



Report To:	AUDIT PANEL
Date:	7 March 2017
Reporting Officer:	Ian Duncan – Assistant Executive Director (Finance) Wendy Poole – Head of Risk Management and Audit Services
Subject:	PROGRESS REPORT ON RISK MANAGEMENT AND INTERNAL AUDIT ACTIVITIES APRIL 2016 TO 3 FEBRUARY 2017 (WEEK 44)
Report Summary:	To advise Members of the work undertaken by the Risk Management and Internal Audit Service between April 2016 and 3 February 2017 and to comment on the results.
Recommendations:	That Members note the report and the performance of the Service Unit for the period April 2016 to 3 February 2017.
Links to Community Strategy:	Internal Audit supports the individual operations, which deliver the objectives within the Community Strategy.
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 Section 151 Officer)	Effective Risk Management and Internal Audit assists in safeguarding assets, ensuring the best use of resources and reducing losses due to poor risk management. It also helps to keep insurance premiums and compensation payments to a minimum and provides assurance that a sound control environment is in place.
Legal Implications: (Authorised by the Borough Solicitor)	Demonstrates compliance with the Accounts and Audit Regulations 2015.
Risk Management:	Assists in providing the necessary levels of assurance that the significant risks relating to the council's operations are being effectively managed.
Access to Information:	The background papers can be obtained from the author of the report, Wendy Poole, Head of Risk Management and Audit Services by contacting:-  Telephone: 0161 342 3846  e-mail: wendy.poole@tameside.gov.uk

1. INTRODUCTION

- 1.1 This is the second progress report for the current financial year and covers the period April 2016 to 3 February 2017.
- 1.2 The main objective of this report is to summarise the work undertaken by the Risk Management and Internal Audit Service during the first half of the year in respect of the approved Plan for 2016/2017, which was presented to the Audit Panel in May 2016.

2. RISK MANAGEMENT AND INSURANCE

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

- To review the risk management system and facilitate the delivery of risk workshops for managers to enable risk registers to be updated.
- To facilitate the continued implementation of the Information Governance Framework by:-
 - 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 (ICO);
 - Delivering and monitoring training for general users and for staff in high risk areas.
- To review the Business Continuity Management system in place to streamline the process to create a management tool that is workable, with a capability to provide knowledge and information should a major incident occur.
- To continue to support managers to assess their risks as services are redesigned to ensure that changes to systems and procedures remain robust and resilient offering cost effective mitigation and that claims for compensation can be successfully repudiated and defended should litigation occur.

- 2.2 Work during the period has concentrated on the insurance function. The Risk and Insurance Officer is currently on Maternity Leave and her role is being covered in part by an Apprentice. All other aspects of her role are being covered by the Head of Risk Management and Audit. Preparation for renewal 2017/18 and dealing with the Insurance claim relating to the Cromwell fire have been prioritised.

- 2.3 Work in relation to Risk Management, Information Governance and Business Continuity Planning will be prioritised on the return of the Risk and Insurance Officer.

- 2.4 The Information Governance Group has met twice during the period to discuss Information Governance across the Council. With the support of the Senior Management Team an Information Champions Group is to be created and facilitated by Risk/Insurance and Legal. The aim of the group will be to help disseminate best practice within directorates and assist with preparations for the introduction of the General Data Protection Regulations 2018, which introduce more stringent controls in relation to data protection.

3. INTERNAL AUDIT

- 3.1 The Audit Plan approved on 31 May 2016 covered the period April 2016 to March 2017 and totalled 1,798 Days. This was made up of 1,323 days on planned audits and 475 days on reactive fraud work.

3.2 Table 1 below provides an update on progress against the plan to 3 February 2017. The actual days delivered are 1291, which equates to 77% of the Revised Audit Plan for 2016/17 of 1,686.

3.3 **Table 1 – Annual Audit Plan Progress as at 3 February 2017**

Service Area / Directorate	Approved Plan 2016/17	Revised Plan 2016/17	Actual Days To 3 Feb 2017	% Complete
People	250	236	181	77
Public Health	51	43	39	91
Place	222	151	139	92
Governance and Resources	262	202	131	65
Schools	175	224	172	77
Cross Cutting	63	55	49	89
Greater Manchester Pension Fund	300	300	199	66
Planned Days 2016/17	1,323	1,211	910	75
Proactive Fraud Work and Irregularity Investigations	475	475	395	83
Total Days 2016/17	1,798	1,686	1,305	77

3.4 A detailed review of the audit plan has been undertaken in conjunction with senior management to ensure that the plan is still relevant and meets with available resources within the team. The original plan of 1,798 days which represented planned work was based on estimated resources at the beginning of the year and did not take into account losing a very experienced Auditor in June and a Fraud Investigator in August. Whilst both vacancies have now been filled the new postholders are still being trained. Furthermore, as the plan is reactive to the needs of the Council additional items are requested in year due to changes in circumstances or new risks being identified. In addition to this some audits take longer to conclude due to issues and problems identified.

3.5 In terms of the revised plan (shaded in blue above), the key changes which are reflected in the figures are highlighted in table 2 below.

3.6 The planning process is underway for 2017/18 and the draft plan will be presented to the next meeting of the Panel. All audits are risk assessed including schools, taking into account duration since the last audit and therefore any audits that have been rescheduled from 2016/17 will score highly on that feature in the risk assessment.

3.7 **Table 2 Changes to the Annual Plan 2016/17 as at February 2017**

Service Area	Audits Rescheduled	Audits Added
People	Care Management Integrated Urgent Care Team	

Service Area	Audits Rescheduled	Audits Added
	Community Safety Children's Safeguarding	
Public Health	Data Analysis and Interpretation	
Place	Inspired Spaces Monitoring of the Catering Contract Planning Process Estate Management, Disposal and Acquisition Building Schools for the Future Network Security	Cyber Security
Governance and Resources	Risk Management Procurement Information Risk Management Determination and Recovery of Charges	Car Allowance Annual Review Assurance Work in relation to the Review of Terms and Conditions
Schools	Five Rescheduled	Five Added
Cross Cutting	Integrated Care Organisation	BACS – New System Sign Off
Greater Manchester Pension Fund	Pooling of Investments Compliance Function Secure Transfer of Data	Review of Fund Manager – Investec Visits to Contributing bodies

3.8 During the four month period to 3 February 2017, 7 Final Reports were issued in relation to systems, risk and managed audits, the results of which are summarised in table 3 below.

Table 3 – Final Reports Non-Schools

Opinion	Number	%	Total To Date	Total for 2015/16
High	3 (2)	43	4 (2)	6 (4)
Medium	1 (0)	14	9 (5)	14 (3)
Low	3 (0)	43	4 (1)	5 (0)
Totals	7 (2)	100	17 (8)	25 (7)

Note: The figures in brackets relate to Final Reports issued for the Pension Fund.

3.9 In addition to the final reports issued above, 8 Draft Reports have been issued for management review and responses and these will be reported to the Panel in due course.

3.10 Not all work undertaken by the team generates an audit opinion and several pieces of work undertaken fall into this category:-

- Hattersley Collaboration Agreement
- Public Health Grant
- Local Transport Settlement Grant
- Troubled Families Financial Claim Verification
- Pension Scheme Verification Checks
- Bus Subsidy and Pinchpoint Grants
- Terms and Conditions Assurance work
- Pension Fund – Valuation Assurance Work
- Libraries - New system Sign Off
- Bank Transfer consultancy Work

3.11 9 School Audits were completed during the period, the results of which are summarised in table 4 below.

Table 4 – Final Reports Schools

Opinion	Number	%	Total To Date	Total for 2015/16
High	4	44	5	9
Medium	4	44	5	7
Low	1	12	1	5
Totals	9	100	11	21

3.12 In addition to the final reports issued above, 1 draft report has been issued to the School for management review and responses and this will be reported to the Panel in due course.

3.13 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. 11 Post Audit Reviews have been completed during the period taking the total for the year to 19. Internal Audit was satisfied with the reasons put forward by management where the recommendations had not yet been fully implemented. A further 18 Post Audit Reviews are in progress, which will be reported to the Panel at a future meeting.

4. REVIEW OF INTERNAL AUDIT

4.1 The review of Internal Audit reported to the Audit Panel on 31 May 2016 against the Public Sector Internal Auditing Standards (PSIAS) highlighted that the service is fully compliant with the requirements of the standard.

4.2 In line with Standard 1312, which states that each organisation’s internal audit service is subject to an external assessment “once every five years by a qualified, independent assessor or assessment team from outside the organisation”. The service will 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 has been requested as the Audit Management System needs to be upgraded and we want to ensure that the revised processes introduced are embedded before the review is undertaken.

5. ANNUAL GOVERNANCE STATEMENT 2015/16

5.1 The Annual Governance Statement presented to the Audit Panel on 31 May 2016 and approved by the Overview (Audit) Panel on 12 September 2016 highlighted four areas for development. Table 5 below provides an update on progress to date.

5.2 Table 5 – Annual Governance Statement Development Areas

Development	Progress to Date
<p>The ongoing level of change across the organisation, reduced resources and staff capacity to deliver the challenges faced by the Council is managed by ensuring that proper governance procedures and risk management are in place to safeguard that the overall control environment is not adversely affected.</p>	<p>A risk based Internal Audit plan is in place which addresses the keys risks facing the council. Risk management is embedded in service delivery as all reports submitted for decisions by both officers and members have to detail the risk implications to ensure that they are being managed. Assistance from Risk Management and Audit is provided when requested. The Corporate Risk Register is regularly reviewed by the Senior Management Team.</p>
<p>As we move towards an Integrated Care Organisation it is critical that strong governance arrangements are in place to ensure that positive outcomes are achieved through robust systems and procedures that are open and transparent and monitored accordingly.</p>	<p>Ongoing meetings are taking place to ensure that strong governance arrangements are introduced. The Internal Auditors for both the Council and the Clinical Commissioning Group are involved in reviewing progress. The Chief Executive is now the Accountable Officer for the NHS Tameside and Glossop Clinical Commissioning Group. A new management structure is now in place and the membership of the Executive Team and Senior Management Team has been reviewed to reflect this.</p>
<p>Vision Tameside, which is a multi-million pound project in partnership with Tameside College, is delivered in accordance with agreed milestones and that the risks to service delivery during the interim period are kept under review to minimise disruption to the people and businesses of Tameside so that together the mutual benefits of the project will be recognised and celebrated. It is also important to ensure that the benefits of the new building are realised in terms of different ways of working and reducing future running costs.</p>	<p>Regular reports are provided to the Senior Management Team, Board and Cabinet. A project board meets regularly.</p>
<p>Greater Manchester Pension Fund is working with other large metropolitan LGPS funds to create a £35 billion asset pool. Pooling of assets will provide greater scope to allow the</p>	<p>The Government has provided its approval to the submission made by Greater Manchester Pension Fund, West Yorkshire Pension Fund and the</p>

Development	Progress to Date
funds to invest in major regional and national infrastructure projects such as airport expansion, major new road and rail schemes, housing developments and energy production growth, all driving economic growth and prosperity. Strong governance arrangements will need to be in place, underpinned by robust and resilient systems and procedures to ensure the desired outcomes are realised.	Merseyside Pension Fund to create the Northern Pool. Representatives of the Fund will continue to work closely and seek professional advice as required in order to create the Pool during 2017 and 2018.

6. IRREGULARITIES/COUNTER FRAUD WORK

- 6.1 Fraud, irregularity and whistle-blowing 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.
- 6.2 All investigations and assistance cases are reviewed by the Standards Panel every month and where appropriate the members of the Panel challenge and comment on the cases and offer further guidance and direction. Assistance cases can range from obtaining information for an investigating officer to actually undertaking a large proportion of the analysis work to provide evidence for the investigatory process.
- 6.3 Work is ongoing to refresh all documentation in relation to Fraud, Corruption and Bribery to ensure compliance with the following strategies, codes of practice and guidance:-
- Fighting Fraud and Corruption Locally
 - CIPFA Fraud and Corruption Tracker Report 2016
 - CIPFA Code of Practice on Managing the Risk of Fraud and Corruption
- 6.4 The number of cases investigated during the period April 2016 to February 2017 are summarised in Table 6 below.

Table 6 – Investigations Undertaken from April 2016 to September 2017

Detail	April 16 to Sept 16 No. of Cases	April 16 to Feb 17 No. of Cases
Cases B/Forward from 2015/2016	12	12
Current Year Referrals	7	12
Total	19	24
Cases Closed	6	8
Cases Still under Investigation	13	16
Total	19	24
Assistance Cases	1	3

- 6.5 The National Fraud Initiative 2016 Data Matching Exercise results are now becoming available and investigations into these matches will commence shortly and the results will be reported to future panel meetings.

7. NATIONAL ANTI FRAUD NETWORK DATA AND INTELLIGENCE SERVICES

- 7.1 The National Anti Fraud Network Annual General Meeting and Summit was held at the Royal York Hotel in York on 30 November 2016. The theme of the event was Improving Performance and Outcomes and was attended by 173 delegates representing 89 member organisations. The overall satisfaction rating received from delegates was 92%.
- 7.2 The event for 2017 will be based in London and any areas for improvement identified by delegates will be built into the preparation planning process as the Executive Board are keen to ensure that they respond to comments received.
- 7.3 At the Executive Board Meeting in January 2017, the Tameside Head of Risk Management and Audit was confirmed as the chair for the next twelve months, making this the eighth year in this position.
- 7.4 Table 7 below, shows the number of requests received for the period April to December 2016 compared to the two previous years.

Table 7 – Performance Figures for NAFN April to December 2016

Type Of Request	April to Dec 2016/17	April to Dec 2015/16	April to Dec 2014/15	% Increase (Decrease)
General	35,128	48,324	50,986	(27%)
Social Security Fraud Act	0	10,535	42,823	-
Authorised Officer Services – <ul style="list-style-type: none"> • Council Tax Reduction Scheme • Prevention of Social Housing Fraud Act 	6,054	4,740	2,279	28%
Driver and Vehicle Licensing Agency	11,538	10,819	17,052	7%
Regulation of Investigatory Powers Act	667	780	2,306	(14%)
Online Requests	72,056	51,368	39,540	40%
TOTALS	125,443	126,566	154,986	1%

- 7.5 A Service Redesign was presented and approved by the Council's Employer Consultation Group in December 2016 to increase the size of the team by adding a Business Development Manager and two Administrative Support Officers to ensure that roles and responsibilities are allocated to the correct level in the structure. Recruitment for these posts is now underway.
- 7.6 The Project Manager who had only been in post since May 2016 also left in December to take up a post in another organisation and again the recruitment for this post is underway.

- 7.7 Unfortunately these vacancies will have a negative impact on the development of services and it is hoped that recruitment will be swift and successful so that the service can continue to develop and meet the needs of members, key partners and stakeholders.

8. PROCUREMENT OF EXTERNAL AUDITORS - LOCAL AUDIT AND ACCOUNTABILITY ACT 2014

- 8.1 A report was presented to the Joint Executive Cabinet/Audit Panel Meeting on 8 February 2017 which recommended that the Council opts into the Sector Led option for the procurement of external auditors being managed by Public Sector Audit Appointments Limited.

9. RECOMMENDATIONS

- 9.1 That members note the report and the performance of the Internal Audit Service for the period April 2016 to 3 February 2017.