

AUDIT PANEL

Tuesday, 7 March 2017

Commenced: 2.00 pm

Terminated: 2.30 pm

Present: Councillors Ricci (Chair), Ryan (Deputy Chair), Buckley, Fairfoull, J Fitzpatrick and Peet

In Attendance:

Sandra Stewart	Executive Director of Governance, Resources and Pensions
Ian Duncan	Assistant Executive Director - Finance
Wendy Poole	Head of Risk Management and Audit Services

Apologies for Absence: Councillors Bailey and K Welsh

19. DECLARATIONS OF INTEREST

There were no declarations of interest.

20. MINUTES

The Minutes of the proceedings of the meeting of the Audit Panel on 1 November 2016 were agreed and signed as a correct record.

21. GRANT CERTIFICATION REPORT

The Assistant Executive Director (Finance) submitted a report, which set out the Grant Certification Report for 2015-16. The report gave details of one certified claim (Housing Benefit Subsidy) for the financial year 2015-16 relating to expenditure of £88.9 million.

The report summarised Grant Thornton's overall assessment of the Council's management arrangements in respect of the certification process. A small number of issues had been identified during the process, which had been reviewed and amended accordingly and Grant Thornton had reported their findings to the Department for Work and Pensions. The certification process had been positive and the small amendment that had been required on a complicated claim subsidy was testament to the hard work of the staff involved.

Details of the Certification fees were also appended to the report. It was confirmed that the indicative fee for 2015/16 was based on the final 2013/14 certification fees that reflected the amount of work required by the auditor to certify the Housing Benefit Subsidy Claim from that year. The indicative scale fee charged to the Council was set by Public Sector Audit Appointments Limited.

RESOLVED:

That the report be noted.

22. RISK MANAGEMENT AND INTERNAL AUDIT ACTIVITIES

Consideration was given to a report of the Assistant Executive Director (Finance) and Head of Risk Management and Audit Services detailing the work undertaken by the Risk Management and Internal Audit Service between April 2016 and 3 February 2017.

The following areas of work undertaken by Risk Management and the Internal Audit Service were reported as follows.

Risk Management and Insurance – the key priorities for 2016/17 were detailed as follows:-

- To review the risk management system and facilitate the delivery of risk workshops for managers to enable risk registers to be updated.
- To facilitate the continued implementation of the Information Governance Framework by:-
 - Providing advice and guidance in relation to information governance;
 - Keeping the framework up to date and fit for purpose with any new guidance issued by the Information Commissioners Office;
 - Delivering and monitoring training for general users and for staff in high risk areas.
- To review the Business Continuity Management system in place to streamline the process to create a management tool that was workable, with a capability to provide knowledge and information should a major incident occur.
- To continue to support managers to assess their risks as services were redesigned to ensure that changes to systems and procedures remained robust and resilient offering cost effective mitigation and that claims for compensation could be successfully repudiated and defended should litigation occur.

Panel Members were notified that work during the period had concentrated on the insurance function. The Information Governance Group had met twice during the period and, with the support of the Senior Management Team, an Information Champions Group would be created and facilitated by Risk/Insurance and Legal. The aim of the group would be to help disseminate best practice within directorates and assist with preparations for the introduction of the General Data Protection Regulations 2018, which would introduce more stringent controls in relation to data protection.

With regard to Internal Audit, reference was made to the Audit Plan, which had been approved in May 2016 and covered the period April 2016 to March 2017. The plan was reactive to the needs of the Council and additional items had been requested during the year due to changes in circumstances or new risks being identified. An update on progress against the plan at 3 February 2017 was provided. It was reported that 77% of the revised audit plan had been achieved so far. It was explained that a detailed review of the audit plan had been undertaken in conjunction with senior management to ensure that the plan was still relevant and met with available resources within the team.

During the four month period to 3 February 2017, seven final reports had been issued in relation to systems, risk and managed audits and eight draft reports had been issued for management review and responses. Nine school audits and one draft review were completed during the period, which was an improvement on 2015/16. In addition, 11 Post Audit Reviews had been completed taking the total for the year to 19 and a further 18 Post Audit Reviews were in progress.

It was reported that the planning process for 2017/18 was underway and the draft plan would be presented to the next meeting of the Panel. All audits were risk assessed taking into account the duration since the last audit. Therefore any audits that had been rescheduled from 2016/17 would feature in the risk assessment.

It was further reported that the review of Internal Audit against the Public Sector Internal Auditing Standards highlighted that the service was fully compliant with the requirements of the standard. In line with Standard 1312, which stated that each organisation's internal audit service was subject to

an external assessment “once every five years by a qualified, independent assessor or assessment team from outside the organisation”. The service would be assessed during 2017/18, using the Peer Review Methodology designed by the North West Chief Audit Executive Group. A date later in the year had been requested as the Audit Management System needed to be upgraded and the revised processes introduced needed to be embedded before the review was undertaken.

The Panel were advised that with regards to Procurement of External Auditors - Local Audit and Accountability Act 2014, a report had been presented to the Joint Executive Cabinet/Audit Panel Meeting on 8 February 2017 and ratified at Council on 28 February 2017, which recommended that the Council opted into the Sector Led option for the procurement of external auditors being managed by Public Sector Audit Appointments Limited. The Panel were informed that confirmation had been received from Public Sector Audit Appointments Limited that the Council had been accepted as part of this arrangement.

An update was given on the four annual governance statement development areas concerning the ongoing level of change across the organisation, the move towards an Integrated Care Organisation, Vision Tameside and Greater Manchester Pension Fund Pooling. An update was also provided on work undertaken on NAFN Data and Intelligence Services.

With regard to Irregularities/Counter Fraud Work a summary of cases, which had been investigated during the period April 2016 to February 2017 was provided. In total, 24 cases had been received with 16 still under investigation. Members requested that for future reporting the table contained within the report should include a column detailing the fraud amount and the amount recovered.

Panel Members asked if all of the Audit Plan would be completed by March 2017. The Head of Risk Management and Audit Services advised that it was a priority for the team and resources had been allocated to try and achieve 100% of the Plan. Panel Members commented that, with regard to Table 4 - Final Reports Schools, the result was good and asked what actions had been taken to achieve the improvement. It was confirmed that a newsletter was sent to schools advising them of how to compensate for issues but the result could also be attributed to the growing trend of schools becoming academies.

RESOLVED:

That the report and performance of the Service Unit for the period April 2016 to 3 February 2017 be noted.

23. CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY - FRAUD AND CORRUPTION TRACKER

Consideration was given to a report of the Assistant Executive Director (Finance) and 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 Centre – Fraud and Corruption Tracker 2016.

It was reported that the Chartered Institute of Public Finance and Accountancy Counter Fraud Centre was launched in July 2014 and led and coordinated the fight against fraud and corruption across public services by providing a one-stop-shop for thought leadership, counter fraud tools, resources and training. An annual survey was carried out across a host of public sector organisations, including local authorities, police and crime commissioners, transport authorities, fire and rescue authorities, waste authorities and public agencies.

The report detailed the nationwide results of the 2015/16 survey. Details of the type of fraud along with the number of cases, values and percentage of the total were provided. For Tameside the number of frauds dealt with was low and because of the nature of investigations and the definition of “Detected Fraud” very little was reported in the survey. Although the survey did not capture emerging trends Procurement Fraud, Right to Buy Fraud and Business Rates Fraud was increasing.

Personal Budgets and Direct Payment frauds decreased in 2015/16 compared to 2014/15 results and respondents identified Council Tax; Housing; Procurement; Adult Social Care; and Housing Benefit as the highest risk areas for their organisations.

As a result of the survey the Chartered Institute of Public Finance and Accountancy had made the following recommendations:-

- Public sector organisations should carry out fraud assessments regularly and have access to appropriately qualified counter fraud resources to help mitigate the risks and effectively counter any fraud activity.
- All organisations should undertake an assessment of their current counter fraud arrangements.
- In line with the Fighting Fraud and Corruption Locally Board suggestion, local authorities should examine and devise a standard and common methodology for measuring fraud and corruption. Once it has been agreed, local authorities should use the measure to estimate levels of fraud and corruption.
- It is as important to prevent fraud that has no direct financial interest, such as data manipulation and recruitment, as it is high value fraud.
- Organisations should develop joint working arrangements where they can with other counter fraud professionals and organisations.
- Public bodies should continue to raise fraud awareness in the procurement process, not only in the tendering process but also in the contract monitoring element.
- Authorities should ensure that anti-fraud measures within their own insurance claims processes are fit for purpose and that there is a clear route for investigations into alleged frauds to be undertaken.

Members requested a comparison to neighbouring authorities. They were advised that a benchmarking request would be made at a future Greater Manchester Audit Group and reported back to the Panel. Panel Members asked how much of the fraud could be recovered. They were advised that £300,000 Council Tax fraud would be recovered via adjustments to the billing process, £102,000 relating to procurement was in the process of being recovered through Proceeds of Crime hearing, £25,000 Children's Social Care had been invoiced and £116,000 Adult Social Care would be dependent upon individual's assets.

RESOLVED:
That the report be noted.

24. URGENT ITEMS

There were no urgent items.

CHAIR