

Report To:	AUDIT PANEL
Date:	26 July 2022
Reporting Officer:	Christine Weston– Interim Head of Risk Management and Audit Services
Subject:	RISK MANAGEMENT AND AUDIT SERVICES – ANNUAL REPORT 2021/22
Report Summary:	The report summarises the work performed by the Service Unit and provides assurances as to the adequacy of the Council's System of Internal Control.
Recommendations:	Members note the report and the performance of the Service during 2021/22.
Corporate Plan:	Risk Management and Internal Audit support the individual operations, which deliver the objectives within the Corporate Plan.
Policy Implications:	Effective Risk Management and Internal Audit supports the achievement of Council objectives and demonstrates a commitment to high standards of corporate governance.
Financial Implications: (Authorised by the 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.
Legal Implications: (Authorised by the Borough Solicitor)	<p>The various pieces of legislation governing how the Council operates its risk and audit function are set out in the main body of the report.</p> <p>The purpose of this legislation is to ensure that the Council delivers its strategic aim and operates its business, under general principles of good governance.</p> <p>In particular Members need to be aware that the Council has a statutory responsibility to have in place arrangements for managing risks, as stated in the Accounts and Audit Regulations 2015 (as amended): <i>A relevant authority must ensure that it has a sound system of internal control which includes effective arrangements for the management of risk.</i></p> <p>Such good governance is all the more critical in times when the council is operating in a particularly challenging financial climate.</p>
Risk Management:	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 and that a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes is in place.

Access to Information:

The background papers can be obtained from the author of the report, Christine Weston, Interim Head of Risk Management and Audit Services by contacting:



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1 INTRODUCTION

- 1.1 The purpose of the report is to present a review of the Risk Management and Audit Service for 2021/22, including the provision of an opinion on how the Council secures governance, risk management and internal control.
- 1.2 The service covers:-
- Internal Audit (including Irregularity Investigations and Counter Fraud work);
 - Risk, Insurance and Information Governance; and
 - National Anti-Fraud Network (NAFN) Data and Intelligence Services.

2 KEY SERVICE ACHIEVEMENTS DURING 2021/22

- 2.1 The major achievements of the Service Unit for 2021/22 are shown below.

<ul style="list-style-type: none">• The implementation rate for audit recommendations was 86%.
<ul style="list-style-type: none">• The percentage of Planned Audits completed was 91%.
<ul style="list-style-type: none">• Customer feedback is very positive with continued high levels of satisfaction demonstrated on customer questionnaires and feedback from managers.
<ul style="list-style-type: none">• Annual reports, plans and regular progress reports presented to Members via the Audit Panel and the Greater Manchester Pension Fund Local Board.
<ul style="list-style-type: none">• The Annual Governance Statement 2020/21 was produced in accordance with best practice and agreed timescales and no adverse comments were received when our External Auditors (Mazars) reviewed it.
<ul style="list-style-type: none">• Advice and support has continued to be provided to both the Place Directorate and Exchequer Services to ensure the COVID-19 grants to support businesses, individuals and Energy Costs were assessed and paid following a robust process to minimise the likelihood of fraud.
<ul style="list-style-type: none">• Grant claims reviewed by Internal Audit during 2021/22 have resulted in grants totalling £82,871 being withheld and Fraudulent claims totalling £150,119 being investigated and pursued through to recovery.
<ul style="list-style-type: none">• The National Anti-Fraud Network (NAFN) has worked closely with Central Government including the Cabinet Office and the Department for Business, Energy and Industrial Strategy to continue to provide data and intelligence regarding the number and value of frauds from members.
<ul style="list-style-type: none">• Following an inspection in November 2021, NAFN received a very successful inspection outcome from the Investigatory Powers Commissioners Officer (IPCO), receiving no recommendations, three minor observations and recognition for three areas of good practice.
<ul style="list-style-type: none">• NAFN were finalists in two iNetwork Innovation Awards and were successful in winning the iStandUK Award in recognition of the NR3 National Register of Licensing Refusals and Revocations.
<ul style="list-style-type: none">• The insurance renewal process was completed on time and all policies were updated and effective from April 2022 and within budget.
<ul style="list-style-type: none">• Information Governance support has been provided across the Council to support numerous projects both local and GM wide to ensure data/information is managed in accordance with UK GDPR and the Data Protection Act 2018.

3 INTERNAL AUDIT

- 3.1 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”.

3.2 The key elements of the definition are:-

- **Risk Management** – A process to identify, assess, manage and control potential events or situations to provide reasonable assurance regarding the achievement of the 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.

3.3 The provision of Internal Audit is defined by the following legislation

- **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.

- **Accounts and Audit Regulations 2015 (as amended) 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.

- **Accounts and Audit Regulations 2015 (as amended) 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 explanations;

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.

- **Accounts and Audit Regulations 2015 (as amended) 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).

3.4 The Terms of Reference for the Audit Panel adequately meet the requirements of the Accounts and Audit Regulations 2015 (as amended) and the Chartered Institute of Public Finance and Accountancy Position Statement: Audit Committees in Local Authorities and Police 2022.

3.5 The review of the effectiveness of the system of internal control referred to in paragraph 3.3 has been conducted and a separate report is on the agenda. The Annual Governance Statement is also on the agenda.

4 AUDIT COVERAGE FOR 2021/22

4.1 The report presented to the Audit Panel on 16 March 2021 provided an overview of the work planned for 2021/22 for the Service Unit. The Original Annual Audit Plan of 1,666 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 The Team has continued to work from home for the majority of the year. A hybrid approach is now being trialled and a Team Charter created to document the working arrangements going forward.

4.3 **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 2022 and the percentage completed.

4.4 The Actual Days delivered to 31 March 2022 of 1,508 were 76 less than the Revised Plan of 1,584 days. The shortfall is a result of the unanticipated loss of an Auditor in March 2022, additional professional training as a member of the team commenced the Association of Accounting Technicians Qualification (AAT) part way through the year and further intensive on the job training for the developing Auditors/Senior Auditor.

Table 1 – Audit Plan Activity 2021/22

Directorate/Service Area	Approved Plan Days 2021/22	Revised Plan Nov 2021	Actual Days March 2022	% Plan Complete
Children's	90	123	96	78
Children's Schools/Learning	128	131	121	92

Adults	87	80	91	114
Population Health	21	4	2	50
Place	163	127	98	77
Governance	206	187	196	105
Finance	194	163	152	93
Greater Manchester Pension Fund	300	300	321	107
Cross Cutting	84	51	17	33
Total Planned Days 2021/22	1,273	1,166	1,094	94
Counter Fraud Work/Investigations	393	418	414	99
Total Days for 2021/22	1,666	1,584	1,508	95

4.5 The charts below detail the Revised Plan Days and Actual Days Delivered per Directorate/Service Area for 2021/22.

Chart 1 – Revised Plan Days 2021/22

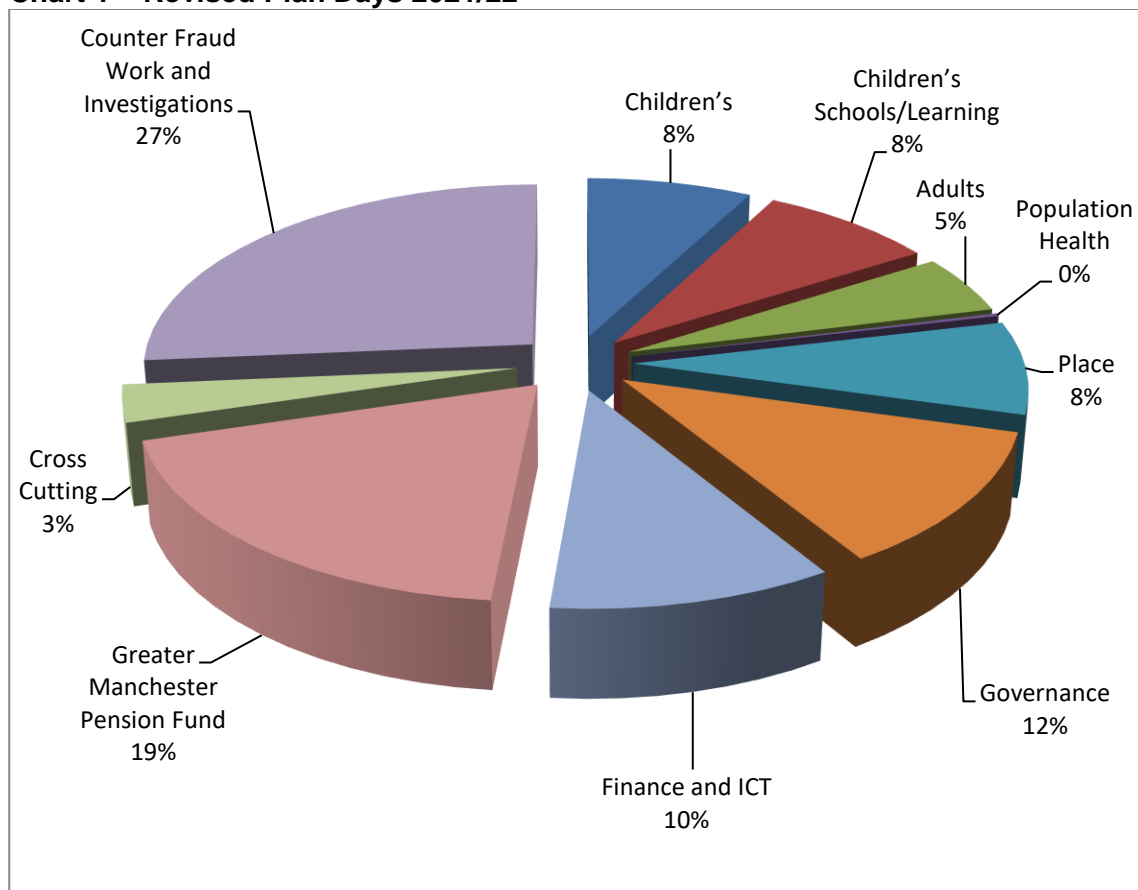


Chart 2 – Audit Days Delivered 2021/22

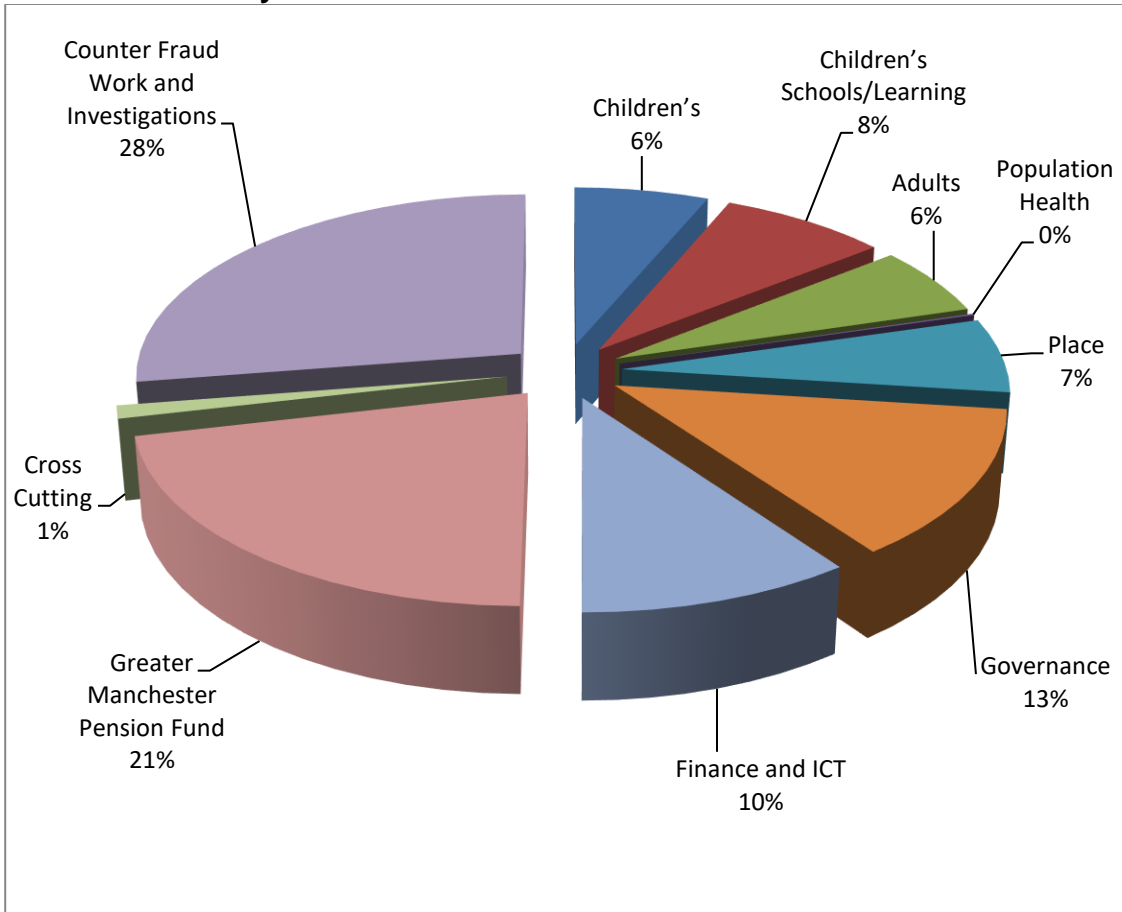
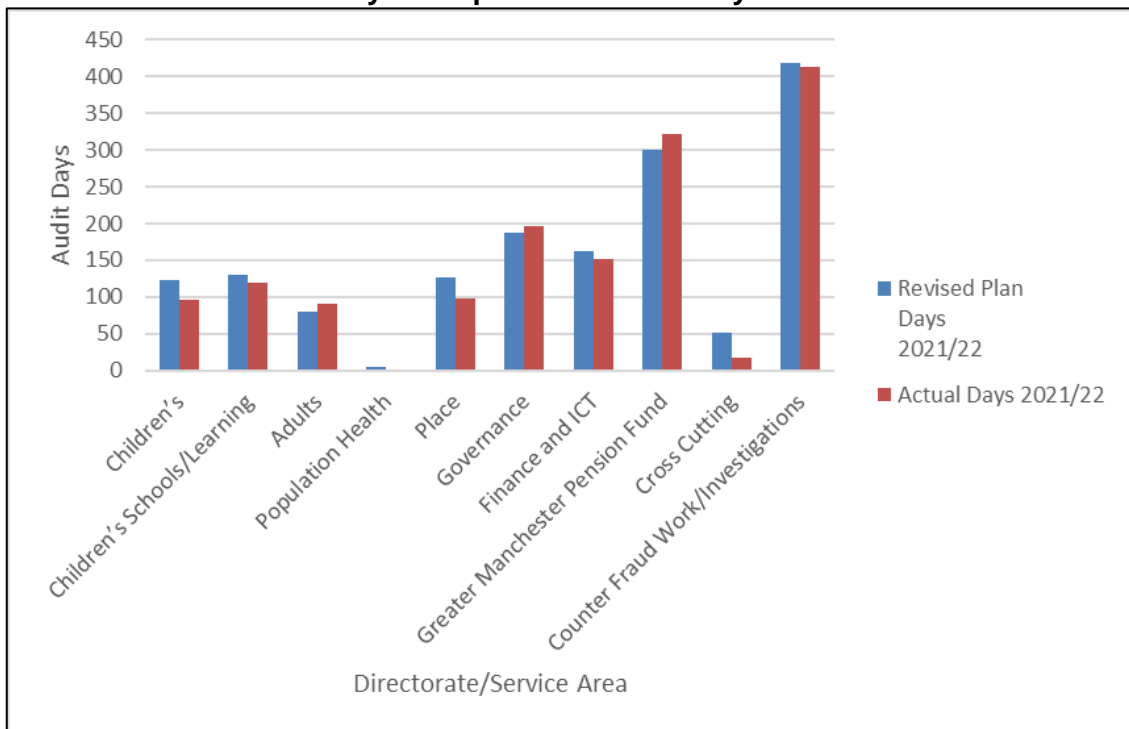


Chart 3 – Revised Plan Days Compared to Actual Days Delivered 2021/22



- 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 1,508 compared to the revised plan of 1,584, which represents 95%.
 - Actual Productive Audit Days Delivered against the Original Plan
The days delivered against the plan, including Fraud Work totalled 1,508 compared to the original plan of 1,666, which represents 91%.
 - 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 2021/22 is 91% compared to 94% achieved in the previous year 2020/21.
- 4.7 The following sections of the report provide details of the key areas covered during the period April 2021 to March 2022.
- 4.8 During 2021/22 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 Work 2021/22

Final Reports Issued	Level of Assurance
Procurement of Placements for Children	Medium
Children's Homes – Review of Expenditure	N/A
Procure to Pay	Medium
Treasury Management	High
New Custodian Arrangements	High
Ill Health Insurance Arrangement	High
Local Investments - GMPVF	High
Draft Report Issued	
Council Tax	

- 4.9 Table 3 shows the work that was still in progress at the year end.

Table 3 – Work In Progress as at 31 March 2022

Work in Progress
Contract Monitoring – Care Homes
Budgetary Control and Financial Management - Adult Services
New BACS System Sign Off
Treasury Management Workflow Sign Off
AVC's – Arrangements with Prudential
Fund Manager – Sci Beta
Northern Private Equity Partnership
PAR – Determination and Recovery of Adult Service Care and Support Charges
PAR – Procure to Pay
PAR – Pension Benefits Payable
PAR – Ill Health and Early Retirement

4.10 Sections 4.11 to 4.18 provide details of the audit work undertaken in each directorate.

4.11 **Adults**

Areas reviewed during the year have included:-

- Contract Monitoring – Care Homes
- Safeguarding
- Learning Disability Client Accounts
- Budgetary Control and Financial Management

4.12 **Children's/Learning**

Areas reviewed during the year have included:-

- Supporting Families
- Fostering
- Agency Workers Timesheets
- Procurement of Placements for Children
- Children's Homes – Review of Expenditure

The audit work carried out on Schools in 2021/22 is detailed below in paragraph 4.21.

4.13 **Population Health**

No audits were delivered in this area as the Team continued to manage the Council's response to Coronavirus/COVID-19.

4.14 **Place**

Areas reviewed during the year have included:-

- Support in setting up the Grant payment process
- Post Payment Assurance - Discretionary Business Grants
- Processing of Grants paid to support Businesses
- Hattersley Collaboration Agreement
- Capital Project Control Report
- Homelessness and Advice
- Local Authority Bus Subsidy Grant
- System Sign Off – Taxi Compliance Booking System
- Household Support Fund

4.15 **Governance**

Areas reviewed during the year have included:-

- Advice and Support – Omicron Hospitality and Leisure Grants
- Post Payment Assurance – Business Grants
- Capita System Review
- Council Tax
- Assurance Work – Term Time Only Calculations/Payments
- Registrars Financial Audit
- Advice and Support – iTrent Self-Service
- Softbox Upgrade
- Car Allowance Assurance Work
- Advice re Agresso developments
- Review of the changes to the Term Time Only Calculation
- Review of members Allowances publication

4.16 **Finance**

Areas reviewed during the year have included:-

- Treasury Management
- Audit of Accounts – George Byrom Trust
- Support to Financial Management
- Control Report – Covid Grant

- Network Management/Security
- Access Control Management
- Vulnerability Management
- Cooperative Network Infrastructure (CNI)
- Physical and Environmental Controls

4.17 Crosscutting

Areas reviewed during the year have included:-

- Domestic Abuse – Contact Monitoring

4.18 Greater Manchester Pension Fund:-

Areas reviewed during the year have included:-

- Treasury Management
- Smarter Scan Sign off
- Debtors
- Website Security and Cyber Security
- I Connect Post Implementation Review
- Fund Managers – Stone Harbor and Sci Beta
- Northern Private Equity Partnership
- Advice and Support – My Pension and MS365
- Visits to Contributing Bodies
- Additional Voluntary Contributions (AVCs) – Arrangements with Prudential
- Ill Health Insurance Arrangements
- Advice, Support and Assurance Work – iConnect
- Local Investments
- Advice in relation to system changes and updates

4.19 A summary of the audit opinions issued in relation to risk/system based audit work for 2021/22, compared to 2020/21 and 2019/20 is shown in Table 4 below: -

Table 4 – Final Reports System Based Audits

Opinion	Total 2021/22	%	Total 2020/21	%	Total 2019/20	%
High	9 (7)	62	5 (3)	31	7 (6)	27
Medium	4 (1)	31	7 (4)	44	14 (3)	54
Low	1 (1)	7	4	25	5 (1)	19
Sub Total	14 (9)	100	16 (7)	100	26 (10)	100
Control Reports	5		3		10	
Consultancy Reviews	1 (1)		0			
Totals	20 (10)		19 (7)	100	36 (10)	100

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

4.20 Six schools have been audited and final reports issued as part of our cyclical review programme during 2021/22. A summary of the opinions issued for schools during 2021/22 compared to 2020/21 and 2019/20 is shown in Table 5 below: -

Table 5 – Audit Opinions – Schools

Opinion	Total 2021/22	%	Total 2020/21	%	Total 2019/20	%
High	2	33	3	30	1	8
Medium	4	67	5	50	12	92
Low	0	0	2	20	0	0
Totals	6	100	10	100	13	100

- 4.21 Three further draft reports have been issued for comments and management responses and these will be reported to the Panel in due course.
- 4.22 In addition to the audit reports issued 6, a significant number of days were allocated throughout the year to work that did not generate a report with a level of assurance. The areas listed below are examples of this work:-
- Grant Certification;
 - Advice, consultancy and assurance work provided to support service redesigns and the implementation of new or updated processes/systems;
 - Investigations into allegations of Fraud/Irregularities;
 - Continued advice and support to both the Place Directorate and Exchequer Services in relation to the procedures introduced to process grants provided by Central Government to support businesses in relation to COVID-19;
 - Processing COVID-19 grant applications; and
 - Control Reports – as a result of frauds.
- 4.23 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.
- 4.24 Post Audit Reviews are undertaken approximately six months after the Final Report has been issued, however, where a report with a low level of assurance has been issued, the Post Audit Review is scheduled for three months to ensure that the issues identified are addressed.
- 4.25 Twenty seven Post Audit Reviews have been completed in total during 2021/22.
- 4.26 The percentage rate of all recommendations implemented for 2021/22 is 86% compared to 88% in 2020/21 as detailed in Table 6 below. Recovery from Covid 19 and capacity issues in some Directorates/Service Areas has affected the implementation of recommendations. Where significant recommendations are outstanding a second post audit review will be scheduled to ensure adequate progress is made.

Table 6 – Summary of Post Audit Reviews Completed 2021/22

Post Audit Reviews		Recommendations		
		Agreed	Implemented	
Quarter 2021/22	Number Completed	No.	No.	%
1	11	156	133	85
2	2	17	4	24
3	9	106	100	94
4	5	43	39	91
Totals	27	322	276	86

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/assistance cases are reviewed by the Monitoring Officer and Section 151 Officer and, where appropriate, they challenge and comment on the cases. 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 2021 to March 2022 are summarised in Table 7 below.

Table 7 – Investigations Undertaken from April 2021 to March 2022

Detail	No of Cases April 2021 – March 2022
Cases B/Forward from 2021/22	34
Current Year Referrals	47
Total	81
Cases Closed	52
Cases Still under Investigation	29
Total	81
Assistance Cases	30

- 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	Estimated Value £
Adult Social Care	7	52,323
COVID-19 Business Support Grants	56	271,231
Children’s Social Care	4	5,285
Council Tax	6	-
Blue Badge	3	-
Pensions	2	8,486
Procurement	1	-
Theft	0	-
Other	2	-
Total	81	337,325

- 5.5 The Estimated Value shows the value of the fraud and every effort is made to recover these monies.
- 5.6 During 2021/22, fifty six COVID-19 Business Support Grants have been investigated by the Corporate Fraud Team for both Exchequer Services and the Place Directorate. Table 9 below summarises the outcome of the work undertaken by the Fraud Team as at 31 March 2022. It shows that grant applications totalling £82,871 were stopped before payment due to inconsistencies in the application. After review grants totalling £150,119 are being recovered via invoice and grants to the value of £38,241 are still being investigated.

Table 9 – Investigations – Grants to Businesses

Grant Type	No. of Cases	Value £	Value of Fraudulent Claims Still under Investigation £	Payments Stopped To Date £	Value of Grants being Recovered via Invoice £
Business Grants	36	193,810	38,241	14,000	141,569
Discretionary Grants	20	77,421	0	68,871	8,550
Total	56	271,231	38,241	82,871	150,119

National Fraud Initiative

5.7 The data sets for the National Fraud Initiative (NFI) 2020 Exercise were uploaded to the Cabinet Office' Secure System in October 2020 and the initial matches identified for Tameside were received in February 2021, although the website is refreshed on an ongoing basis as matches are added. Table 10 below provides a summary of the key matches identified for investigation, those listed with a High Report Match Rating indicate that records have match on several data fields, making them the priority for review and investigation.

5.8 Table 10 – National Fraud Initiative (NFI) Findings to March 2022

NFI Data Set	NFI Report Ref.	Number of Matches	Report Match Rating	Comments		
				Processed	In Progress	No. of Error/Fraud and Value
Pensions to DWP Deceased Persons	52	936	High	936		29 Frauds 7 Errors £35,947
Pensions to Payroll	54 55	1256	High	1247	9	-
Deferred Pensions to DWP Deceased	53	158	High	152	6	96 Errors
Housing Benefits to Student Loans	2	31	High	12	19	2 Errors £3,129
Housing Benefits Claimants to DWP Deceased	49.1	32	High	32	-	-
Council Tax Reduction Scheme to Pensions	435.1 436.1 439.1	844	High	354	490	84 Errors £60,170
Council Tax Reduction Scheme to Payroll	435 436	50	High	27	23	2 Errors £2,055
Council Tax Reduction Scheme to Council Tax Reduction Scheme	446	17	High	5	12	1 Error £2,338
Council Tax Reduction Scheme to Taxi Drivers	459.2	32	High	7	25	1 Error £1,069
Council Tax Reduction Scheme to DWP Deceased	482	77	High	77	-	-
Blue Badge to DWP Deceased	172.1	297	High	297		6 Errors

NFI Data Set	NFI Report Ref.	Number of Matches	Report Match Rating	Comments		
				Processed	In Progress	No. of Error/Fraud and Value
Payroll to Payroll	66	22	High	6	16	1 Fraud £20,113
Housing Benefit Claimants to Taxi Drivers	47.1 47.2	58	High	11	47	-
Within Council Tax Rising 18s	802	41	High	15	26	10 Errors £534
COVID-19 Grants	1700 - 1710	91	High	39	52	2 Frauds £11,230 2 Errors £20,000
Totals		3,942		3,217	725	32 Frauds 211 Errors £156,585

- 5.9 The majority of High Rated Matches have now been investigated and 32 Frauds and 211 Errors totalling £156,585, have been identified from the Exercise. NFI 2020 will be closed down by the Cabinet office shortly, to enable the NFI 2020 Summary Report to be produced and the site prepared for the uploads for the 2022 exercise in October 2022.

6 NATIONAL ANTI FRAUD NETWORK DATA AND INTELLIGENCE SERVICES

- 6.1 NAFN exists to support members in their protection of the public purse and acts as an Intelligence Hub providing a single point of contact for members to acquire data and intelligence in support of investigations, enforcement action and debt collection. A breakdown of the membership is provided in Table 11.

Table 11 – NAFN Membership

Member Type	March 2022	Dec 2021	Sept 2021	June 2021
Local Authorities	367	367	362	364
Housing Associations	69	68	67	68
Other Public Bodies	33	33	32	29
Totals	469	468	461	461
Registered Users	14,975	14,763	14,064	14,089

- 6.2 Recruitment has exceeded target for all three sectors. Local authority membership has, to a large extent, been driven by the existing NR3 Database and the new Taxi and Private Hire Vehicle (Safety and Safeguarding) Act 2022. The NAFN SPOC service has continued to prove a significant draw for WPAs as they increasingly realise the benefits and added value that membership offers.
- 6.3 The forecast intake for 2021-22 was very cautious given the impact of Covid-19 and the uncertainties surrounding the availability of staffing resources within member organisations. However, overall intake of requests for 2021/22 (see Table 11) is up on the previous year as members returned to 'business as usual'.
- 6.4 Of particular note, IPA Communication Data requests were up significantly on the previous year reflecting the growth in membership, particularly Wider Public Authorities. Overall, the number of IPA enquiries was 60% above the forecast level.

- 6.5 The annual IPCO inspection of NAFN in December 2021 was very positive with no areas of non-compliance identified, three observations related to minor operational areas for possible improvement and three observations of good practice.

Table 12 – NAFN Requests Received

Type of Request	2021/22 Q1	2021/22 Q2	2021/22 Q3	2021/22 Q4	Totals 2021/22	Totals 2020/21
General Data Protection	5,505	5,950	6,249	6,685	24,389	23,648
Driver and Vehicle Licensing Agency	2,993	3,100	2,854	3,270	12,217	10,082
Investigatory Powers Act – Communications Data	889	1,072	695	832	3,488	2,312
Prevention of Social Housing Fraud Act/Council Tax Reduction Scheme	2,539	2,608	2,773	2,858	10,778	10,001
Type B (Online)	43,038	43,688	42,141	43,443	172,310	150,858
Grand Total	54,964	56,418	54,712	57,088	223,182	196,901

- 6.6 NAFN continued to work closely with Central Government including the Cabinet Office and the Business Energy and Industrial Strategy in response to COVID-19 business support grant fraud. Overall, almost 4,000 fraud incidents totalling £37.5m were recorded, of which, £28.5m was recovered or prevented. NAFN issued regular intelligence alerts supporting the local authority community.
- 6.7 Also, NAFN has been working closely with the Local Government Association, Institute of Licensing and Department for Transport providing monthly statistics on NR3 use by licensing authorities across England and Wales. In October 2021 NAFN established a National NR3 User Group. NAFN's role in supporting NR3 continued to develop and will be further enhanced following the introduction of the Taxis and Private Hire Vehicles (Safeguarding and Road Safety) Act which received Royal Assent on 31 March 2022.
- 6.8 The successful collaborative work on NR3 has been widely acknowledged and the NAFN Team recently won the iNetwork Innovation iStand Award, in recognition of the NR3 Register. The award recognises innovation and achievement in the effective use of data and information standards to improve services, enable information transparency and common understanding of a key operational issue.
- 6.9 Due to the ongoing uncertainties concerning Covid, the NAFN AGM was once again delivered online. The event provided an update from the Leadership Team on NAFN's long term strategy and service transformation. There were four breakout sessions on Public Sector Procurement Fraud and Bid Rigging, updates from the DVLA, feedback on the new NAFN Enhanced Intelligence Service and a general update on NAFN services. The event attracted over 400 delegates and feedback was very positive.
- 6.10 The NAFN Executive Board wants to pursue Project Argus which will transform the NAFN ICT infrastructure and upgrade functionality and the service offer to members. This is a major high value change project that needs to be carefully managed but is temporarily on hold pending recruitment of a suitably qualified and experienced Change Manager.
- 6.11 At the last NAFN Executive Board Meeting the Head of Risk Management and Audit notified the Board of her intention to retire bringing an end to her successful twelve year tenure as the Chair of NAFN. Elected in May 2022, the new Chair is John Peerless-Mountford who is based at Brighton and Hove City Council in their Trading Standards Department.

7 RISK MANAGEMENT AND INSURANCE

7.1 The Risk, Insurance and Information Governance Team provide services to the whole Council. The key priorities for the team during 2021/22 are detailed in Table 13 below together with a progress update to March 2022.

Table 13 – Information Governance Team Key Priorities

Key Priorities 2021/22	Progress Report – March 2022
<p>To continue to work with the Single Leadership Team to review the Corporate Risk Register ensuring that it is linked to the Corporate Plan Themes and Priorities, to review the process for recording and evaluating risks and develop operational risk registers. A key priority will be to develop the monitoring of risk registers to ensure they are reported appropriately to officers and members.</p>	<p>The updated Risk Management Policy and Strategy is now on Staff Portal and disseminated to managers. The Corporate Risk Register is updated and presented to the Single Leadership Team and the Audit Panel quarterly. Work with service areas to develop operational risk registers has been delayed to 2022/23 due to capacity issues.</p>
<p>To deliver the Information Governance Work Plan which is being developed with the Information Governance Group to ensure that the Council is compliant with all Data Protection legislation.</p>	<p>Delivery of the Work Plan has progressed during the year and a number of policies and procedures have been updated and approved, for example the IG Policy and the IG Conduct Policy. A revised Intranet page has been developed and launched. A Data Protection/Information Governance Report is now regularly presented to the Audit Panel.</p>
<p>To work with senior managers to ensure that Service Area/Units Business Continuity Plans are robust and fit for purpose and regularly reviewed to support management in responding to a major incident.</p>	<p>This work was put on hold awaiting the outcome of the Work Smart Project. As a hybrid service delivery model is now in place, work will commence during 2022/23 to update and refresh business continuity plans.</p>
<p>To review the insurance database used to ensure it is fit for purpose and that the reporting functionality is efficient and effective.</p>	<p>This review has commenced, however, the officer responsible for the research has now left the Council and other priorities have delayed completion. One of the two vacancies on the team has now been recruited to, however, capacity is still a concern and whilst important this project is currently not a key priority for the team.</p>
<p>To review the information held and introduce regular reports for management in terms of claims received to inform and improve the risk management process.</p>	<p>The format of the report is being reviewed by the Risk, Insurance and Information Governance Manager and the proposed format will be discussed with the Assistant Director of Finance prior to it being presented to officers and members.</p>
<p>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.</p>	<p>The Team continue to provide advice and support to services areas across all four disciplines as requested:-</p> <ul style="list-style-type: none"> • Risk Management • Insurance • Information Governance • Business Continuity Planning <p>Data Protection/Information Governance</p>

Key Priorities 2021/22	Progress Report – March 2022
	work is the largest and most demanding area of work undertaken by the team.
To attend management team meetings quarterly to provide updates on insurance, information governance, risk management and business continuity.	Ongoing.

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, albeit this has been delayed due to COVID-19.
- 8.2 The Key Performance Indicators for Internal Audit for 2021/22 are detailed in Table 14 below and they are compared to the two previous years 2020/21 and 2019/20.

Table 14 - Key Performance Indicators 2021/22

	Indicator	Target	21/22	20/21	19-20	Comments	
1	Compliance with Public Sector Internal Audit Standards	100%	100%	100%	100%	Target Achieved	
2	% of Plan Completed	90%	91%	94%	92%	Target Achieved	
3	Customer Satisfaction (per questionnaires)	90% of customers "satisfied ≥ 65%"	100%	100%	100%	Target Achieved	
4	% Recommendations Implemented	90%	86%	88%	87%	Target Not Achieved	
5	No. of Irregularities Reported/Investigated	Downward Trend	General Fraud	25	12	14	Target Not Achieved
			Grant Fraud	56	78	-	Target Achieved

- 8.3 The unachieved Target 4 relates to the Percentage of Recommendations Implemented. The response and recovery from COVID-19 and Demand-Led pressures have continued to affect the implementation of recommendations in some areas, due to capacity issues. The target, whilst critical to measure, is not controlled by Internal Audit as the implementation of recommendations is the responsibility of management and delays can occur for a number of reasons. Target 5 has been split between General Fraud and Grant Fraud. Grant Fraud cases have decreased this year, so achieving the target whilst General Fraud cases have increased, so not achieving the target.
- 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. The high number of requests for support and advice received by the

team is an acknowledgement of the experience and knowledge within the team, in relation to risks, systems and internal control, and how this is valued by managers within the organisation.

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 majority of recommendations from the review have been implemented enhancing the service further. The Self-Assessment completed for 2021/22 against the updated standard has reaffirmed full compliance.

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 2021/22 are listed below in Table 15 together with a progress update.

Table 15 – Progress Update on Service Developments

Development	Progress to March 2022
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.	Due to the impact of COVID-19 and capacity issues on the Risk, Insurance and Information Governance Team, the roles relating to Information Governance have not yet been assessed. The Improvement Plan that forms part of the Annual Governance Statement for 2021/22 includes a review of the Information Governance service across the Council.
To review the Post Audit Review process to ensure the process is effective, conducted in a timely manner and reported appropriately. The use of the Audit Management system 'Galileo' will be reviewed to ascertain whether it will realise any further efficiencies in the process.	Complete. The process has now been reviewed and a revised monitoring spreadsheet has been introduced and completed for 2021/22.
To review the audit process and the Quality Control Checklist to ensure they work efficiently in the virtual world and audits are completed in a timely manner.	Due to capacity issues, on the job training/development for staff this review has not commenced.
To review the Fraud Response Plan in light of virtual working and the Savings Recording Spreadsheet to ensure it is fit for purpose.	This review is ongoing and some progress has been made, however, priority is being given to the cases under investigation to ensure they are completed in a timely manner.
To continue 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.	Work was deferred, awaiting the outcome of the NHS reorganisation of CCG's and the creation of the Greater Manchester Integrated Care System, which is now in place from 1 July 2022.

11 INDEPENDENCE OF INTERNAL AUDIT

- 11.1 In accordance with the Public Sector Internal Audit Standards, the Internal Audit Team/Function should remain independent of any non-audit operational responsibilities at all times. However, in response to COVID-19 and corporate priorities one member of the Audit Team has been involved in the actual processing of business support grant applications and providing support to Financial Management.
- 11.2 Also as indicated in Table 14 above 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 due to COVID-19. However, following the retirement of the Head of Risk Management and Audit in June 2022 this requirement will be addressed during 2022/23.
- 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 GM Audit Team. With regards to the team member involved with the processing of grants and support to Financial Management the auditor will not be involved in any associated audit work for two years.

12 AUDIT OPINION BASED ON RESULTS OF 2021/22 ACTIVITY

- 12.1 **The Audit Panel can take reasonable assurance that the Council's arrangements to secure governance, risk management and internal control are suitably designed and applied effectively.**
- 12.2 Due to the continued impact of the COVID-19 pandemic on the 2021/22 Internal Audit Plan, in that resources were diverted away to address Council Priorities in terms of providing advice and support to set up robust systems for and processing grants to support businesses, the homeless and the Council Tax Energy Rebate the above opinion is based on reduced audit work.

However, despite reduced capacity, Internal Audit continued to be involved in advising on changes to systems and processes and whilst a large proportion of the workforce were still working from home we continued to work in the virtual world for most of the year. Contact with Directors and Assistant Directors was maintained to offer support and assistance where required. The Audit Plan was kept under constant review and updated to reflect new priorities identified.

The value of Internal Audit lies in the detailed work that we undertake to review systems and processes to ensure that controls are in place to mitigate risks to an acceptable level and where improvements have been highlighted, managers are provided with an assessment of further actions needed and agreed to implement the suggested recommendations. Thus, improving the management of risks and supporting the overall control environment.

- 12.3 In forming my opinion I have considered the number of internal audit reviews undertaken, the assurance work completed that does not generate a formal level of assurance, information provided by Council Directors/Assistant Directors, information provided to me and my experience and knowledge of the Council.
- 12.4 In addition to the work undertaken directly by Internal Audit I have relied upon work undertaken by my wider Risk, Insurance and Information Governance Team and that provided to me by Directors as part of the Annual Governance Statement assurance gathering process as detailed below:-

- In terms of Risk Management, the Corporate Risk Register has been updated,

reported and considered by both the Single Leadership Team and the Audit Panel throughout the year.

- Each Director has completed an Annual Governance Statement Self-Assessment Checklist and signed an Assurance Statement covering:-
 - Compliance with Legal Requirements
 - Compliance with the Constitution, Council Objectives and Policies
 - Management of Service Delivery
 - Performance Management
 - Stakeholders
 - Financial Planning and Budgetary Control
 - Recording of Actions and Transactions
 - Reporting
 - Standards of Conduct
 - Human Resources
 - Partnerships
 - Safeguarding Assets
 - Value for Money
 - IT Systems
 - Risk Management
 - Information Governance
 - Managing Change and Transformation

- With regards to Information Governance the Team have provided advice in relation to the processing of personal data for the COVID-19 response, and have continued to provide advice and support Service Areas to complete Data Protection Impact Assessments and Sharing and Processing Agreements to ensure data is managed in compliance with UK GDPR and the Data Protection Act 2018.

12.5 The Strategic Commission has led the organisational response to the living with COVID-19 together with key partners throughout 2021/22. The Work Smart Project is about building back better and capturing some of the positive working practices that working from home has presented, whilst enabling teams to return to an office environment to reconnect with colleagues and benefit from shared learning/engagement.

13 ANNUAL GOVERNANCE STATEMENT/DEVELOPMENT PLAN

13.1 A separate Annual Governance Report is on the agenda which presents the Annual Governance Statement for 2021/22 and included in the report is an update on the Improvements identified in the Development Plan for 2020/21 which were scheduled to be delivered during 2021/22.

14 RECOMMENDATION

14.1 As set out on the front of the report.