

<b>Report To:</b>	<b>AUDIT PANEL</b>
<b>Date:</b>	24 October 2017
<b>Reporting Officer:</b>	Kathy Roe – Director of Finance (Section 151 Officer) Wendy Poole – Head of Risk Management and Audit Services
<b>Subject:</b>	<b>PROGRESS REPORT ON RISK MANAGEMENT AND AUDIT ACTIVITIES APRIL TO SEPTEMBER 2017</b>
<b>Report Summary:</b>	To advise members of the work undertaken by the Risk Management and Internal Audit Service between April and September 2017 and to comment on the results.
<b>Recommendations:</b>	That members note the report and the performance of the Service Unit for the period April to September 2017.
<b>Links to Community Strategy:</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: (Authorised by the Section 151 Officer)</b>	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.
<b>Legal Implications: (Authorised by the Borough Solicitor)</b>	Demonstrates compliance with the Accounts and Audit Regulations 2015.
<b>Risk Management:</b>	Assists in providing the necessary levels of assurance that the significant risks relating to the council's operations are being effectively managed.
<b>Access to Information:</b>	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: <a href="mailto:wendy.poole@tameside.gov.uk">wendy.poole@tameside.gov.uk</a>

## **1. INTRODUCTION**

- 1.1 This is the first progress report for the current financial year and covers the period April to September 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 2017/2018, which was presented to the Audit Panel in May 2017.

## **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 2017/2018 are:-
- To review the risk management system to ensure that it complies with best practice but is still practical for use by the organisation;
  - To facilitate the delivery of risk workshops to enable both the Corporate Risk Register to be updated and Operational Risk Registers to be maintained by managers;
  - To facilitate the continued implementation of the Information Governance Framework and prepare for the introduction of the General Data Protection Regulations which become effective from May 2018;
  - To review the Business Continuity Management system in place to streamline the process to create a management tool that is workable, with the capability to provide knowledge and information should a major incident occur affecting service delivery; and
  - 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 The Tameside risk management system is now under review and as part of the process information from other councils is being collected. The system operated by the Tameside and Glossop Clinical Commissioning Group has also been reviewed with a view to recommending a revised system before the end of the year.
- 2.3 Work to review the Information Governance Framework in light of the introduction of the General Data Protection Regulations which become applicable in May 2018 is ongoing and work across Greater Manchester to create a suite of documents has commenced and will support this review.
- 2.4 The Data Protection Bill will update data protection laws for the digital age and was introduced to the House of Lords on 13 September 2017. The Data Protection Bill will:-
- Make our data protection laws fit for the digital age in which an ever increasing amount of data is being processed;
  - Empower people to take control of their data;
  - Support UK businesses and organisations through the change; and
  - Ensure that the UK is prepared for the future after we have left the EU.
- 2.5 Further details about Bill are as follows:-
- Replace the Data Protection Act 1998 with a new law that provides a comprehensive and modern framework for data protection in the UK, with stronger sanctions for malpractice;

- Set new standards for protecting general data, in accordance with the GDPR, give people more control over use of their data, and provide new rights to move or delete personal data;
- Preserve existing tailored exemptions that have worked well in the Data Protection Act, carrying them over to the new law to ensure that UK businesses and organisations can continue to support world leading research, financial services, journalism and legal services; and
- Provide a bespoke framework tailored to the needs of our criminal justice agencies and national security organisations, including the intelligence agencies, to protect the rights of victims, witnesses and suspects while ensuring we can tackle the changing nature of the global threats the UK faces.

2.6 Work in relation to business continuity will be picked up in the new-year in quarter 4.

2.7 Support in relation to insurance claims has been provided to both service areas and schools throughout the first six months of the year to ensure that claims against the Council are robustly defended.

### 3. INTERNAL AUDIT OVERVIEW

3.1 The Audit Plan approved on 30 May 2017 covered the period April 2017 to March 2018 and totalled 1,666 Days. This was made up of 1,179 days on planned audits and 487 days on reactive fraud work.

3.2 Table 1 below provides a summary of progress against the plan to 30 September 2017. The actual days delivered at Quarter 2 are 686, which equates to 42% of the total audit days planned for 2017/18 at 1,666, compared to 42% at this stage during 2016/17, 41% in 2015/16 and 50% in 2014/15. **Appendix 1** provides a detailed breakdown of the 2017/18 Audit Plan.

3.3 The Pie Charts below present the plan for the year and the actual days delivered to 30 September 2017.

3.4 Performance to date is in line with previous years, however, an Auditor left the team in May and the recruitment process to find a replacement is still in progress.

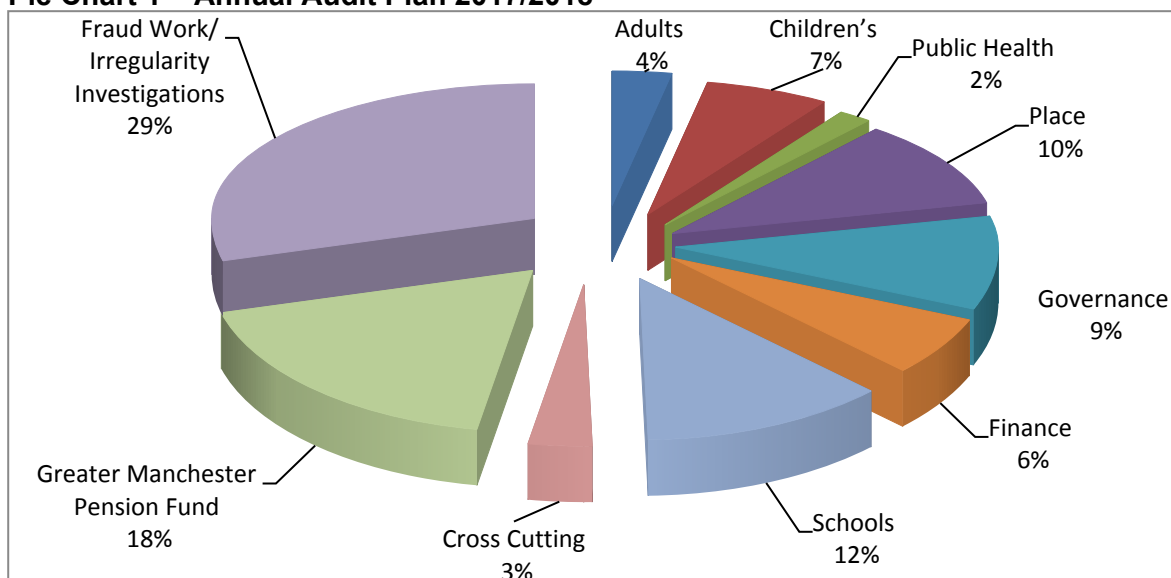
#### 3.5 Table 1 – Annual Audit Plan Summary 2017/2018

Service Area / Directorate	Plan Days 2017/18	Actual Days 30 Sept 2017	%
Adults	59	26	44
Children's	117	45	38
Population Health	29	11	38
Place	160	61	48
Governance	156	54	35
Finance	100	30	30
Schools	205	84	41
Cross Cutting	53	4	8
Greater Manchester Pension Fund	300	132	44
Fraud Work/Irregularity Investigations	487	248	51
<b>Total Planned Days for 2017/2018</b>	<b>1,666</b>	<b>695</b>	<b>42</b>

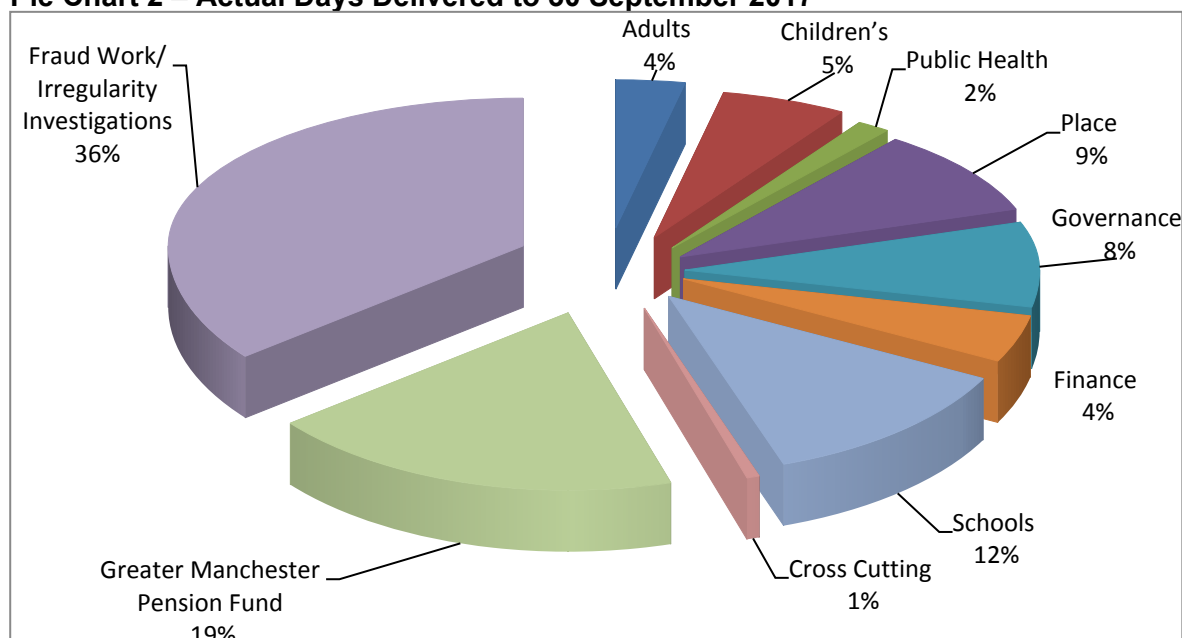
3.6 A detailed review of the audit plan is currently underway in conjunction with senior management to ensure that the plan is still relevant and meets the needs of the Council. The original plan of 1,666 days was based on estimated resources at the beginning of the

year and the revised plan will be reported to a future meeting of the Panel, taking into account any changes to available resources.

### 3.7 Pie Chart 1 – Annual Audit Plan 2017/2018



### 3.8 Pie Chart 2 – Actual Days Delivered to 30 September 2017



## 4. AUDIT ACTIVITY TO 30 SEPTEMBER 2017

- 4.1 During the first half of the year, 8 Final Reports were issued in relation to systems, risk and managed audits, the results of which are summarised in table 2 below.

**Table 2 – Final Reports System/Risk/Managed Audits**

Opinion	Number	%	Total To Date	Total for 2016/17
High	5 (4)	50	5 (4)	5 (4)
Medium	4 (1)	40	4 (1)	13 (80)

Low	1	10	1	7 (2)
<b>Totals</b>	<b>10 (5)</b>	<b>100</b>	<b>10 (5)</b>	<b>25 (14)</b>

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

- 4.2 In addition to the final reports issued above, 7 Draft Reports have been issued for management review and responses and these will be reported to the Panel in due course.
- 4.3 Not all work undertaken by the team generates an audit opinion and several pieces of work undertaken in the period fall into this category:-
- Population Health Grant
  - Local Transport Capital Block Funding Grant
  - Local Growth Fund Grant
  - Troubled Families Financial Claim Verification
  - Pension Fund Verification Checks
  - Hattersley Collaboration Agreement
- 4.4 9 School Audits were completed during the period, the results of which are summarised in table 3 below.

**Table 3 – Final Reports Schools**

Opinion	Number	%	Total To Date	Total for 2016/17
High	6	67	6	6
Medium	1	11	1	5
Low	2	22	2	1
<b>Totals</b>	<b>9</b>	<b>100</b>	<b>9</b>	<b>12</b>

- 4.5 In addition to the final reports issued above, 2 further audits have been completed and the draft reports have been issued to the Schools for management review and responses and they will be reported to the Panel in due course.
- 4.6 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. 12 Post Audit Reviews have been completed during the period. Internal Audit was satisfied with the reasons put forward by management where the recommendations had not yet been fully implemented. A further 21 Post Audit Reviews are in progress which will be reported to the Panel at a future meeting.

## **5. REVIEW OF INTERNAL AUDIT**

- 5.1 The review of Internal Audit reported to the Audit Panel on 31 May 2016 against the High Level Public Sector Internal Auditing Standards (PSIAS) highlighted that the service is fully compliant with the requirements of the standard.
- 5.2 The Public Sector Internal Audit Standards (PSIAS), introduced from April 2013, require at Standard 1312 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".

- 5.3 The Peer Review for the Council will take place in February 2018 and be conducted by Blackpool and Bolton.
- 5.4 Work is currently on going to assess the service against the detailed requirements of the Public Sector Internal Auditing Standards and ensure that the processes in place are effective and efficient service.

## 6. ANNUAL GOVERNANCE STATEMENT 2016/17

- 6.1 The Annual Governance Statement presented to the Audit Panel on 30 May 2017 and approved by the Overview (Audit) Panel on 11 September 2017 highlighted several areas for development. Table 4 below provides an update on progress to date.

**Table 4 – Annual Governance Statement Development Areas**

Area of Review	Improvement Required	Progress to Date
Children's Services (New)	Improvements in response to the Ofsted Report, which have been detailed in the Tameside Children's Services Improvement Plan, need to be implemented and a Project Board is in place to monitor progress.	Two further Ofsted Inspections have taken place and the service is now working on improvements which will be inspected in December 2017. There has been a change in the senior leadership of the service with the appointment of the First Deputy taking responsibility for Children's Services and a new Interim Director of Children's Services joining the Council from 9 October.
Risk Management and Business Continuity Planning (New)	Enhancements are needed to the systems in place so that they meet with the requirements of the organisation and best practice.	Initials meetings have taken place with colleagues in the CCG to discuss risk registers and business continuity planning and the processes are now under review.
Health and Safety (New)	To Review process and procedures in place to ensure consistency of approach and embrace electronic recording where appropriate	<p>Directorate Health and Safety Meetings established to ensure consistency of approach across the organisation. This will need a further review to reflect recent organisational changes.</p> <p>Electronic recording of accident management system being established. This is subject to the completion of a system sign off document required by Internal Audit.</p> <p>Corporate Health and Safety Policy currently being reviewed. Draft copy ready for consultation. This outlines Health and Safety Responsibilities within the organisation.</p>

Area of Review	Improvement Required	Progress to Date
Managing Change (Carry Forward)	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 and risk management procedures are in place to safeguard that the overall control environment is not adversely affected.	A risk based Internal Audit Plan is in place that addresses the keys risks facing the council. Risk management is embedded in service delivery, as all decision have to detail the risk implications to ensure that they are being managed. Assistance from Risk Management and Audit is provided when requested in relation to new/ changes to processes and systems.
Care Together (Carry Forward)	<p>As we continue to develop integrated health and social care services and move provision as close to home as possible, strong governance arrangements need to be in place to ensure we deliver our vision, improving healthy life expectancy, reducing inequalities and moving towards a financially sustainable economy.</p> <p>Although there has been substantial progress, implementation of the new model of care will need to gather pace to ensure delivery of our core objectives.</p>	<p>The Care Together Programme has established a Care Together Project Management Office (PMO) focused on ensuring rigorous plans are held for all transformational and savings schemes and to provide transparency and accountability across the local health and social care economy. Dashboards demonstrating progress in planning, finance, and performance metrics are presented at monthly Locality Executive Groups and to the Care Together Programme Board and the CCG's Governing Body.</p> <p>The Q1 Self-assessment to Greater Manchester was submitted in September showing progress of schemes to date against the GM HSCP transformation funding.</p> <p>Work is underway to enable the transfer of Adult Social Care into the ICFT in 2018 as well as a separate workstream looking at transformational schemes in Adult Social Care. Both of these plans are being reviewed and challenged by the PMO.</p>
Vision Tameside (Carry Forward)	This is a multi-million pound project in partnership with Tameside College, and needs to be delivered in accordance with agreed milestones. It is essential 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	Build programme is on target for completion June 2018 with re-occupation starting that month. Financials are reported with contingency still in place at a required level.

Area of Review	Improvement Required	Progress to Date
	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.	
Pension Fund Pooling of Investments (Carry Forward)	Greater Manchester Pension Fund is working with other large metropolitan LGPS funds to create a £40+ billion asset pool. Pooling of assets will provide greater scope to allow the 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.	<p>The Government has provided approval for the submission made by Greater Manchester Pension Fund, West Yorkshire Pension Fund and the Merseyside Pension Fund to create the Northern Pool.</p> <p>The 3 funds have established a vehicle to make collective direct infrastructure investments and are creating a similar vehicle to make collective private equity investments.</p> <p>A procurement exercise is underway to appoint a pool custodian and a formal joint committee governance structure will be established.</p> <p>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.</p>

## 7. IRREGULARITIES/COUNTER FRAUD WORK

- 7.1 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.
- 7.2 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.
- 7.3 The number of cases investigated during the period April to September 2017 is summarised in Table 5 below.

**Table 5 – Investigations Undertaken from April to September 2017**

Detail	No. of Cases
Cases B/Forward from 2016/2017	15



Current Year Referrals	3
<b>Total</b>	<b>18</b>
Cases Closed	7
Cases Still under Investigation	11
<b>Total</b>	<b>18</b>
<b>Assistance Cases</b>	<b>5</b>

7.4 The above investigations can be categorised by fraud type as shown in Table 6 below.

**Table 6 – Investigations by Fraud Type**

<b>Fraud Type</b>	<b>No. of Cases</b>	<b>Value £</b>	<b>Recovered To Date £</b>	<b>Potential Annual Savings £</b>
Direct Payment	8	125,148		25,058
Procurement/Duplicated Invoices Fraud	2	100,354	To be recovered on retirement - £58,000 (2023)	
Misappropriation of Monies/Stock	7	19,826	£19,576 to be recovered via court proceeding	
Staff Conduct (Time/HB Fraud)	1	Not Proven	-	-
<b>Total</b>	<b>18</b>	<b>225,752</b>		<b>25,058</b>

7.5 Matches identified from the National Fraud Initiative (NFI) 2016 Exercise were received in January/February 2017 and some of the key matches identified are shown below in table 7.

**Table 7 – NFI Data Matches 2016**

<b>NFI Data Set</b>	<b>Total Number of Matches</b>	<b>Number of Rec'd Matches</b>	<b>Comments</b>		
			<b>Processed</b>	<b>In Progress</b>	<b>No. of Error/Frauds and Value</b>
Pensions to DWP Deceased Persons	849	<b>483</b>	845	4	1 (F) £16,641
Pensions to Payroll	2,123	<b>614</b>	1,233	890	-
Deferred Pensions to DWP Deceased	87	<b>76</b>	87	-	1 (E)
Housing Benefits to Student Loans	67	<b>16</b>	16	-	0
Housing Benefits Claimants to DWP Deceased	100	<b>60</b>	60	-	-
Council Tax Reduction Scheme to Housing Benefit	85	<b>58</b>	58	-	-
Personal Budgets to DWP Deceased	5	<b>4</b>	5	-	-
Blue Badge to DWP Deceased	43	<b>42</b>	43		35 (E)

NFI Data Set	Total Number of Matches	Number of Rec'd Matches	Comments		
			Processed	In Progress	No. of Error/Frauds and Value
Private Residential Cares Homes to DWP Deceased	47	21	39	8	-
Creditors Duplicate Records/Payments	1,564	154	96	58	-
<b>Totals</b>	<b>4,970</b>	<b>1,528</b>	<b>2,482</b>	<b>960</b>	<b>1 (F) 36 (E)</b>

- 7.6 The expectation from the Cabinet Office in relation to the above matches is that all "Recommended Matches" are investigated. Any requests for data from other local authorities are dealt with by Internal Audit in conjunction with service areas (where appropriate) to ensure compliance with the Data Protection Act 1998.

## 8. NATIONAL ANTI FRAUD NETWORK DATA AND INTELLIGENCE SERVICES

- 8.1 The revised structure of the team was fully implemented in the first quarter of 2017/18 with the addition of a Business Development Manager to strengthen the Leadership Team to better coordinate the introduction of new services and support the Head of Service in managing business development opportunities. The post coordinates and promotes external training for NAFN members to improve their knowledge and raise awareness to encourage greater use of the NAFN service. As well as lead on delivery of the Marketing Strategy bringing innovation, creativity and direction to retain and win new business.
- 8.2 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 8 below:-

**Table 8 – NAFN Membership**

Member Type	Sept 2017	March 2017	Target	%	% Increase (Decrease)
Local Authorities	352	359	420	84	(2)
Housing Associations	53	47	N/A	-	13
DWP	1	1	N/A	-	-
Other Public Bodies	13	11	N/A	-	18
<b>Totals</b>	<b>419</b>	<b>418</b>	<b>-</b>	<b>-</b>	<b>0.2</b>

- 8.3 As mentioned above the recruitment of the Business Development Manager is starting to pay dividends as the service continues to attract new members from housing associations and other public authorities.
- 8.4 NAFN is introducing a webinar programme for members. This training solution enables members to take part in bite size online sessions to discover more about the services NAFN offer. Six events were held in September covering eBay, PayPal, Gumtree, Prevention of Social Housing Fraud, the Sanction Information Database and National Hunter with all proving to be extremely popular across the membership. The aim is to hold a maximum of four webinar sessions per month.

- 8.5 The number of requests received during 2017/18 as detailed in Table 9 below has increased overall by 36% from the same period in the previous year. However, this is mainly due to the increase in online requests.

**Table 9 – NAFN Requests Received**

Type of Request	2017/18 Apr-Sep	2016/17 Apr-Sep	% Increase (Decrease)
General Data Protection Requests	18,927	23,818	(20)
Driver and Vehicle Licensing Agency	8,654	7,911	9
Regulation of Investigatory Powers Act	379	505	(25)
Prevention of Social Housing Fraud Act/Council Tax Reduction Scheme	5,764	4,096	41
Right to Buy Fraud	49	N/A	N/A
<b>Sub Total</b>	<b>33,773</b>	<b>36,330</b>	<b>(7)</b>
Type B (Online)	53,394	27,971	91
<b>Grand Total</b>	<b>87,167</b>	<b>64,301</b>	<b>36</b>

- 8.6 Whilst the number of Regulation of Investigatory Powers Act (RIPA) requests continues to be a concern for the Executive Board. The introduction of the Investigatory Powers Act in 2018 which repeal's RIPA is expected to reverse this trend with access to additional data and a review of the current judicial approval process which significantly impacts on member resources.
- 8.7 The increase in Type B (Online) requests is in line with expectations and further development is planned to add further services.
- 8.8 NAFN is working closely with the Local Government Association and Institute of Licensing to develop, deliver and host a national register of taxi and private hire drivers who have had their licences refused or revoked, improving the safety of the travelling public. It is expected that the register will be operational in early 2018.

## **9. LOCAL AUDIT AND ACCOUNTABILITY ACT 2014**

- 9.1 A report was presented to Board on 14 September 2017 by the Section 151 Officer providing an update on progress in relation to the procurement of External Auditors. The Sector Led procurement exercise concluded in August and all councils were notified by email on 14 August of their proposed new External Auditor. The consultation period closed on 22 September and following the above meeting confirmation was provided to Public Sector Audit Appointments Limited accepting the appointment.
- 9.2 Official notification will be received in December confirming the appointment of Mazars.
- 9.3 Mazars is a large global audit and accounting firm with over 18,000 professionals in 79 countries worldwide. In the UK the firm ranks in the top ten with 1,700 employees and 140 partners working out of 19 offices, and UK fee income in 2016 of £160 million. The firm's dedicated public audit team has significant experience in providing external audit to public sector bodies. It comprises individuals with experience of auditing councils, combined authorities, police bodies, fire and rescue authorities, local government pension funds and other public bodies. In addition to its audit contract with Public Sector Audit Appointments Limited, the firm also has a substantial portfolio of NHS audits and is one of the National Audit Office's framework suppliers for central government audit.

9.4 PSAA has well-established arrangements for handover of audits between firms, currently set out in Appendix 12 of the Terms of Appointment. It is recognised that rotating the appointment of an auditor can present difficulties for the audited body and both the outgoing and incoming auditors if not properly managed. In order to minimise disruption to all parties, and maximise the transfer of the outgoing auditor's knowledge of the audited body, in summary Public Sector Audit Appointments Limited expects the following:-

- co-operation between the outgoing and incoming auditor to ensure that the incoming auditor is fully briefed on the specific audit issues facing the audited body;
- co-operation between the outgoing and incoming auditors to determine responsibility for undertaking specific pieces of audit work in the lead up to, or period immediately following, handover and advise the audited body accordingly;
- where appropriate, co-operation between the outgoing and incoming auditor to ensure that the incoming auditor is fully briefed on the wider issues facing the audited body; and
- timely communication by the incoming auditor to the audited body, as soon as possible after formal appointment, of the contact details of the audit team and future audit arrangements, requirements and expectations.

9.5 Once officially appointed officers within the Council will work with both Grant Thornton and Mazars to ensure a smooth transition takes place.

## **10. RECOMMENDATIONS**

10.1 That members note the report and the performance of the Service Unit for the period April to September 2017.