsters to account more quickly and efficiently*
- *improve the recovery of losses*
- *protect those at risk.*

This strategy is aimed at council leaders, chief executives, finance directors and all those charged with governance in local authorities including those on audit committees and with portfolio responsibility. It is produced as part of the Fighting Fraud and Corruption Locally initiative, a partnership between local authorities and key stakeholders, and succeeds the previous strategies written in 2011 and 2016. It is not 'owned' by any one organisation but by the local authorities who have given time and support to develop it. Areas of focus for elected members, chief executives and those charged with governance are laid out in Section 4: The Local Response.

This partnership has been so successful it has existed since 2010 when the research and engagement first began.

Local authorities continue to face a significant fraud challenge and while the official figures are dated the argument about protecting funds and vulnerable people remains. The National Fraud Authority estimated local authorities face the threat of £2.1bn fraud in a year in 2013. In fact, the Annual Fraud Indicator produced by Crowe Clark Whitehill estimates that figure may be as high as £7.8bn in 2017, out of a total of £40.4bn for the public sector as a whole. The Government's Economic Crime Plan states that the numbers of fraud offences rose by 12% during 2018 to 3.6 million – constituting a third of all crimes in the UK.

Every £1 that a local authority loses to fraud is £1 that it cannot spend on supporting the community. Fraud and corruption are a drain on local authority resources and can lead to reputational damage and the repercussions maybe far reaching.

Fraudsters are constantly revising and sharpening their techniques and local authorities need to do the same. There is a clear need for a tough stance supported by elected members, chief executives and those charged with governance. This includes tackling cross-boundary and organised fraud and corruption attempts, as well as addressing new risks such as social care fraud and cyber issues.

In addition to the scale of losses and potential losses, there are further challenges arising from changes in the wider public sector landscape including budget reductions, service remodelling and integration, and government policy changes. Local authorities report that they are still encountering barriers to tackling fraud effectively, including lack of incentives, data sharing, information sharing and powers, but also that they require support from senior stakeholders and those in charge of governance.

These factors do present challenges. However, this strategy demonstrates the tenacity of local fraud teams in continuing to lead on innovation and collaborate and also that there is a network of local leaders willing to support this initiative. This strategy, then, is about creating a self-sustaining counter fraud response for the sector.

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# *Review of 2016 Fighting Fraud and Corruption Locally Strategy*

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The previous two strategies focused upon pillars of activity that summarised the areas local authorities should concentrate efforts on. These were 'acknowledge', 'prevent' and 'pursue'.

These pillars are still applicable. During the research for this strategy they were supported as key areas by those who have input. However, another two areas of activity have emerged that underpin tenets of those pillars. These are 'govern' and 'protect'.

The pillar of 'govern' sits before 'acknowledge'. It is about ensuring the tone from the top and should be included in local counter fraud strategies.

## **Govern**

Having robust arrangements and executive support to ensure anti-fraud, bribery and corruption measures are embedded throughout the organisation. Having a holistic approach to tackling fraud is part of good governance.

## **Acknowledge**

Acknowledging and understanding fraud risks and committing support and resource to tackling fraud in order to maintain a robust anti-fraud response.

## **Prevent**

Preventing and detecting more fraud by making better use of information and technology, enhancing fraud controls and processes and developing a more effective anti-fraud culture.

## **Pursue**

Punishing fraudsters and recovering losses by prioritising the use of civil sanctions, developing capability and capacity to investigate fraudsters and developing a more collaborative and supportive local enforcement response.

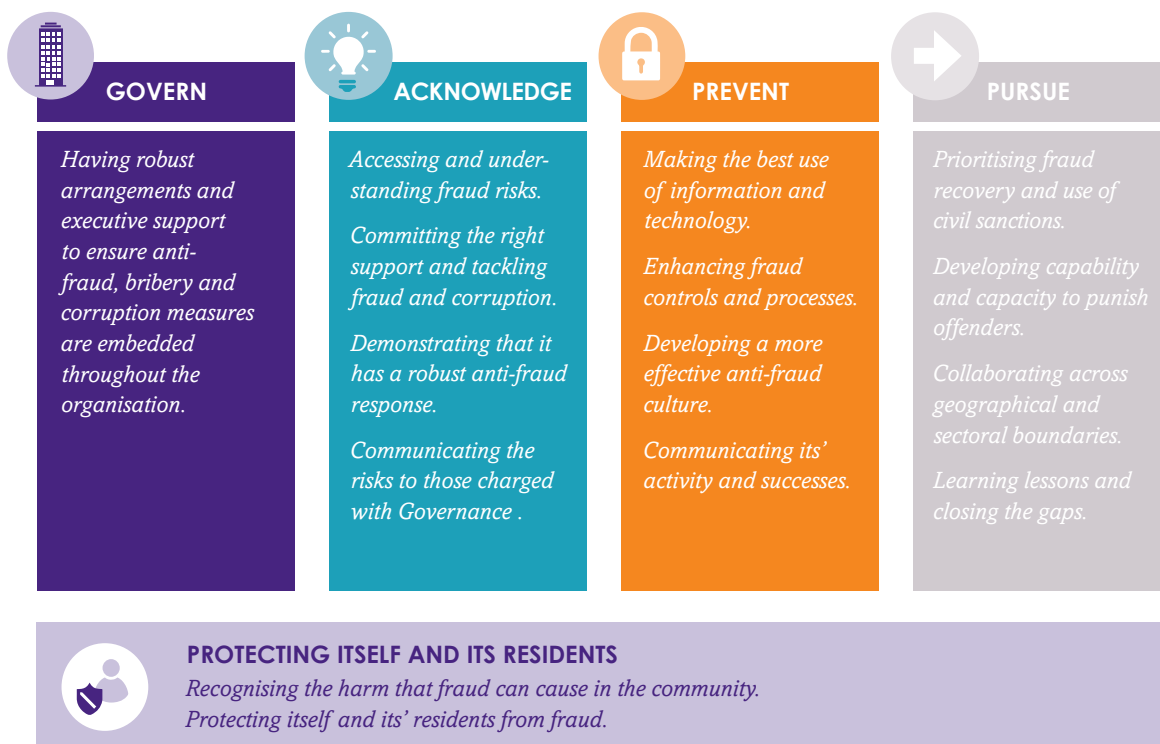
Local authorities have achieved success by following this approach; however, they now need to respond to an increased threat and protect themselves and the community.

The second new area that has appeared during the research recognises the increased risks to victims and the local community:

## **Protect**

Protecting against serious and organised crime, protecting individuals from becoming victims of crime and protecting against the harm that fraud can do to the community.

For a local authority this will also cover protecting public funds, protecting its organisation from fraud and cybercrime and also protecting itself from future frauds.



This strategy and its tools provide ways for local authorities to further develop and enhance their counter fraud response by ensuring that it is comprehensive and effective and by focusing on the key changes that will make the most difference.

Local authorities can ensure that their counter fraud response is comprehensive and effective by considering their performance against each of the six themes – the six Cs – that emerged from the 2016 research:

- Culture
- Capability
- Competence
- Capacity
- Communication
- Collaboration

Many local authorities have demonstrated that they can innovate to tackle fraud and can collaborate effectively to meet the challenges. Indeed, many have identified that a reduction in fraud can be a source of sizeable savings. There are case studies and quotes through this document evidencing the good work that is already happening.

### This strategy

- *recognises that fraud is not a victimless crime and seeks to protect the vulnerable from the harm that fraud can cause in the community*
- *calls upon senior management in local authorities to demonstrate that they are committed to tackling fraud and corruption*
- *calls upon local authorities to continue to tackle fraud with the dedication they have shown so far and to step up the fight against fraud in a challenging and rapidly changing environment*
- *calls upon local authorities to work together to illustrate the benefits that can accrue from fighting fraud more effectively*
- *calls upon senior stakeholders to listen to the business cases on barriers put by local authorities in order to promote counter fraud activity in local authorities by ensuring the right further financial incentives are in place and helping them break down barriers such as a lack of powers.*

## Case Study

### Birmingham City Council: Acknowledge Using data to tackle fraud

*In the original Fighting Fraud Locally 2011 Birmingham City Council was cited as good practice for setting up a data warehouse and protecting public funds. BCC continues to put fraud at the top of the agenda.*

BCC has used a well-established, sophisticated data warehouse to develop an automated programme of data matching that allows potential fraud and error to be detected within 24 hours. This has been particularly effective in identifying fraudulent claims for council tax single person discounts and fraudulent housing applications. In time BCC expects the process to reduce the amount of fraud or error requiring a formal investigation as it will have been prevented or stopped almost as soon as it began. As a result, services that are being provided incorrectly can be stopped quickly, thus helping to preserve resources and reduce the level of fraud and error.

“Local authorities must ensure they take the necessary steps to put in place a strategy which can deliver a response that protects itself and its residents. Councils need to commit adequate resources to support that work and also measure its progress against that strategy. Fighting Fraud and Corruption Locally provides the necessary tools and ideas to support that work.”

*Trevor Scott, Chief Executive Wealden District Council*

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# Introduction

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*This strategy document is aimed primarily at council leaders and other elected members, chief executives, finance directors and those charged with governance in local authorities.*

*As a result of lessons learned during previous incarnations this document contains the core strategy together with companion documents which provide more detailed guidance on its implementation which will be updated when necessary during the life of this strategy. In that way there will be live documents for practitioners to draw upon that will more readily reflect the ever changing fraud local landscape.*

*We recognise that pulling together practitioners and stakeholders to discuss these issues is a local authority exercise and detracts from day-to-day activity where there are limited resources in place. Therefore this strategy will cover from 2020 onwards supported by live companion documents.*

*The research for this strategy was carried out by local practitioners and board members.*

*The research was commissioned by the board and was coordinated by the secretariat.*

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## The research consisted of:



### RESEARCH

*Desktop research of publications, legislation, and current activity in the landscape.*



### INTERVIEWS

*Individual interviews and discussions with stakeholders from the counter fraud community.*



### EXPERTS

*Specific interviews with subject matters experts.*



### WORKSHOPS

*Facilitated discussions at FFCL 2019 Conference, thirteen specific workshops across UK and two additional conference workshops*

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The original Fighting Fraud Locally 2011 strategy was launched with a series of pilots and joint working, conferences and awards and was hugely successful. The workshops highlighted much work being done in local authorities that is commendable and can prevent fraud across boundaries. Therefore, as part of these fact-finding engagement exercises those that attended workshops were asked to offer activity to demonstrate the partnership as part of FFCL. Around 30 activities and events have been identified for 2020 that demonstrate some of the good practice found during the research for this document and show that local authorities continue to tackle fraud and corruption. It is intended that these examples will be used to kick-start momentum in the way that the 2011 strategy did. In addition a number of working groups have formed already to implement the recommendations.

The activity following the publication of FFCL 2016 was more limited. There was no formal local launch and limited board activity. Therefore some of the issues raised during that research still persist. Efforts have been made to redress this during the research for this strategy by setting in place activity to address those persistent issues.

Nevertheless it is clear that local authorities continue to tackle fraud, as evidenced in this strategy's case studies and by the appetite to take forward the issues raised during the research and in the good practice guides.

Several new areas were raised during the research as barriers to overcome and local authorities have already stepped up to join together to help tackle these barriers. As part of the engagement exercise working groups and local authorities are already in place to begin the work on these issues.

This document is divided into four sections:

### Section 1

#### The Context

Sets out the nature and the scale of fraud losses, the argument for measurement and the key issues raised by stakeholders.

### Section 2

#### The Strategic Response

Describes the response that is required from local authorities to address the challenges they are facing, identifying the activities necessary in order to achieve the strategic vision.

### Section 3

#### Turning Strategy into Action – Delivery Plan

Sets out the recommendations and the framework for delivery.

### Section 4

#### The Local Response – Appendices

## Companion Annexes

The live companions to this strategy document set out more information on how local authorities can ensure that their counter fraud response is comprehensive and effective. These documents may be refreshed at any time during the life of the strategy. They are not part of the strategy but are further guidance that is changeable. Areas they cover include fraud risks, good practice and the counter fraud local landscape.

## Section 1: The Context

### a) The scale of fraud and corruption

It is accepted that fraud affects the UK across all sectors and causes significant harm.

The Office for National Statistics states that one in 16 members of the population is likely to fall victims. The Government's Economic Crime Plan 2019 states that the number of fraud offences rose by 12% during 2018 to 3.6 million – constituting a third of all crimes in the UK.

The last, most reliable and comprehensive set of local authority figures was published by the National Fraud Authority in 2013, and indicates that the fraud threat may have been costing the UK £52bn a year.

Within these figures the threat to local authorities totalled £2.1bn.

More recent estimates are higher. The Annual Fraud Indicator produced by Crowe Clark Whitehill estimated that figure may be as high as £7.8bn in 2017 of which procurement fraud was estimated as £4.3bn. This study estimated that the total threat faced by the public sector was £40.4bn.

*“We do not have a wholly reliable estimate of the total scale of economic crime. However, all assessments within the public and private sectors indicate that the scale of the economic crime threat continues to grow.”*

*Economic Crime Plan 2019*

The National Fraud Authority estimated public sector fraud (including local government) at £20.6bn in 2013.

The National Audit Office's Local Landscape Review 2018 estimated fraud at up to £20.3bn excluding local government.

The estimated losses for local authorities in 2013 are broken down in the following by identified fraud losses and hidden fraud losses:

#### Estimated Local Government Fraud Loss 2013

Fraud Type	Estimated loss
Housing tenancy fraud	£845m
Procurement fraud	£876m
Payroll Fraud	£154m
Council Tax fraud	£133m
Blue Badge Scheme misuse	£46m
Grant fraud	£35m
Pension fraud	£7,1m

Annual Fraud indicator 2013

These figures do not take into account the indirect costs of responding to and dealing with fraud and exclude some potentially significant areas of fraud loss. The fraud landscape has changed since 2013 as councils have introduced new ways of working and innovative responses to risks, while at the same time new areas of fraud risk have appeared.

Local authorities were sceptical about current publications on sector fraud figures and performance as there was a plethora of different numbers with no agreement or consensus. However, they remain keen to develop a consistent risk and performance methodology for the sector and for individual councils to estimate the potential risk they face on a consistent basis. Following the research for this strategy, a working group has been set up to develop methodologies for the sector to use.

## b) The nature of the problem

In June 2019 the Government published its first Economic Crime Plan and included fraud and corruption in the definition.

### The Government's Economic Crime Plan 2019

#### *What is economic crime?*

To help establish our partnership, we have agreed a common language across the public and private sectors regarding economic crime. We have used the following definition of economic crime to guide our efforts. Economic crime refers to a broad category of activity involving money, finance or assets, the purpose of which is to unlawfully obtain a profit or advantage for the perpetrator or cause loss to others. This poses a threat to the UK's economy and its institutions and causes serious harm to society and individuals. It includes criminal activity which:

- allows criminals to benefit from the proceeds of their crimes or fund further criminality

- damages our financial system and harms the interests of legitimate business
- undermines the integrity of the UK's position as an international financial centre
- poses a risk to the UK's prosperity, national security and reputation

*1.12 This definition is broader than terms such as 'financial crime' or 'white-collar crime' to provide a holistic response to the following types of criminality:*

- fraud against the individual, private sector and public sector
- terrorist financing
- sanctions contravention
- market abuse
- corruption and bribery
- the laundering of proceeds of all crimes

For the purposes of this strategy we have retained the terms 'fraud' and 'corruption' while recognising that they are part of a wider agenda. The strategy has not been re-titled 'Economic Crime'.

## c) Issues raised by stakeholders

During the workshops and research a number of barriers to effective working were raised – the main issues raised are below. Participants were asked how they would solve these issues and there were many ideas and opportunities presented. Local authorities are keen to play a part and influence the outcomes. Therefore a working group has been set up for each of these areas to assess the evidence so far, collect any further evidence and to report into the secretariat for the FFCL Board to consider. There is evidence to create an FFCL operational group from the current FFCL representative network. Further detail on how this will operate will be in the live Delivery Annex.

*Recommendation: A single regional FFCL operational group should be formed from the existing FFCL regional representatives.*

### Fraud measurement

While recognising that the repercussions of fraud are wider than financial it is important that councils have an up-to-date estimate of what the figures and areas of risk appear to be. There are a number of different methods of calculating fraud losses, and these vary across regions. Moreover the fraud priorities differ across regions. External organisations present figures to the sector but there is little or no ownership of these within local authorities. Local authority attendees raised this lack of independent analysis and free benchmarking to look at areas in deep detail rather than reported figures on numbers of referrals or cases detected. Local authorities could use this analysis to make the business case to tackle fraud, understand fraud issues more closely and see a more detailed picture across boundaries.

*Recommendation: A working group on measurement should be formed to develop a consistent risk and performance methodology for the sector.*

Local authorities have agreed to work together to build a set of figures for use as an indicator of actual losses, prevention measures and fraud areas. In addition this group will look at the area of benchmarking. This work is underway and the working group is now formed and is in place.

### Powers

Local authorities welcomed the introduction of the Prevention of Social Housing Fraud Act (PSHFA) and reported that it had improved accessibility to information and intelligence.

However, some issues on powers that had been raised previously had not been taken forward by any parties, as the PSHFA, had and have been exacerbated by

## Case Study

*An employee responsible for managing Ipswich Market and collecting stall rent from traders was prosecuted for theft of cash collected. The council's finance team identified an irregularity when it attempted to reconcile income received to income due. The theft was valued at £33,376 and totalled 91 thefts. The employee was given an 18-month prison sentence suspended for two years and ordered to carry out 250 hours of unpaid work in the community.*

*He was also ordered to pay £14,000 compensation to Ipswich Borough Council at the rate of £400 a month.*

new fraud areas such as social care fraud where local authorities report it is difficult to obtain information. During the research local authorities have provided a number of examples across service areas where they cannot obtain information or access organisations in order to progress investigations.

There are a number of potential avenues to resolve these issues and local authorities have themselves suggested opportunities to resolve these. These issues need to be explored further to identify and evidence areas where lack of powers currently frustrate efforts by the sector to successfully progress counter fraud investigations. This will then enable the sector to lobby for the additional powers required.

*Recommendation: A working group on powers should be formed.*

Local authorities have agreed to work together to identify and evidence areas where lack of powers currently frustrate efforts by the sector to successfully progress counter fraud activity and identify what additional powers are required, what forms that should take and to examine the suggestions that have been collated. This evidence should then be used to lobby government to grant additional powers required. This recommendation is underway and the working group is now formed and is in place

### Incentives

Local authorities welcomed the Counter Fraud Fund in 2015 which had been distributed by the then Department for Communities and Local Government

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This fund was a one-off and there were good results that are detailed on the Local Government Association Counter Fraud Hub page. However, many local authorities did not have the opportunity to bid and some had lost resources. Local authorities reported that they did not have funds to set up dedicated teams or undertake proactive work, and offers of technology were expensive and often duplicated existing offerings. Local authorities have made some suggestions about ways in which counter fraud activity may be funded. Local authorities have put together ideas on what types of incentives could support improved activity.

*Recommendation: A working group on incentives should be formed.*

Local authorities have agreed to work together to indicate where incentives may be required from Government and what forms they may take and to examine the suggestions that have been collated in the research.

The working group is now formed and is in place and the work is underway.

### Data analytics and matching

A number of data related initiatives exist which local authorities may take part in for example, counter fraud hubs. At the majority of workshops it was said that there is inconsistent advice, high pricing, lack of discussion with suppliers and difficulty filtering out what is useful from what is not. The National Fraud Initiative has two products which were highlighted as useful and these are the Fraud Hub and AppCheck. It was also reported that there were issues with data quality, data standards and a lack of quality assurance about products.

*Recommendation: A working group should be formed to review existing data related initiatives available to local authorities and recommend best practice or new ideas.*

Local authorities have agreed to form a working group to look at the area of data. A number of ideas have been put together and the group will consider these and what further activity is required. This group will need to decide what is in scope for this work as the issues raised are varied. This recommendation is underway and the working group is now formed and is in place.

### Social care issues

At most workshops the area of social care fraud was raised. Social care fraud harms the community and vulnerable individuals who are unable to detect scams or fraud and are often unable to report them. Sometimes abuse of funds by family members or carers complicates the situation. This can include financial abuse of vulnerable persons, not just direct payments and personal budgets.

This area of fraud has emerged as a growing risk since the last strategy was published. The impact of this risk on already stretched social care services and budgets is potentially very significant. For this reason, organisations with relevant skills together with those local authorities that have developed good practice have offered to support work in this area of risk. Our research also highlighted a number of ideas about identifying and tackling some systemic vulnerabilities in this area. Local authorities should ensure fraud strategies are aligned with safeguarding responsibilities to ensure we actively protect the most vulnerable in our communities. Close working with social care teams will be required with joint approaches and planning.

*Recommendation: A working group on social care fraud should be formed to look at how local fraud strategies should align to local authorities' safeguarding responsibilities as well as to identify best practice in countering risks relating to social care fraud.*

Local authorities have agreed to form a working group to look at the area of social care fraud. A number of ideas have been put together and the group will consider these and what further activity is required. This recommendation is underway and the working group is now formed and is in place.

*“Investing to prevent fraud should be one of the early steps in building your counter fraud response. The repercussions of fraud can be far reaching. We have a duty to protect residents in our communities from fraud and we should work in collaboration with officers across the council and partner agencies to prevent fraud and safeguard the vulnerable. Fraud is not a victimless crime”.*

*Clive Palfreyman, Executive Director Finance & Resources  
London Borough of Hounslow*

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## d) The themes

In FFCL 2016 a number of themes were identified and while those are still relevant and supported during the research one in particular stood out: collaboration.

### Collaboration

There is an appetite for collaboration across the sector and geographically. However, it does not apply solely to local authorities. There is a need for collaboration across sectors, local law enforcement and with suppliers and external organisations.

The current FFCL regional representatives' network functions well. However, there is still a gap where information does not flow. There are also links to law enforcement and both national and local bodies which if they were stronger would help support the fight against fraud. Some councils already participate in regional bodies that could easily be better connected. There is overwhelming support for the idea of more formal FFCL-linked groups. Local authorities requested FFCL regional group.

There is also the possibility of exploring the principle of placing an obligation on partner bodies to share information to assist the detection and prevention of fraud even if the fraud is not against the sharing body.

Furthermore, local authorities reported the need to be more formally linked into the national law enforcement bodies. During the research a number of issues and patterns appeared in workshops that have been raised with enforcement; this demonstrates the merits of a joined-up approach. The Chief Executive of Cifas currently chairs the Joint Fraud Taskforce as well as sitting on the FFCL board and this has enabled Cifas to raise issues with the National Economic Crime Centre about local authorities' fraud risks. Local authorities requested support for better links to the major bodies in enforcement.

It was noted that where support was offered from outside the sector this could lead to a lack of 'ownership' by local authorities and that, had they been consulted or asked to contribute, products and services might have had better take-up. In particular, the cost of external support was raised several times as a barrier to take-up.

*Recommendation: A single FFCL regional operational group should be created using the existing network that can link to relevant boards and enforcement.*

### Activity

During the workshops local authorities agreed to join the existing FFCL regional groups with a representative who is able to form part of a regional FFCL operational group supported by an FFCL Strategic Advisory Board (the current FFCL board).

The North East Regional Investigations Group will form a pilot and link to wider local law enforcement. This has been agreed with that region and is in place.

The new FFCL Strategic Advisory Board should have a dotted-line link into the Joint Fraud Taskforce, which will give access to the main players in local law enforcement.

There is further detail on this in the Delivery Plan Annex with a diagram that outlines how operational issues may flow upwards. The new FFCL regional operational group should be initially chaired by one of the local authority experts from the FFCL Strategic Advisory Board.

### Organising ourselves

#### – a collaborative governance model

Local authorities involved in the workshops realised the need for a strategic board and were pleased that the FFCL board had been in place since 2010 with oversight and had stood the test of time. It was also noted that the board had changed in role several times as had the membership. The original board had been very active, the second board had been more of an oversight body and the current board was wider but less visible. Attendees at workshops raised questions regarding the governance of FFCL, the route for selection to the board and the seniority and expertise of the board.

Further detail is included in the Delivery Plan Annex

Attendees appreciated the support from the firms and private sector and did not object in any way to these board members. In particular, the rebuilt secretariat and the support for the conference and awards in 2019 were noted, as was Mazars' free support on toolkits.

*Recommendation: It is recommended that a review of governance takes place in respect of the role of the current board in light of the FFCL regional operational group and links to the Joint Fraud Taskforce.*

Further recommendations are detailed in the Delivery Plan Annex.

## Case Study

### The first social care fraud prosecuted by Veritau and City of York Council

*Veritau investigated following a referral from a member of the public. This is the first prosecution of a social care fraud by the council's legal department and an area of development for the counter fraud team. Several prosecutions for social care fraud have been achieved before, but these were jointly investigated by the police and taken to court by the Crown Prosecution Service.*

The defendant was the financial representative for his mother who received social care support funded by City of York Council. The council funded his mother's social care, and he failed to inform them when his parents' property sold in 2014. He subsequently lied about this on a financial assessment form. The £86,000 has been paid back to the council in full. Information was received that his parents' property had been sold in 2014 for £200,000 and he had not declared this to the council in an attempt to avoid paying for his mother's care fees. The investigation found that on two separate occasions in 2015 he informed the council that his parents were still joint owners of the property and that his father lived there. In a financial assessment for social care funding, jointly owned properties are disregarded if a family member continues to live there.

The counter fraud team worked alongside financial investigators from the council's trading standards team, who were able to obtain financial information which showed that £198,000 from the house sale was deposited into the son's bank account. This money should have been taken into account for his mother's social care funds, meaning that the council would not have had to pay £86,000 out of the public purse. As a result of the two teams working together, the man was billed and the entire loss has now been repaid to the council.

He pleaded guilty to two charges of fraud by false representation at York Magistrates' Court on 8 October 2019. The case was referred to York Crown Court for sentencing on 19 November where he received a 20-month suspended sentence and was ordered to do 80 hours of unpaid work. He was also ordered to pay court costs of over £1,100 and an £80 victim surcharge. When sentencing, the judge said that a significant factor in mitigation was that he had already repaid the £86,000 to the council.

## e) Fraud risk areas

*The research has highlighted the following types of fraud risks. These frauds are expanded on in the companion documents and the list below is a brief description:*

### Fraud risks raised in the research

<i>Social care fraud: personal budgets and direct payments</i>	overstatement of needs through false declaration, multiple claims across authorities, third party abuse by carer, family or organisation, posthumous continuation of claims
<i>Schools</i>	most issues that were raised in the workshops were also raised as issues for schools. This area did not feature in FFCL 2016
<i>Right to buy</i>	fraudulent applications under the right to buy/acquire
<i>Money laundering</i>	exposure to suspect transactions
<i>Commissioning of services</i>	including joint commissioning, joint ventures, commercial services, third sector partnerships – conflicts of interest, collusion
<i>Tenancy</i>	fraudulent applications for housing or successions of tenancy, and subletting of the property
<i>Procurement</i>	tendering issues, split contracts, double invoicing
<i>Payroll</i>	false employees, overtime claims, expenses
<i>Identity fraud</i>	false identity/fictitious persons applying for services/payments
<i>Council tax</i>	discounts and exemptions, council tax support
<i>Blue Badge</i>	use of counterfeit/altered badges, use when disabled person is not in the vehicle, use of a deceased person's Blue Badge, badges issued to institutions being misused by employees
<i>Grants</i>	work not carried out, funds diverted, ineligibility not declared
<i>Business rates</i>	fraudulent applications for exemptions and reliefs, unlisted properties
<i>Insurance fraud</i>	false claims including slips and trips
<i>Disabled facility grants</i>	fraudulent applications for adaptations to homes aimed at the disabled

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“Fraud has not disappeared: it is ever present, evolving and affects the funding that is needed for frontline services. In many public sector bodies it is still an area where there is significant underinvestment, because they are not recognising the extent of the epidemic and seeing other priorities, particularly around service delivery, as more important. As fraudsters evolve, we must too. To these ends, through collaboration and intelligence sharing with a fraud prevention specialist service, we are ensuring that cases of fraud are not replicated across our partnership, mitigating controls are put in place and offenders are dealt with appropriately. Through our proactive intelligence-led approach we are taking steps to ensure the public purse is protected from all fraudulent activity.”

*David Hill, Chief Executive South West Audit Partnership*

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*Concessionary travel schemes* – use of concession by ineligible person, including freedom passes

*No recourse to public funds* – fraudulent claims of eligibility

*New responsibilities* – areas that have transferred to local authority responsibility

*Local Enterprise Partnerships* – partnerships between local authorities and businesses. Procurement fraud, grant fraud. All LEPs should now be incorporated, with a local authority as accountable body, in a more formal and regulated relationship. Key issues are LEP governance, procedures for allocating/prioritising grants

*Immigration* – including sham marriages. False entitlement to services and payments

*Cyber-dependent crime and cyber-enabled fraud* – enables a range of fraud types resulting in diversion of funds, creation of false applications for services and payments.

However, during the research for this strategy it has become clear that some frauds have become more prevalent and that some risks have reduced. In addition, fraud risks were raised at several workshops about money laundering, suspicious activity reports and risks attached to local authorities becoming more commercial.

The details of these risks are included in the companions as these are seen as changing areas that may need frequent updating.

While the direct consequences of fraud may be financial and reputational loss there are wider impacts that surround the harm to victims locally and the harm in the community. Local authorities have raised a number of issues about protecting the vulnerable from fraud and this spans a large area. There are also other stakeholders in this local landscape who offer support to victims, have developed networks and done deeper research. A large number of volunteers have come forward from the workshops with good practice and a willingness to collaborate to prevent and tackle these issues. The main fraud risk area that has drawn attention is social care fraud. However, there are other frauds that may merit scrutiny.

### Activity

Local authorities have agreed to form a working group to look at the area of social care fraud. A number of ideas have been put together and the group will consider these, what further activity is required and if any wider work can be done.

### Economic Crime Plan 2019

*Economic crime touches virtually all aspects of society. Economic crimes range across the full breadth of criminality, ranging from low-level frauds through to sophisticated cyber-enabled market manipulation. Fraud is now the second most common crime type in England and Wales, with nearly every individual, organisation and type of business vulnerable to fraudsters.*

## f) Counter Fraud Capacity, Competence and Capability

In FFCL 2016 themes were identified in the areas of capacity, competence and capability as part of the 6Cs – see page 23. These issues still exist.

Despite the challenge around capacity, competence and capability and lack of dedicated resource it is clear that activities to tackle fraud across the sector are being pursued and having a positive impact. But demand and growth in the number of incidents of fraud reported nationally mean local authorities must focus on areas of fraud that they identify as posing greatest risk and adverse impact on their organisations and the vulnerable. Working collaboratively and sharing resources should be encouraged and the FFCL regional board should undertake an analysis of which local authorities may benefit from support and how this might happen.

Many local authority practitioners reported that their capacity to tackle fraud and corruption had been reduced as a result of austerity-related local authority funding reductions. In addition several workshops were attended by shared service representatives and reported that non-attendees no longer had counter fraud resources. In one workshop it was noted that eight councils did not have any resource but that a colleague in the revenue department of a neighbouring authority had been 'helping out' across them. There are also situations that require collaboration: for example, a district council pursues council tax and business rates fraud, but the main beneficiaries are the county council and the Government.

In many cases practitioners also reported that some of the skilled investigation resource had been transferred to the Department for Work and Pensions and had not been replaced. There were large disparities in respect of numbers of staff and skills.

Local authorities reported that their staff did not always have the skills or training to tackle fraud and corruption. Many attendees were skilled and qualified. It was also clear that because a number of local authorities did not have access to a team they were not covering the full range of fraud activities. In contrast the workshops were well attended by experts who, while overloaded, were attempting to tackle all frauds but with one hand behind their backs. Very often they said they would be pleased to assist neighbouring councils but had no contact or requests. The FFCL regional board may assist with this and what support can be given.

In addition there were some parts of the country where the teams were not up to date with current local landscape issues or activities that would benefit them in their roles. At the FFCL 2019 conference questions were raised about free access to tools and

good practice and it was agreed to hold this in the Knowledge Hub, which is an independent, free tool that many local authorities already use. In addition some local authorities already have small networks in the Knowledge Hub that they could link to the FFCL pages. The Knowledge Hub has been open for FFCL since the summer and now contains the archive documents as well as details about other current issues.

### Adult care services successful prosecution and repayment in full of fraud loss

*The subject of this investigation was the husband of a Hertfordshire County Council service user in receipt of financial support to pay for daily care. He completed the financial assessment forms on behalf of his wife but failed to declare ownership of residential property that was rented out in the private sector.*

*The allegation originated from a social worker who had a 'gut feeling' that the couple had a second home and referred to matter to Herts' shared anti-fraud service.*

*The investigation found that the couple jointly owned three properties in addition to their residential home. All three properties were rented out and held equity.*

*The husband was interviewed under caution where he accepted ownership of the properties but denied any wrongdoing, stating that there was no capital in any of the additional homes and that he had been struggling financially since his wife became ill. As part of the enquiries conducted by the team a fourth property was identified abroad.*

*On 1 July 2019 at Luton Crown Court, he pleaded guilty to all three counts of fraud by false representation. He was sentenced to two years in prison, suspended for two years. The judge adjourned any financial sanction until the confiscation order was completed. A service decision was made in that had the financial assessment form been completed correctly and the additional property declared, the service user would have been deemed a self-funder and received no financial support for care. Therefore the loss to HCC was calculated as £75,713 and a future saving of £1,166 per week (£60,632 per year) was recorded.*

*The loss including interest was calculated to be £89,141, which he has paid in full.*

## Case Study

### Collaboration on Protect and Pursue

*A man was sentenced to 18 months' imprisonment, suspended for 18 months, after forging documents when applying for disabled persons' freedom passes and disabled persons' Blue Badges.*

He was found guilty of 12 offences - nine at Brent, Enfield and Haringey councils. He then pleaded guilty to a further three charges of forgery at Waltham Forest Council.

A lengthy investigation, led by Brent Council's fraud team, discovered that the subject used fake birth certificates, utility bills and medical certificates to falsely present himself and others as disabled.

Brent Council worked with the other three local boroughs, who carried out their own thorough and professional investigations with Brent's support, to join up the charges that resulted in the successful verdict.

For the Brent, Enfield and Haringey offences he was sentenced to 18 months' imprisonment per offence for these nine offences to be served concurrently. The sentence was suspended for 18 months.

The man was sentenced to 12 months' imprisonment for each of the three Waltham Forest offences. This was also suspended and will be served concurrently with the 18-month sentence. He also needs to complete 20 hours of a rehabilitation activity requirement order.

## Culture

Some local authority practitioners reported that senior managers were finding it difficult to dedicate sufficient time to demonstrate their support for counter fraud activities due to a focus on other priorities such as meeting budget savings targets and maintaining key services to residents.

This was considered to have a negative effect upon performance, and was associated with counter fraud work having a low profile and the benefits of counter fraud work not being fully appreciated. Appendix 1 details what senior officers and members should focus on.

There is reluctance in some cases to report identified fraud, for example in press releases, for fear of presenting a negative impression of an authority. Reporting of successful outcomes is a powerful tool in prevention and deterrence.

It is important to embed a counter fraud culture and this requires a focus and leadership from the top. This requires having an appropriate resource in place. There is a role for the audit committee to challenge activity, understand what counter fraud activity can comprise and link with the various national reviews of public audit and accountability.

## Collaboration

Local authority practitioners demonstrated an appetite for working more formally across local authority boundaries and with other agencies, departments and the private sector. They reported a range of difficulties in securing progress to working together.

Examples included counter fraud work not being consistently prioritised across the sector, lack of financial incentives to make the business case to collaborate, local lack of understanding of data protection rules, and lack of funding.

They also reported an appetite for innovative use of data and wider data sharing, but had encountered barriers to this or made very slow progress.

Local authorities further reported that they found it hard to get the police involved in their cases and that they did not receive feedback on cases from crime reporting hotlines.

During the research a number of incidents were highlighted that demonstrated patterns of activity, organised fraud and money laundering. These issues have been acted upon. However, it is important that local authorities have access to routes where they can report these matters. Local authorities are the eyes and ears of the community and have a wealth of data that can help other local law enforcement if legally

accessed but this communication is not happening everywhere. This collaboration would support the fight against serious and organised crime. If the recommendations about links between the operational board and the JFT are agreed this will start to resolve some of the issues in this section.

*Recommendations:*

*The external auditor should highlight FFCL and its appendices to the audit committee in the annual report*

*The regional network should continue use the Knowledge Hub as a free, independent, non-commercial confidential space to share information. When it is live the secretariat should hand it to the FFCL operational board.*

*Local authorities should partner with neighbours and engage in regional networks and should consider sharing resources and expertise. The FFCL operational board should take the lead on this.*

While this strategy covers fraud and corruption, no instances of corruption were raised at the workshops though it was clearly considered alongside fraud in local strategies. The Ministry of Housing, Communities and Local Government has conducted research on procurement fraud and corruption that will be added to

the live FFCL documents.

“Working in partnership has allowed the Veritau member councils to establish a dedicated corporate fraud team. The team offers each council access to fraud investigators with specialist knowledge of the fraud risks facing local government. The team has also helped each council to recover significant fraud losses, particularly in new and emerging areas like adult social care.”

*Max Thomas, Managing Director Veritau*

## Case Study

### Devon Audit Partnership

A social housing local landlord alleged that Mr P was potentially subletting his property illegally to an unentitled third party. Mr P was already in the process of applying for the right to buy his social housing property.

The subsequent investigation revealed evidence that Mr P's friend was subletting the property from him and had been for at least two years. It also confirmed that Mr P was living in a private rented property with his girlfriend less than two miles away.

Mr P constantly denied the allegations. However, at his interview under caution with the DAP counter fraud services team, after repeatedly lying, he admitted the overwhelming evidence proved he was letting his friend live at his social housing property but denied that he had done anything wrong.

***Mr P was subsequently prosecuted and pleaded guilty at that point to two offences contrary to:***

*Prevention of Social Housing Fraud Act 2013 – in relation to the dishonest illegal sublet of a social housing property*

*Fraud Act 2006 – in relation to the dishonest attempt to fraudulently obtain a £39,600 discount on his right to buy.*

Mr P was sentenced to 160 hours' unpaid work for each charge and ordered to pay Plymouth City Council £750 towards its costs. Judge Darlow stated at the end of the case: “It was fraud [and] the decision by Plymouth City Council to prosecute is to be applauded.”

## Section 2: The Strategic Approach

To support the delivery of the strategy there is a need for an action plan, appropriate governance arrangements and revised structures to underpin the key requirements to foster and improve collaboration across boundaries.

The recommendations contained in this strategy need to be turned into a set of achievable actions that are properly resourced, timetabled and allocated to appropriate local and national partners. These will need to be supported by an advisory board of senior stakeholders that commands widespread support and leadership across all levels of local

government. This should include the Local Government Association and the relevant central government departments.

New structures, appropriate to the changing demands, need to be constructed to support the delivery of the strategy. It is recommended that these are built upon the existing counter fraud arrangements already paid for by local government, and that the resources of the existing and new structures are committed to supporting the delivery of this strategy.

The key principles are laid out in the pillars and themes:



## Govern

The bedrock of the strategy is that those who are charged with governance support the activity by ensuring that there are robust arrangements and executive support to ensure counter fraud, bribery and corruption measures are embedded throughout the organisation. Beating fraud is everyone's business. The internal arrangements that are put in place should be communicated throughout the organisation and publicly available to demonstrate the culture and commitment to preventing fraud.

Without exception the research revealed an 'ask' that those charged with governance be directed to the strategy and that this become a key element. During the research for FFL 2011 and 2016 it was requested that some key points be laid out for those charged with governance in local authorities to make it simple for them to ensure fraud was being tackled. This request was repeated on numerous occasions during the workshops for FFCL 2020. Some basic questions are laid out at the end of the strategy in Appendix 1.

The supplements to this strategy lay out some key stakeholders, their roles and the areas that they should consider when evaluating the counter fraud efforts in their organisations.

The pillar of 'govern' sits before 'acknowledge'. It is about ensuring the tone from the top and should be included in local counter fraud strategies.

## Acknowledge

In order to create a counter fraud response an organisation must acknowledge and understand fraud risks and then demonstrate this by committing the right support and appropriate resource to tackling fraud.

This means undertaking a risk assessment of fraud areas and vulnerabilities and then agreeing an appropriate resource. Not every local authority requires a large team but they should have assessed the risk, have a plan to address it and have access to resources with the right capabilities and skills.

## Prevent

Fraud can be prevented and detected by making better use of information and technology, enhancing fraud controls and processes and developing a more effective anti-fraud culture.

Local authorities should set in place controls to prevent fraudsters from accessing services and becoming employees. It is nearly always more cost-effective to prevent fraud than to suffer the losses or investigate after the event.

The technology to establish identity, check documents and cross-check records is becoming cheaper and more widely used. Controls should apply to potential employees as well as service users. If someone lies about their employment history to obtain a job they are dishonest and it may not be appropriate to entrust them with public funds. In any case they may not have the training or qualifications to perform the job to the required standard.

## Case Study

### Fraud Hub Hertfordshire County Council

Hertfordshire County Council and a number of its neighbouring authorities are taking the next step to protect themselves by sharing intelligence in a newly formed FraudHub from the National Fraud Initiative to ensure they can reveal the full extent of fraudulent activities within their region.

**Results so far have been extremely positive for Hertfordshire with over...**

- *3,000 Blue Badges cancelled*
- *3,000 concessionary travel passes being revoked*
- *120 LG pensions or deferred pensions stopped*
- *182 Direct Payments or personal budgets for adult care being stopped/reduced or reviewed*
- *15 residential care placements being cancelled*
- *23 payroll discrepancies being subject to further investigation*
- *50,000 customer records removed from database alone using mortality data*
- *More than £5m in estimated savings in its first 12 months*

## Pursue

Punishing fraudsters and recovering losses by prioritising the use of civil sanctions, developing capability and capacity to investigate fraudsters and developing a more collaborative and supportive law enforcement response on sanctions and collaboration.

Local authorities have achieved success by following this approach; however, they now need to respond to an increased threat.

A further theme has appeared during the research to link with the government strategy but also recognising the increased risks to victims and the local community.

## Protect

Protecting against serious and organised crime, protecting individuals from becoming victims of crime and protecting against the harm that fraud can do to the community.

For a local authority this will also cover protecting public funds, protecting its organisation from fraud and cyber-crime and also protecting itself from future frauds. This theme lies across the pillars of this strategy.

From the research it is clear that a large number of local authorities use the FFCL initiative as a basis for local plans. Some local authorities have embedded the pillars into operational work. An example of how this has been done is included in the Annexes.

## Case Study Pursue

### Subletting Case Study Westminster City Council – unlawful profits

The council investigated following an anonymous tipoff that the tenant of a council property was not using the address as required by their tenancy and was profiting from the short-term letting of the property using Airbnb.

Searches of Airbnb carried out by the investigator found the property, which is a studio flat, advertised as a whole property with over 300 reviews. The council investigator found that even though the listing was not in the tenant's name, some of the reviews mentioned the tenant by his name, thanking him for his advice and local restaurant recommendations.

The council obtained the tenant's bank statements under the provisions of the Prevention of Social Housing Fraud Act using the authorised officer service provided by the National Anti-Fraud Network. The investigator subsequently found credits totalling over £125,000 covering four years.

All payments were credited from Airbnb, PayPal or Worldpay. When investigators visited the property they found a man at the premises who denied being the tenant even though his appearance matched the tenant's description. The next day the adverts had been removed from Airbnb but the investigator

had already retrieved and saved copies.

The tenant failed to attend several interviews under caution, but when possession action began his solicitors asked for a further opportunity for their client to be interviewed under caution to provide an account of events. This was agreed but again the tenant failed to attend the interview. Having applied the Code for Crown Prosecutors to the facts of the case and the defendant's personal circumstances, criminal action was not taken.

At the possession hearing, the District Judge said the Airbnb evidence was strong and that there was no distinction between 'short-term let' and subletting the home. The judge found in favour of the council. At an unsuccessful appeal hearing the judge agreed to the council's unlawful profits order of £100,974.94 – one of the highest that has ever been awarded to the council.

The tenant has now been evicted from the property.

## Fighting Fraud and Corruption Locally – embedding the pillars

*Durham County Council's counter fraud and corruption team has embedded many of the themes to create a robust approach. They have set up partnerships across sectors and regions, created a data hub and used the FFCL strategy to inform all of their work. The audit committee has supported the team and attended the FFCL awards in 2019.*

*DCC believes the best defence is to create a strong anti-fraud culture based on zero tolerance to deter fraud from being committed. It has reinforced this with a new corporate fraud sanction policy.*

*Norwich City Council adopted the FFCL pillars into its anti-fraud and bribery strategy in 2017 with the additional pillars of governance (similar to the NHS model). This has had a positive response from council executives and members including the audit committee. The annual report contains a RAG-rated review against the criteria set out in the local strategy and an activity plan based on the criteria each year to demonstrate progress and highlight areas to focus on.*

*A more detailed explanation of these is in the Annexes.*

## The Themes – Six Cs

*The live companions to this strategy document set out more information on how local authorities can ensure that their counter fraud response is comprehensive and effective. In the 2016 Strategy six themes were identified and during the research the workshop attendees were keen that these remain part of the strategy document.*

*Local authorities should consider their performance at a minimum against each of the six themes that emerged from the research conducted. To ensure this is effective and proportionate local authorities should benchmark this information where possible.*

### The themes are:

**Culture** – creating a culture where fraud and corruption are unacceptable and that is measurable

**Capability** – assessing the full range of fraud risks and ensuring that the range of counter fraud measures deployed is appropriate

**Capacity** – deploying the right level of resources to deal with the level of fraud risk that is monitored by those charged with governance

**Competence** – having the right skills and standards commensurate with the full range of counter fraud and corruption activity

**Communication** – raising awareness internally and externally, deterring fraudsters, sharing information, celebrating successes

**Collaboration** – working together across internal and external boundaries: with colleagues, with other local authorities, and with other agencies; sharing resources, skills and learning, good practice and innovation, and information.

### Making the business case:

#### Investing in counter fraud activity –

Local authorities should pursue opportunities to invest in counter fraud and corruption activity in order to generate savings by preventing and recovering losses.

Local authorities do not, as a rule, explicitly budget for fraud losses (the exception to this is housing benefit, where subsidy losses are budgeted for). However, estimates of local authority losses demonstrate that there is a significant problem, and therefore a significant opportunity for local authorities.

Local authorities should seek to assess their potential losses and measure actual losses in order to make the business case for investing in prevention and detection. In many cases there is an existing business case based upon the experience of other local authorities. For example, the prevention and detection of fraud perpetrated in income areas such as council tax is now widespread and offers higher tax revenue which can be recovered through existing, efficient collection systems. However, each local authority will need to make its own case as fraud risks will vary significantly depending on location, scope, and scale of activities.

**The moral case –** fraud and corruption in local authorities are unacceptable crimes that attack funds meant for public services or public assets.

The result is that those in genuine need are deprived of vital services. Fraud and corruption are often linked with other criminal offences such as money laundering and drug dealing. Local authorities have a duty to protect the public purse and ensure that every penny of their funding is spent on providing local services. More often than not, in doing so they achieve wider benefits for the community. For example, adult social care sits within the precept for council tax and reducing fraud in this area means that taxpayers' money is protected and is an incentive.

## Case Study

An interim manager hired vehicles for personal use covering at least nine different vehicles and costing more than £18,000. The fraud included various invoice frauds for gardening services and over £20,700 paid to the interim manager's account.

In total the interim manager's actions resulted in monies, goods or services with a total value of £60,882.16 being ordered or obtained at a cost to the council from seven suppliers, including false invoices purporting to be from a gardening company.

Thirty-one fraudulent invoices were introduced by the interim manager totalling over £48,000 and were processed, authorised and paid using the council's systems. A further eight invoices totalling

more than £7,000 were subsequently authorised by the interim manager's line manager for liabilities incurred by the interim manager. Employee purchase cards were used to pay for goods worth over £1,270 and the interim manager personally benefited by £4,000 from the compensation payment and over £20,780 from the fraudulent invoices he submitted from the gardening company.

### *The fraud was discovered via a whistleblowing referral to audit services*

The council's investigation found that the maintenance company with the same bank account as the interim manager's company did not exist. The council's audit services department led an investigation with the police to take the matter to Birmingham Crown Court where the interim manager pleaded guilty to Fraud Act offences. He was sentenced to three years' imprisonment on 25 September 2019.

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## Section 3: Turning Strategy into Action

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### The Delivery Plan

To support the delivery of the strategy there is a need for an action plan, appropriate governance arrangements and revised structures to underpin the key requirements and foster and improve collaboration across boundaries.

The set of recommendations contained in this strategy need to be turned into a set of achievable actions that are properly resourced, timetabled and allocated to appropriate local and national partners. These will need to be supported by an advisory board of senior stakeholders that commands widespread support across all levels of local government. This should include the Local Government Association and the relevant central government departments.

New structures, appropriate to the changing demands, need to be constructed to support the delivery of the strategy. It is recommended that these are built upon the existing counter fraud arrangements already paid for by local government, and that the resources of the existing and new structures are committed to supporting the delivery of this strategy.

Further details on governance and recommendations are in the Delivery Plan Annex.

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## Section 4: The Local Response

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### Appendix 1

*What should senior stakeholders do?*

#### *The chief executive*

1. Ensure that your authority is measuring itself against the checklist for FFCL
2. Is there a trained counter fraud resource in your organisation or do you have access to one?
3. Is the audit committee receiving regular reports on the work of those leading on fraud and is the external auditor aware of this?

#### *The section 151 officer*

1. Is there a portfolio holder who has fraud within their remit?
2. Is the head of internal audit or counter fraud assessing resources and capability?
3. Do they have sufficient internal unfettered access?
4. Do they produce a report on activity, success and future plans and are they measured on this?

#### *The monitoring officer*

1. Are members, audit committees and portfolio leads aware of counter fraud activity and is training available to them?
2. Is the fraud team independent of process and does it produce reports to relevant committees that are scrutinised by members?

#### *The audit committee*

1. Should receive a report at least once a year on the counter fraud activity which includes proactive and reactive work
2. Should receive a report from the fraud leads on how resource is being allocated, whether it covers all areas of fraud risk and where those fraud risks are measured
3. Should be aware that the relevant portfolio holder is up to date and understands the activity being undertaken to counter fraud
4. Should support proactive counter fraud activity
5. Should challenge activity, be aware of what counter fraud activity can comprise and link with the various national reviews of public audit and accountability.

#### *The portfolio lead*

***Receives a regular report that includes information, progress and barriers on:***

- The assessment against the FFCL checklist
- Fraud risk assessment and horizon scanning.

### Appendix 2

#### *FFCL Checklist*

- The local authority has made a proper assessment of its fraud and corruption risks, has an action plan to deal with them and regularly reports to its senior Board and its members.
- The local authority has undertaken a fraud risk assessment against the risks and has also undertaken horizon scanning of future potential fraud and corruption risks. This assessment includes the understanding of the harm that fraud may do in the community.
- There is an annual report to the audit committee, or equivalent detailed assessment, to compare against FFCL 2020 and this checklist.
- The relevant portfolio holder has been briefed on the fraud risks and mitigation
- The audit committee supports counter fraud work and challenges the level of activity to ensure it is appropriate in terms of fraud risk and resources
- There is a counter fraud and corruption strategy applying to all aspects of the local authority's business which has been communicated throughout the local authority and acknowledged by those charged with governance.
- The local authority has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.
- The risks of fraud and corruption are specifically considered in the local authority's overall risk management process.
- Counter fraud staff are consulted to fraud-proof new policies, strategies and initiatives across departments and this is reported upon to committee.
- Successful cases of proven fraud/corruption are routinely publicised to raise awareness.
- The local authority has put in place arrangements to prevent and detect fraud and corruption and a mechanism for ensuring that this is effective and is reported to committee.
- The local authority has put in place arrangements for monitoring compliance with standards of conduct across the local authority covering:
  - codes of conduct including behaviour for counter fraud, anti-bribery and corruption
  - register of interests
  - register of gifts and hospitality.
- The local authority undertakes recruitment vetting of staff prior to employment by risk assessing posts and undertaking the checks recommended

- in FFCL 2020 to prevent potentially dishonest employees from being appointed.
- Members and staff are aware of the need to make appropriate disclosures of gifts, hospitality and business. This is checked by auditors and reported to committee.
- There is a programme of work to ensure a strong counter fraud culture across all departments and delivery agents led by counter fraud experts.
- There is an independent and up-to-date whistleblowing policy which is monitored for take-up and can show that suspicions have been acted upon without internal pressure.
- Contractors and third parties sign up to the whistleblowing policy and there is evidence of this. There should be no discrimination against whistleblowers.
- Fraud resources are assessed proportionately to the risk the local authority faces and are adequately resourced.
- There is an annual fraud plan which is agreed by committee and reflects resources mapped to risks and arrangements for reporting outcomes. This plan covers all areas of the local authority's business and includes activities undertaken by contractors and third parties or voluntary sector activities.
- Statistics are kept and reported by the fraud team which cover all areas of activity and outcomes.
- Fraud officers have unfettered access to premises and documents for the purposes of counter fraud investigation.
- There is a programme to publicise fraud and corruption cases internally and externally which is positive and endorsed by the council's communications team.
- All allegations of fraud and corruption are risk assessed.
- The fraud and corruption response plan covers all areas of counter fraud work:
  - prevention
  - detection
  - investigation
  - sanctions
  - redress.
- The fraud response plan is linked to the audit plan and is communicated to senior management and members.
- Asset recovery and civil recovery are considered in all cases.
- There is a zero tolerance approach to fraud and corruption that is defined and monitored and which is always reported to committee.
- There is a programme of proactive counter fraud work which covers risks identified in assessment.
- The counter fraud team works jointly with other enforcement agencies and encourages a corporate approach and co-location of enforcement activity.

- The local authority shares data across its own departments and between other enforcement agencies.
- Prevention measures and projects are undertaken using data analytics where possible.
- The counter fraud team has registered with the Knowledge Hub so it has access to directories and other tools.
- The counter fraud team has access to the FFCL regional network.

There are professionally trained and accredited staff for counter fraud work. If auditors undertake counter fraud work they too must be trained in this area.

The counter fraud team has adequate knowledge in all areas of the local authority or is trained in these areas.

The counter fraud team has access (through partnership/ other local authorities/or funds to buy in) to specialist staff for:

- surveillance
- computer forensics
- asset recovery
- financial investigations.

Weaknesses revealed by instances of proven fraud and corruption are scrutinised carefully and fed back to departments to fraud-proof systems.

## Section 4

*The Fighting fraud and Corruption Locally board would like to thank*

*The Fighting Fraud and Corruption Locally board is:*

Charlie Adan – Chief Executive and SOLACE  
 Bevis Ingram – LGA  
 Andrew Hyatt – Royal Borough of Kensington and Chelsea  
 Mike Haley – Cifas and Joint Fraud Taskforce  
 Rachael Tiffen – Cifas and secretariat  
 Suki Binjal - Lawyers in Local Government  
 Colin Sharpe – Leicester City Council  
 Clive Palfreyman – LB Hounslow  
 Trevor Scott – Wealden District Council  
 Alison Morris – MHCLG  
 Mark Astley – NAFN  
 Paula Clowes – Essex County Council  
 Simon Bleckly – Warrington Council  
 Karen Murray – Mazars  
 Paul Dossett – Grant Thornton  
 Marc McAuley – Cipfa

The Board would like to thank Cifas for managing this process, for the delivery of the research and the drafting of this document.

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## *Regional Workshops*

*Around 260 councils attended workshops organised in the following areas:*

East Anglia  
SouthWest, Devon, Plymouth, Cornwall and Devon  
Kent  
London and the South East  
Essex  
Hertfordshire and Home Counties  
Midlands Fraud Group and Chief Internal Auditors and County Networks  
North West Fraud Groups  
Yorkshire Groups  
North East and North Regional Fraud Group

*The Fighting Fraud and Corruption  
Locally board wishes to thank:*

Andrea Hobbs  
Colin Sharpe  
Debbie Dansey  
Helen Peters  
James Flannery  
Jamie Ayling  
Jacqui Gooding  
David Hill  
Max Thomas  
Jonathan Dodswell  
Hannah Lindup  
Shelley Etherton  
Gary Taylor  
Nick Jennings  
Ken Johnson  
Mark O'Halloran  
Paul Bicknell  
Lauren Ashdown  
Steven Graham  
Matt Drury  
Gillian Martin  
Sara Essex  
Sally Anne Pearcey  
Paula Hornsby  
Rachel Worsley  
Nikki Soave  
Francesca Doman  
Andrew Reeve  
Jason Pengilly  
Paul Bradley  
Professor Alan Doig  
Sean Turley  
Neil Masters  
Dan Matthews  
Scott Reeve  
Corinne Gladstone  
Louise Baxter  
Keith Rosser  
Ben Russell  
Philip Juhasz  
Paddy O'Keefe  
Mark Wilkes

Andrew Taylor  
Neil Farquharson  
Steven Pearse  
Lucy Pledge  
Sheila Mills  
Jamey Hay  
Kerrie Wilton  
Michael Skidmore  
Oliver Day  
Carol McDonnell  
Nici Frost-Wilson

*Special thanks go to:*

### ***The researchers and drafters:***

Rachael Tiffen – Cifas  
Paula Clowes – Essex County Council  
Andy Hyatt – Royal Borough of Kensington and Chelsea

\*\*

And all those who attended the workshops, provided feedback, responded to surveys and who took up the actions after the workshops.

## **Section 5**

### *Glossary and documents*

NAFN – National Anti-Fraud Network  
CIPFA – Chartered Institute of Public Finance and Accountancy  
Cifas – UK's fraud prevention service  
NECC – National Economic Crime Centre  
NCA – National Crime Agency  
MHCLG – Ministry of Housing, Communities and Local Government

ONS: [www.ons.gov.uk/peoplepopulationandcommunity/crimeandjustice/bulletins/crimeinenglandandwales/yearendingseptember2019#fraud](http://www.ons.gov.uk/peoplepopulationandcommunity/crimeandjustice/bulletins/crimeinenglandandwales/yearendingseptember2019#fraud)  
[www.gov.uk/government/publications/economic-crime-plan-2019-to-2022](http://www.gov.uk/government/publications/economic-crime-plan-2019-to-2022)  
National Fraud Authority, Annual Fraud Indicator, March 2013  
National Fraud Authority - Good practice publication: [www.homeoffice.gov.uk/publications/agencies-public-bodies/nfa/our-work/](http://www.homeoffice.gov.uk/publications/agencies-public-bodies/nfa/our-work/)  
Economic Crime Plan 2019: [www.gov.uk/government/publications/economic-crime-plan-2019-to-2022](http://www.gov.uk/government/publications/economic-crime-plan-2019-to-2022)  
Eliminating Public Sector Fraud: [www.cabinetoffice.gov.uk/sites/default/files/resources/eliminating-public-sector-fraud-final.pdf](http://www.cabinetoffice.gov.uk/sites/default/files/resources/eliminating-public-sector-fraud-final.pdf)  
Smarter Government: [www.homeoffice.gov.uk/publications/agencies-public-bodies/nfa/our-work/smarter-government-report](http://www.homeoffice.gov.uk/publications/agencies-public-bodies/nfa/our-work/smarter-government-report)  
Local Government Association Counter Fraud Hub: [www.local.gov.uk/counter-fraud-hub](http://www.local.gov.uk/counter-fraud-hub)  
Veritau: [veritau.co.uk/aboutus](http://veritau.co.uk/aboutus)  
SWAP Internal Audit Services: [www.swapaudit.co.uk](http://www.swapaudit.co.uk)  
Devon Audit Partnership: [www.devonaudit.gov.uk](http://www.devonaudit.gov.uk)

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# Agenda Item 9.

<b>Report to:</b>	<b>AUDIT PANEL</b>
<b>Date:</b>	9 June 2020
<b>Executive Member / Reporting Officer:</b>	Councillor Ryan, Executive Member for Finance and Economic Growth Kathy Roe – Director of Finance
<b>Subject:</b>	<b>DRAFT ACCOUNTS AND ANNUAL GOVERNANCE STATEMENT – UPDATE ON TIMESCALES FOR PREPARATION AND EXTERNAL AUDIT</b>
<b>Report Summary:</b>	This report provides members of the Audit Panel with an update on the revised deadlines and proposed timescales for the preparation of the 2019/20 Statement of Accounts and Annual Governance Statement. Changes have been made to the deadlines in response to the significant pressures placed on the Council in response to the COVID19 pandemic.
<b>Recommendations:</b>	Members of the Audit Panel are asked to note the revised timescales for accounts preparation, the annual governance statement and external audit reporting.
<b>Corporate Plan:</b>	The Corporate Plan determines priorities for spending which is summarised in the 2019/20 accounts.
<b>Policy Implications:</b>	There are no direct policy implications flowing from the Statement of Accounts.
<b>Financial Implications:</b> (Authorised by the statutory Section 151 Officer & Chief Finance Officer)	The Statement of Accounts 2019/20 will provide full details of the Council's financial position at 31 March 2020 and its income and expenditure for the year ended 31 March 2020. The accounts are prepared in accordance with the CIPFA Code of Practice for Local Authority Accounting which is based on International Financial Reporting Standards.
<b>Legal Implications:</b> (Authorised by the Borough Solicitor)	There is a statutory duty imposed on the Council to be able to provide adequate evidence for all its financial activities set out in the Local Government and Housing Act 1989. The preparation of the annual accounts and the audit of those accounts is the main mechanism by which the adequacy of those records is tested.
<b>Risk Management:</b>	The external audit provides verification of the Council's financial statements.  By producing the annual Statement of Accounts and Annual Governance Statement, the Council aims to give all interested parties confidence that the public money that has been received and spent, has been properly accounted for and that the financial standing of the Council is secure and high standards of governance are in place.
<b>Background Information:</b>	The background papers relating to this report can be inspected by contacting Heather Green, Finance Business Partner Telephone: 0161 342 2929 e-mail: <a href="mailto:heather.green@tameside.gov.uk">heather.green@tameside.gov.uk</a>

## **1. BACKGROUND**

- 1.1 The statutory timetable for the preparation of draft financial statements normally requires that the draft Statement of Accounts and Annual Governance Statement is prepared and published by 31 May each year. External Audit then takes place and the target for completion of external audit and publication of the final audited Statement of Accounts is 31 July.
- 1.2 For the 2019/20 accounts, Government has recognised that significant operational pressures have been placed on Council's as a result of the COVID19 pandemic and changes have been made to the deadlines for publication of draft and final audited Statement of Accounts.

## **2. REVISED TIMESCALES**

- 2.1 The Ministry of Housing, Communities and Local Government have laid regulations to revise the statutory deadlines for 2019/20 accounts (**Appendix 1**). The revised deadlines require that draft accounts and a draft Annual Governance Statement are published by 30 August at the latest. The publication date for final audit accounts is now 30 November 2020.
- 2.2 The preparation of draft accounts is well progressed and officers have sought to stick to the original timetable as far as possible. However, supporting the Council's response to COVID19 has remained the priority for all service areas and as a result some elements of the accounts and the Draft Annual Governance Statement will not be complete for the original target date of 31 May. Delay in the publication of key financial returns by Government has also impacted on the preparation of some elements of the accounts.
- 2.3 Officers expect to complete the preparation of the Council's draft accounts by mid June 2020. The draft Statement of Accounts and Annual Governance Statement will be presented to the meeting of the Audit Panel on 28 July and then placed on deposit for public inspection during August. It is expected that External Audit will report to the meeting of the Audit Panel on 10 November 2020.

## **3. RECOMMENDATIONS**

- 3.1 As set out on the front of the report.



Ministry of Housing,  
Communities &  
Local Government

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22 April 2020

Dear Sir/Madam

**The Accounts and Audit (Coronavirus)(Amendment) Regulations 2020**

I am writing to inform you that, following the Secretary of State's announcement on 16<sup>th</sup> March of his intention to extend the statutory audit deadlines for 2019/20, we consulted key stakeholders and, following that consultation - and taking into consideration the increasing impact of COVID-19 - it has been decided that:

- The publication date for final, audited, accounts will move from 31 July for Category 1 authorities and 30 September for Category 2 authorities to 30 November 2020 for all local authority bodies.
- To give local authorities more flexibility, the requirement for the public inspection period to include the first 10 working days of June (for Category 1 authorities) and July (for Category 2 authorities) has been removed. Instead local authorities must commence the public inspection period on or before the first working day of September 2020.

This means that draft accounts must be approved by 31 August 2020 at the latest. However, they may be approved earlier, and we would encourage councils to do so wherever possible, to help manage overall pressure on audit firms towards the end of the year.

Authorities must publish the dates of their public inspection period, and given the removal of the common inspection period and extension of the overall deadlines for this year, it is recommended that all authorities provide public notice on their websites when the public inspection period would usually commence, explaining why they are departing from normal practice for 2019/20 accounts.

The regulations implementing these measures were laid on 7 April and are due to come into force on 30 April 2020. You can find the regulations and supporting documents on the legislation.gov website <http://www.legislation.gov.uk/ukxi/2020/404/contents/made>

In relation to the meetings needed to approve draft and final accounts, separate regulations have been made to enable meetings to be held remotely, and to hold and alter the frequency and occurrence of meetings without the need for further notice. Link follows: <http://www.legislation.gov.uk/ukxi/2020/392/contents/made>

Yours faithfully

**Max Soule**  
**Deputy Director**  
**Local Authority Accountability and Oversight**

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