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| Report To: | AUDIT PANEL |
| Date: | 4 June 2019 |
| Reporting Officer: | Wendy Poole – Head of Risk Management and Audit Services |
| Subject: | RISK MANAGEMENT AND AUDIT SERVICES PLANNED WORK 2019/20 |
| Report Summary: | The report presents the planned work for the Risk Management and Audit Service for 2019/20. |
| Recommendations: | <ol style="list-style-type: none"> 1. Members approve the Draft Internal Audit Plan for 2019/20 shown at Appendix 1 and note the planned work for the Risk Management and Insurance Team and the National Anti-Fraud Network. 2. Members approve the Audit Strategy for 2019/20 shown at Appendix 2. 3. Members approve the Audit Charter for 2019/20 shown at Appendix 3. 4. Members approve the Quality Assurance and Improvement Programme for 2019/20 shown at Appendix 4. |
| Corporate Plan: | Internal Audit supports the individual operations, which deliver the objectives within the Community Strategy. |
| Policy Implications: | Effective Internal Audit and Risk Management 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 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 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: | By assisting in the effective management of risks, Internal Audit helps to reduce costs and improve service delivery. |
| 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: <p>  Telephone: 0161 342 3846  e-mail: wendy.poole@tameside.gov.uk </p> |

1. INTRODUCTION

- 1.1 The report presents the planned work for the Risk Management and Audit Service for 2019/20. It sets out in detail the work of Internal Audit and presents the Annual Audit Plan for 2019/20 for approval. It highlights the planned work in relation to Counter Fraud/Investigation Work, the Risk Management and Insurance Team and the National Anti-Fraud Network (NAFN) – Data and Intelligence Services.

2. INTERNAL AUDIT PLANNING PROCESS

- 2.1 The Internal Audit Service plans its work with a view to achieving the following key objectives:
- Supporting the Council's Vision;
 - Providing optimum coverage across all services to ensure the best use of resources;
 - Targeting resources towards priority (high-risk) areas;
 - Satisfying legislative requirements;
 - Providing assurances to Members and Senior Managers as to the effectiveness of the Council's internal controls;
 - Responding to the needs of service managers; and
 - Maintaining a regular level of audit presence in all areas.
- 2.2 The plan is reviewed and revised each year to take into account service and legislative changes, which can result in large shifts in priorities and culminates in the production of the Annual Audit Plan.
- 2.3 The audit management system used ("Galileo") holds the entire list of all audits to be undertaken "the Audit Universe" and this is used as part of the consultation process.
- 2.4 Audits are prioritised based on an assessment of risk and allocated a numerical risk score which equates to either High, Medium/High, Medium, Low/Medium or Low and the following factors are taken into account:-
- Susceptibility to Error/Fraud;
 - Control Environment;
 - Sensitivity and Reputation of the Council;
 - Complexity;
 - Volume and Value of Transactions;
 - Management Concerns;
 - Management Changes;
 - Specific Business Risks/Business Importance;
 - Quality, Integrity and Security of Information; and
 - Years since Previous Audit.
- 2.5 Consultation involves Executive Members, Directors, Assistant Directors, Heads of Service and in some cases Service Unit Managers and was carried out during March. These meetings help to inform the risk assessments undertaken on audit activities and provide members and officers with the opportunity to discuss areas of concern or provide further details of up and coming changes to structures, key personnel, systems, procedures and/or legislation. In addition to agreeing priority audits, the discussions also include a report on previous audit work undertaken and the level and quality of the service provided. Risks identified in the Corporate Risk Register and other sources of assurance across the Council are also taken into account during the planning process.
- 2.6 Allegations of fraud investigated during the year together with intelligence gained from external sources (e.g. Chartered Institute of Public Finance and Accountancy Fraud Centre,

National Anti-Fraud Network and networking events) are used to identify potential risks and new fraud areas which are then taken into account either directly as an audit or used to inform the audit work scheduled in a particular area.

- 2.7 Taking all the above information into account, the draft plan is produced. This plan is then balanced to resources and priorities and amended accordingly, as requested audits usually exceed resources available. This stage of the process is conducted by the Head of Risk Management and Audit Services supported by the Principal Auditors who manage the plans on a day-to-day basis and is based on professional judgement and the potential risk exposure posed to the Council. Audits that cannot be covered in the current plan year are highlighted as priorities for next year's audit plan and held in contingency in case difficulties arise in achieving any of the audits included in the annual plan.
- 2.8 The Director of Finance (Section 151 Officer) and the Assistant Director of Finance have been consulted to ensure that the levels of coverage will provide the necessary information and assurance to support the Section 151 Officer Role and the preparation of the Annual Governance Statement.
- 2.9 Whilst the work of Internal Audit, External Audit and Scrutiny are different, consultation takes place during the year to ensure our respective work programmes are complementary and that areas are not "over audited/inspected".
- 2.10 Liaison is also ongoing with the Tameside And Glossop Clinical Commissioning Group's Internal Auditors (Merseyside Internal Audit Agency) to ensure that internal audit resources are maximised and used efficiently.

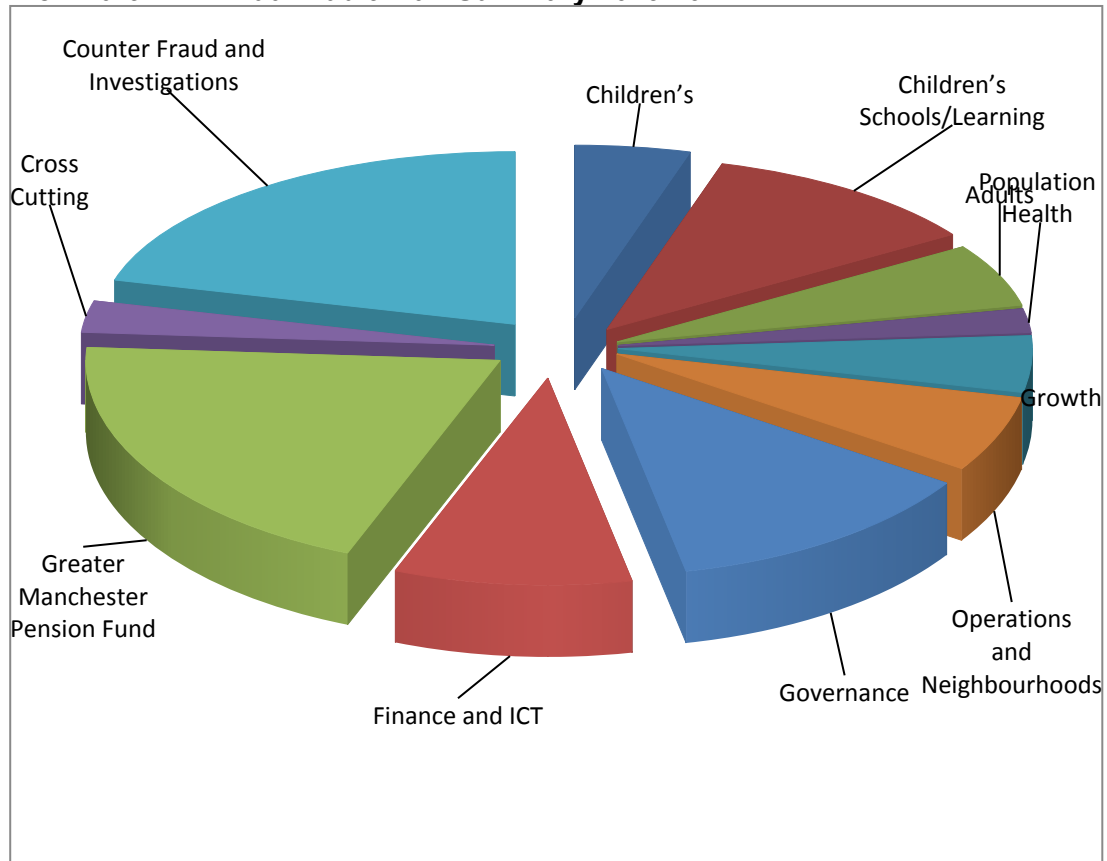
3. INTERNAL AUDIT ANNUAL AUDIT PLAN 2019/20

- 3.1 The Annual Audit Plan is detailed at **Appendix 1** and summarised in Table 1 and Pie Chart 1 below and totals 1,515. Compared to the Annual Audit Plan for 2018/19 which totalled 1,757 days, the available days have decreased by 242 days due to a vacancy, increased training and a maternity leave starting in July 2019.

Table 1 – Annual Audit Plan Summary 2019/20

| Service Area / Directorate | Planned Days | % |
|---------------------------------------|--------------|------------|
| Children's | 80 | 5 |
| Children's Schools/Learning | 175 | 12 |
| Adults | 77 | 5 |
| Population Health | 28 | 2 |
| Growth | 66 | 4 |
| Operations and Neighbourhoods | 74 | 5 |
| Governance | 186 | 12 |
| Finance and ICT | 154 | 10 |
| Greater Manchester Pension Fund | 311 | 21 |
| Cross Cutting | 40 | 3 |
| Counter Fraud Work and Investigations | 324 | 21 |
| Total Planned Days for 2019/20 | 1,515 | 100 |

Pie Chart 1 – Annual Audit Plan Summary 2019/20



3.2 The full Annual Audit Plan for 2019/20 is included at **Appendix 1** and details the following:-

- Links to the Corporate Plan;
- Links to the Corporate Risk Register;
- Auditable Area;
- Purpose of the Audit;
- Priority;
- Audit Category; and
- Planned Days for 2019/20.

3.3 Each audit in the plan has been linked to one of the themes within the Corporate Plan as shown below:-

Table 2 – Corporate Plan Themes

| |
|---|
| Starting Well |
| Living Well |
| Ageing Well |
| Great Place/ Vibrant Economy |
| Corporate Support and Enabling Services |

- 3.4 Where appropriate each audit has been linked to a risk in the Corporate Risk Register to ensure that the plan is providing audit coverage in the areas deemed to be of significant risk to the Council.
- 3.5 Each audit in the Annual Audit Plan has been allocated to an Audit Category which are explained in Table 4 below. Table 5 and Pie Chart 2 present the Annual Audit Plan analysed by those Categories.

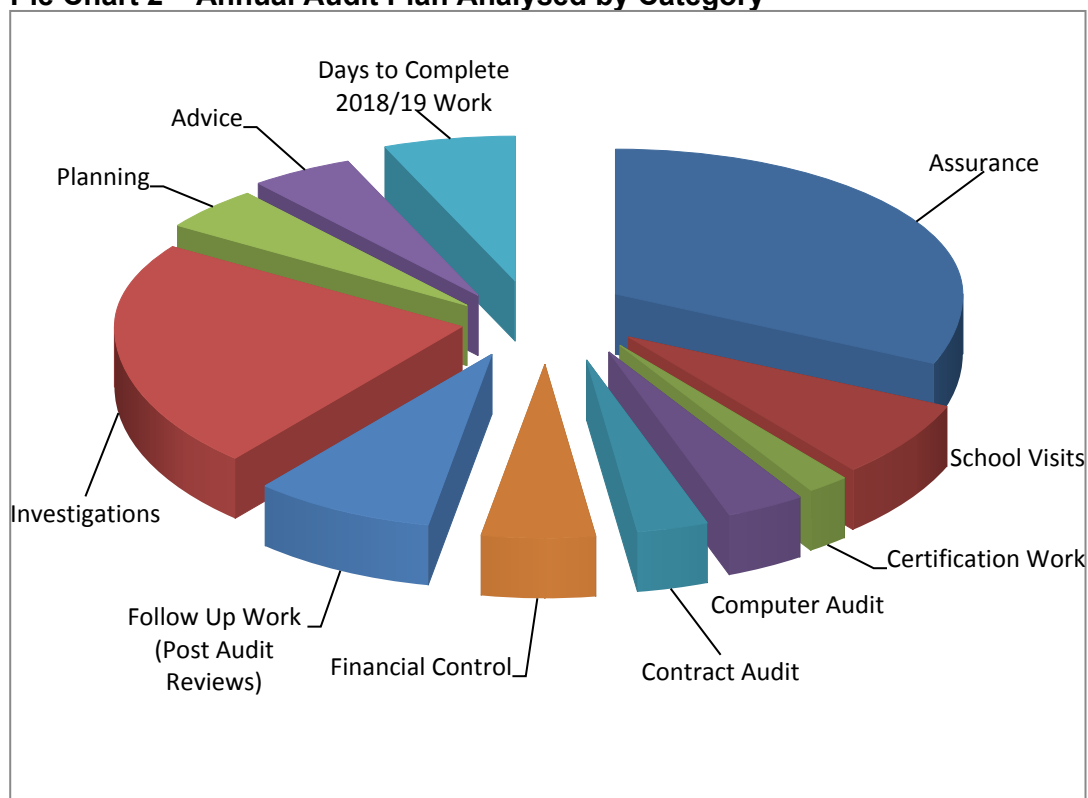
Table 4 – Audit Categories

| Category | Description |
|--------------------|---|
| Assurance | To provide assurance to management that the key risks are being managed and that processes in place are robust and fit for purpose. |
| Financial Control | A programme of financial system reviews considered high risk to provide assurance that the risks are being managed and the systems in place are robust and fit for purpose. |
| Advice | Ongoing advice provided at the request of management and stakeholders. |
| Follow Up | Work undertaken to ensure recommendations documented in Final Reports have been implemented. |
| School Visits | A programme of school visits identified as highest risk taking into account any key changes in personnel, systems and finances. |
| Investigation | Ad hoc investigations into suspected fraud, irregularities and information incidents. |
| Computer Audit | Commissioned audit reviews of a technical nature from Salford Computer Audit Services, combined with reviews to be delivered in-house. |
| Contract Audit | Reviews on specific procurement activities and contracts considered high risk. |
| Certification Work | Independent verification work required by grant funding bodies, legislation and Final Accounts certification. |

3.6 **Table 5 – Annual Audit Plan 2019/20 Analysed by Category**

| Category | Planned Days 2019/20 |
|-------------------------------------|----------------------|
| Assurance | 478 |
| School Visits | 110 |
| Certification Work | 29 |
| Computer Audit | 55 |
| Contract Audit | 50 |
| Financial Control | 80 |
| Follow Up Work (Post Audit Reviews) | 127 |
| Investigations | 329 |
| Planning | 70 |
| Advice | 78 |
| Days to Complete 2018/19 Work | 109 |
| Total Planned Days 2019/20 | 1,515 |

3.7 **Pie Chart 2 – Annual Audit Plan Analysed by Category**



3.8 The Annual Audit Plan of 1,515 days detailed above has been balanced to resources available. However, productive days are estimated and any changes to these assumptions will be reflected during the year and reported to the Audit Panel/Greater Manchester Pension Fund Local Board.

3.9 As in previous years the demand for audit work has exceeded the days available and therefore the Annual Audit Plan for 2019/20 presented for approval includes only Mandatory and High Risk Audits as defined below:-

- Mandatory – Audits/Audit Processes that need to be included e.g. grant certification work.
- High/Medium/Low – Each audit in the ‘Audit Universe’ is risk assessed within the Audit Management System ‘Galileo’ and allocated a numerical score. Those with the highest scores are included in the plan until all available resources have been accounted for.

3.10 The plan will be kept under constant review and regular meetings will be held with Executive Members and the Senior Management Team to ensure that it reflects the keys risks for the Council going forward as it continues to change both in shape and size to meet the financial challenges placed upon it.

4. INTERNAL AUDIT STAFFING

4.1 The structure of the team is shown in Table 5 below.

Table 5 – Internal Audit Staffing Structure

| Post | Qualification | Audit Experience |
|--|---------------|------------------|
| Head of Risk Management and Audit Services | CIPFA/PGCM | Over 20 Years |
| Principal Auditor | CIPFA/PGCM | Over 20 Years |
| Principal Auditor | ACCA/IIA | Over 20 Years |

| Post | Qualification | Audit Experience |
|----------------------------|---------------|-------------------|
| Senior Auditor | CIPFA | Over 20 Years |
| Senior Auditor | - | Over 20 Years |
| Senior Auditor | - | Over 20 Years |
| Counter Fraud/Investigator | CIPFA ACFTech | Over 10 Years |
| Counter Fraud/Investigator | CIPFA ACFTech | Less than 5 Years |
| Auditor | Degree | Less than 5 Years |
| Auditor | | Vacant |

- 4.2 The Service Unit does not employ a specialist Computer Auditor for the provision of technical computer audit support and this is procured from Salford MBC Computer Audit Services using the AGMA Collaboration Computer Audit Agreement to help deliver the ICT – Computer Audit Plan.
- 4.3 The Internal Audit Team has complete organisational independence and is not responsible for any non-audit work. Staff are very aware of the need to remain independent and ensure that requests for advice and support do not compromise this position.
- 4.4 The Head of Risk Management and Audit Services is responsible for the Risk Management and Insurance functions and is the Council's Senior Information Risk Owner (SIRO), which does challenge her independence. Any reviews conducted in these areas would be reported in the name of an independent manager, namely the Assistant Director of Finance (Deputy Section 151 Officer), to ensure that independence is not compromised or the review would be completed by another Internal Audit Team.
- 4.5 All members of the Internal Audit Team sign an annual declaration form, and this includes confirming that they have read and agreed to adhere to the Tameside Code of Conduct for Employees and the Public Sector Internal Audit Standards - Code of Ethics.

5. INTERNAL AUDIT REPORTING PROCESS

- 5.1 At the completion of an audit review a draft report is produced which is issued to the appropriate auditees and managers within the area (this will vary depending on the review, but usually includes members of the senior management team) for them to check the factual accuracy of the report and to provide their management responses to the recommendations identified. Closure meetings are held with all parties to expedite the process.
- 5.2 A quality control and review process is in place within the team that ensures all audits are conducted to a high standard and that working papers, conclusions and recommendations are sound and justified.
- 5.3 A final audit report is then produced incorporating the management responses and circulated to: -
- Executive Member – responsible for area under review;
 - Chief Executive;
 - Director of Governance and Pensions (Monitoring Officer);
 - Director of Finance (Section 151 Officer);
 - Assistant Director of Finance (Deputy Section 151 Officer);
 - Director;
 - Appropriate Service Area Managers;
 - Financial Management Business Partner; and
 - External Audit.

- 5.4 Six months after completion, a Post Audit Review is undertaken to establish whether the agreed recommendations have been implemented, however where a low level of assurance is issued the area is re-visited within 3 months. This report is circulated to those members and officers who received the final report so that they can check that progress has been made. Areas of concern are escalated to the Head of Risk Management and Audit Services and/or the Director/Assistant Director of Finance for discussion with the relevant service managers to ensure that progress is made. Post Audit Reviews with significant outstanding items will, in turn, be reported to the Audit Panel.
- 5.5 All reports issued are reviewed and quality checked within the team by the Principal Auditors before they are released. The Head of Risk Management and Audit Services also reviews all Final Reports and Post Audit Reviews. Low level assurance audits are discussed with Assistant Directors to gain assurance that resources will be targeted to resolve issues identified.
- 5.6 In addition, progress reports are produced for the Audit Panel, which summarise the audits issued by level of assurance, issues highlighted from completed audits and any concerns resulting from Post Audit Reviews.
- 5.7 At the end of the financial year, an annual report is produced summarising the work undertaken during the year and providing an opinion on the overall control environment. In broad terms, the opinion is based on the audit opinions issued during the year, the nature of the audits and the type and severity of recommendations made.
- 5.8 The Internal Audit service conforms with the Public Sector Internal Audit Standards, and this was confirmed by the External Peer Review Assessment in March 2018 and the self-assessment completed for 2018/19, which was reported in an earlier item on the agenda. This informs the Review of the Effectiveness of the System of Internal Control required by the Accounts and Audit Regulations 2015 Section 6.
- 5.9 A self-assessment against the Chartered Institute of Public Finance and Accountancy Statement for the Head of Internal Audit 2019 has also been completed as part of the Review of the Effectiveness of the System of Internal Control and as part of the assurance work for the preparation of the Annual Governance Statement. The Head of Risk Management and Audit Services is compliant with all the requirements.

6. ANNUAL GOVERNANCE STATEMENT

- 6.1 The Accounts and Audit Regulations 2015 require audited bodies to conduct a review, at least once a year, of the effectiveness of its systems of internal control. The findings of the review shall be considered by a committee of the relevant body, or by members of the relevant body meeting as a whole, and following consideration, shall approve a governance statement, prepared in accordance with proper practices in relation to internal control.
- 6.2 The work of Internal Audit is fundamental to the production of this statement as the work conducted provides evidence and ongoing assurance that the systems of internal control have been reviewed and that risks are being effectively managed. The annual report referred to in 5.7 is a key source of assurance.

7. INTERNAL AUDIT STRATEGY AND CHARTER

- 7.1 In order to comply with the Public Sector Internal Audit Standards it is necessary for the Audit Panel to approve the Internal Audit Strategy (attached at **Appendix 2**) and the Internal Audit Charter (attached at **Appendix 3**) annually.

7.2 The Strategy provides an overview of Internal Audit and covers:-

- Introduction;
- Main Drivers in setting the Direction;
- What this means we need to do; and
- How will we do this?

7.3 The Internal Audit Charter is more operational and includes:-

- Background;
- Missions and Definition of Internal Audit;
- Standards;
- Responsibility and Objectives of Internal Audit;
- Responsibility of the Council;
- Independence of Internal Audit;
- Head of Risk Management and Audit (Chief Audit Executive/Head of Audit)
- Relationships;
- Opinion and Non-Opinion Work;
- Fraud;
- Reporting;
- Internal Audit Access Rights; and
- Internal Audit Resources.

8. QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

8.1 Standard 1300 of the Public Sector Internal Audit Standards require:

“That the Chief Internal Auditor must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity”.

8.2 The Quality Assurance and Improvement Programme (attached at **Appendix 4**) includes:-

- Introduction;
- Internal Assessments;
- External Assessments;
- Service Development; and
- Review of the Quality Assurance and Improvement Programme.

9. PROACTIVE FRAUD WORK/IRREGULARITY INVESTIGATIONS

9.1 Whilst unplanned in their nature, time is required each year for the investigation of frauds and irregularities that are notified to Internal Audit. There is a dedicated resource within the service unit, which provides support to management to ensure that such problems are dealt with as effectively as possible. A control report is provided in response to investigations/advice and support work to ensure that the control environment is improved to try to minimise any future re-occurrence. Learning points are noted for wider dissemination where appropriate and any recommendations are followed up at a later date by a Post Audit Review to ensure the required improvements have been implemented.

9.2 The Standards Panel is notified of all cases reported and kept informed of progress on a regular basis and direction/guidance from the Panel is provided where appropriate.

9.3 Update reports will be provided as part of the quarterly progress reports provided by the Head of Risk Management and Audit Services.

9.4 Intelligence from all corporate fraud/irregularities notified to Internal Audit is used to:-

- Evaluate our response plan;
- Inform the audit planning process to ensure fraud risks are taken into account; and

- Inform the risk assessment tool within Galileo (audit management system) to ensure all auditable activities are correctly assessed.

10. RISK MANAGEMENT AND INSURANCE

10.1 The Risk Management and Insurance Team provide services to the whole Council including schools. The key priorities for the team during 2019/20 are:-

- To work with the Single Leadership Team to review the Corporate Risk Register and link it to the updated Corporate Plan Themes and Priorities.
- To facilitate the continued implementation of the Information Governance Framework, ensuring that the Council is compliant with all Data Protection legislation.
- Following the review of Business Continuity Plans across services, work will be concentrated on producing the Corporate Business Continuity Plan and determining how to introduce a testing regime for both service plans and the corporate plan in response to a major incident.
- To work with our Insurance Brokers to compile all the information needed for the Insurance Tender so that the contract can be awarded by 1 April 2020.
- To review the insurance database used to ensure it is fit for purpose and that the reporting functionality is efficient and effective.
- To continue to support managers to assess their risks as services are redesigned to ensure that changes to systems and procedures remain robust and resilient offering cost effective mitigation and that claims for compensation can be successfully repudiated and defended should litigation occur.
- To attend management team meetings quarterly to provide updates on insurance, information governance, risk management and business continuity.

11. NATIONAL ANTI-FRAUD NETWORK - DATA AND INTELLIGENCE SERVICES

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

- To continue to maintain and where necessary improve operational controls in pursuit of operational excellence to meet Government standards on data and intelligence.
- To work with the Investigatory Powers Commissioner's Office (IPCO) to maintain high standards of integrity and legitimate use for communications data and ensure compliance with the Investigatory Powers Act once enacted.
- To develop the website, taking on board customer feedback and providing a more intuitive efficient customer experience.
- To enhance the current national sanctions database include data from service areas such as tenancy, blue badge and employee fraud.
- To continue to engage with existing data providers including Callcredit, Equifax, GB Group and Lexis Nexis to further expand Type B online services.
- To continue to work with the LGA and Licensing Teams to embed the guidance provided by the LGA and the requirements of data protection legislation into local policies and procedures to provide assurance that access to the database is legally compliant.

- To introduce the new Automatic Number Plate Recognition (ANPR) service which has been approved by the NAFN Executive Board and work with the Home Office to obtain security clearance for staff to access the system when it becomes available.
- To pursue the updated strategy approved by the Executive Board in May 2019 to provide an intelligence analyst service, by seeking stakeholder and member support and scoping out the revised service offering.

12. PERFORMANCE MONITORING

- 12.1 In accordance with Tameside methodology, the performance of the service is monitored against targets and performance indicators. Individually auditors are monitored against performance targets and appraisal sheets are completed for audits highlighting issues and potential training needs. Customer questionnaires are also used at the conclusion of each audit to test customer reaction to the audit and to help identify any training needs or service improvements.
- 12.2 The Audit Plan will be continually monitored via monthly progress meetings between the Audit Management Team and regular update meetings with Executive Members, Senior Managers and External Audit and quarterly reports to the Audit Panel and the Greater Manchester Pension Fund Local Board.
- 12.3 The performance indicators monitored and measured are detailed in Table 6 below.

Table 6 – Performance Indicators

| | Indicator | Target |
|---|--|---------------------------------------|
| 1 | Compliance with Public Sector Internal Audit Standards | 100% |
| 2 | % of Plan Completed | 90% |
| 3 | Customer Satisfaction (per questionnaires) | 90% of customers “satisfied ≥ 65%” |
| 4 | % Recommendations Implemented | 90% |
| 5 | No. of Irregularities Reported/Investigated | Downward Trend |

- 12.4 The target for achievement is 90% of the agreed plan. However, high priority requests that arise during the year, changes in available audit resources and problem areas highlighted may affect the achievement of this target and result in the need for revisions to the agreed plan. All significant changes are agreed with relevant managers and Executive Members where appropriate and will be brought to the Panel for approval.
- 12.5 The Public Sector Internal Audit Standards are the benchmark against which the performance and effectiveness of the internal audit service will be measured.

13. MEMBER TRAINING

- 13.1 During the year, general training on Audit, Risk Management, Information Security, Corporate Governance and Business Continuity will be considered in accordance with member needs with targeted training being provided for members of the Audit Panel and the Greater Manchester Pension Fund Local Board as and when requested.

14. RECOMMENDATIONS

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