

Report To: **AUDIT PANEL**

Date: 10 March 2020

Reporting Officer: Wendy Poole – Head of Risk Management and Audit Services

Subject: **RISK MANAGEMENT AND AUDIT SERVICES PROGRESS REPORT – APRIL TO DECEMBER 2019**

Report Summary: To advise members of the work undertaken by the Risk Management and Audit Service between April and December 2019 and to comment on the results.

Recommendations: That members note the report and the performance of the Service Unit for the period April to December 2019.

Corporate Plan: Internal Audit supports 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: 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.
(Authorised by the Borough Treasurer)

Legal Implications: Demonstrates compliance with the Accounts and Audit Regulations 2015 whilst demonstrating proper administration of the Council's affairs. Internal Audit when engaging and supporting individual operations need to evidencing prudent management of affairs to secure economic, efficient and effective use of Council resources
(Authorised by the Borough Solicitor)

Risk Management: Assists in providing the necessary levels of assurance that the significant risks relating to the council's operations are being effectively managed.

Background Information: The background papers can be obtained from the author of the report, Wendy Poole, Head of Risk Management and Audit Services by contacting:



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1. INTRODUCTION

- 1.1 This is the third progress report for the current financial year and covers the period April to December 2019.
- 1.2 The main objective of this report is to summarise the work undertaken by the Risk Management and Audit Service during the first nine months of the year in respect of the approved Plan for 2019/2020, which was presented and approved by the Audit Panel on 4 June 2019.
- 1.3 It also outlines the work undertaken by the Risk, Insurance and Information Governance Team and the NAFN Data and Intelligence Service.

2. RISK, INSURANCE AND INFORMATION GOVERNANCE

- 2.1 The Risk, Insurance and Information Governance Team provide services to the whole Council including schools. The key priorities for the team during 2019/2020 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.

- 2.2 Due to capacity issues caused by vacancies on the team, work in relation to the tasks above has been delayed in some areas. In May 2019 one of the Risk, Insurance and Information Governance Officers left and a service review was undertaken. The review added two posts into the structure; it re-introduced the manager role and added an assistant to provide admin support to the team. To date appointments have been made to the Manager and Assistant roles and recruitment is ongoing to appoint a second Risk, Insurance and Information Governance Officer

- 2.3 Work during Quarter 3 has therefore concentrated on:-

- Information Governance - work has been prioritised to respond to requests for support and assistance in completing Data Protection Impact Assessments (DPIA), sharing and processing agreements to enable new projects to commence and the review/investigation of information incidents and near misses.
- Reactive work in dealing with Insurance Claims has continued to ensure all necessary timescale are adhered to.

- Considerable work has been undertaken in preparing the Insurance Tender for release to the market in line with the agreed timetable. The tenders are currently being evaluated and new insurance arrangements will be effective from 1 April 2020.
- However, work in relation to the review and development of the risk registers and business continuity planning has not progressed as planned due to the number of vacancies. This work will be prioritised in 2020/21 once the posts are filled and occupied.

2.3 The Risk, Insurance and Information Governance Manager has significant risk and insurance experience at another local authority and he will start with three clear priorities:-

- To develop our risk management system, ensuring that both the Corporate Risk Register and Operational Risk Registers meet with best practice and are regularly reviewed and reported to the Single Leadership Team and Audit Panel;
- Business Continuity plans are reviewed and the Corporate Plan is brought up to date, together with the service criticality list to assist senior management to respond to a major incident; and
- The Information Governance Work Plan is resourced, prioritised and delivered.

2.4 The Department for Education has been considering extending the Academies Risk Protection Arrangement (RPA) currently operational for academy trusts (ATs) to the local authority maintained schools (LAMS) sector in England, so that the sector can benefit from financial savings such as ATs have attained through membership of the RPA. A consultation was run from 9 September 2019 to 4 November 2019 for local authorities, schools and the insurance sector to respond to. The savings offered to schools are significant. The RPA is not an insurance scheme but a mechanism through which the cost of risks will be covered by government funds.

2.5 After careful consideration of the responses and measuring the pros and cons of the proposal, Ministerial approval has been given and changes to the School and Early Years Finance regulations have been put in train to allow for the RPA to operate for LAMS from 1 April 2020. The Risk, Insurance and Information Governance Team are currently working with Finance, the Assistant Director of Education and schools to fully understand the scheme and how schools can transfer to it. A recent report to the Schools Forum outlining the scheme was well received as the savings across the whole school estate are significant.

2.6 The workload of the Risk, Insurance and Information Governance Team will not be significantly affected as the number of schools claims is quite low.

3. INTERNAL AUDIT OVERVIEW

3.1 The Audit Plan approved on 4 June 2019 covered the period April 2019 to March 2020 and totalled 1,515 days, was revised at the November meeting to 1,503 days to take account of some in year high priority requests. The plan has been further revised to balance the planned days to resources available to the end of the financial year and reduced to 1,395 days made up of 1,055 days of planned audits and 340 days on reactive fraud work/investigations.

3.2 Table 1 below provides a summary of progress to 31 December 2019. The Table details the Revised Planned Days approved in November 2019, Revised Planned Days as at January 2020, Actual Days delivered to 31 December 2019 and the Variance (Days to be delivered in Q4). The actual days to 31 December 2019 are 1,072, leaving 325 days to be delivered in Quarter 4.

3.3 **Appendix 1** provides a detailed breakdown of the 2019/20 Audit Plan and shows; the Auditable Area, Planned Days, Revised Plan Days, Actual Days, Days to be Delivered in Quarter 4, Status and Level of Assurance/Comments.

3.4 **Table 1 – Annual Audit Plan Summary 2019/2020**

Service Area / Directorate	Revised Plan 2019/20 Approved November 2019	Revised Plan 2019/20 As At January 2020	Actual Days Delivered To December 2019	Variance Days to be Delivered in Q4
Children's	87	67	69	2
Children's Schools/Learning	170	164	131	-33
Adults	93	78	58	-20
Population Health	30	30	17	-13
Growth	60	46	41	-5
Operations and Neighbourhoods	70	59	39	-20
Governance	225	201	181	-20
Finance and ICT	131	95	62	-33
Greater Manchester Pension Fund	311	311	187	-124
Cross Cutting	13	5	5	0
Counter Fraud Work/Investigations	313	340	282	-58
Total Planned Days for 2019/20	1,503	1,395	1,070	-325

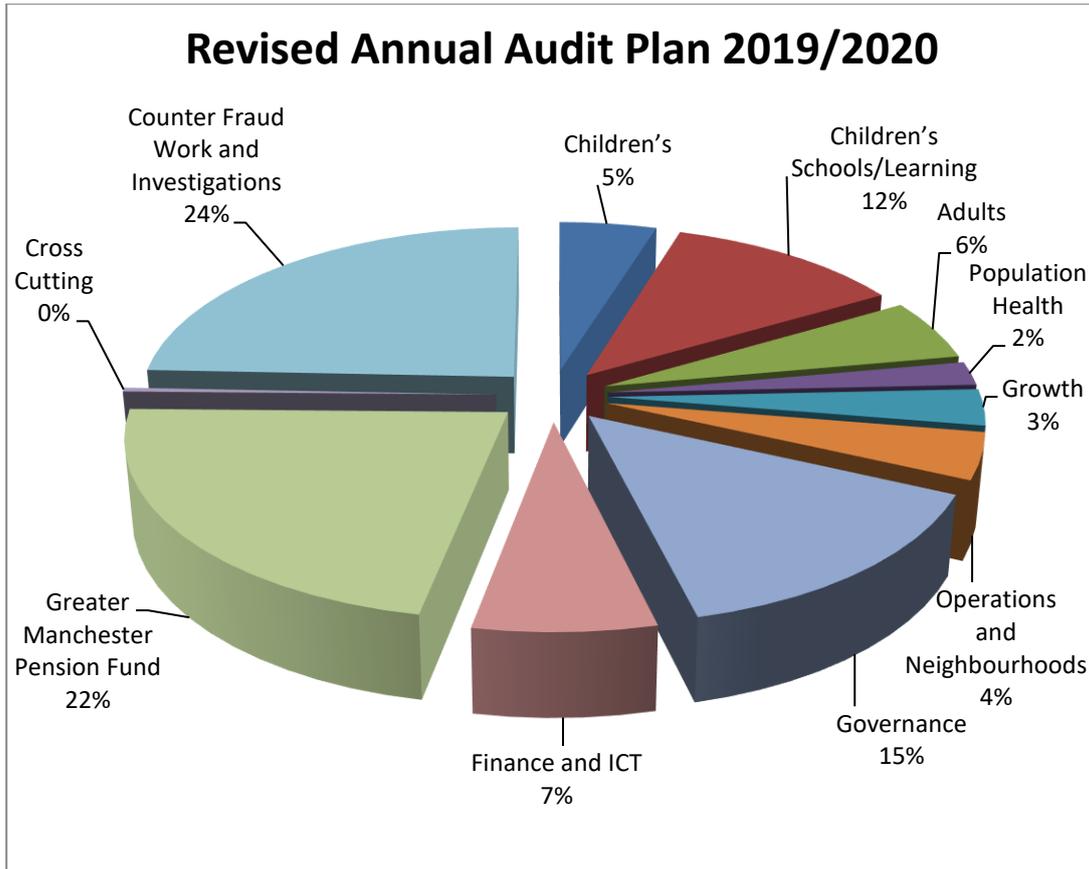
3.4 As indicated in 3.1 the plan has been further reviewed to take into account changes that have occurred during the third quarter of the year. A number of audits in the revised plan approved in November 2019 will not be completed in year due to service reviews, capacity issues in services and revised priorities identified by management as detailed in Table 2 below.

Table 2 – Rescheduled Audits

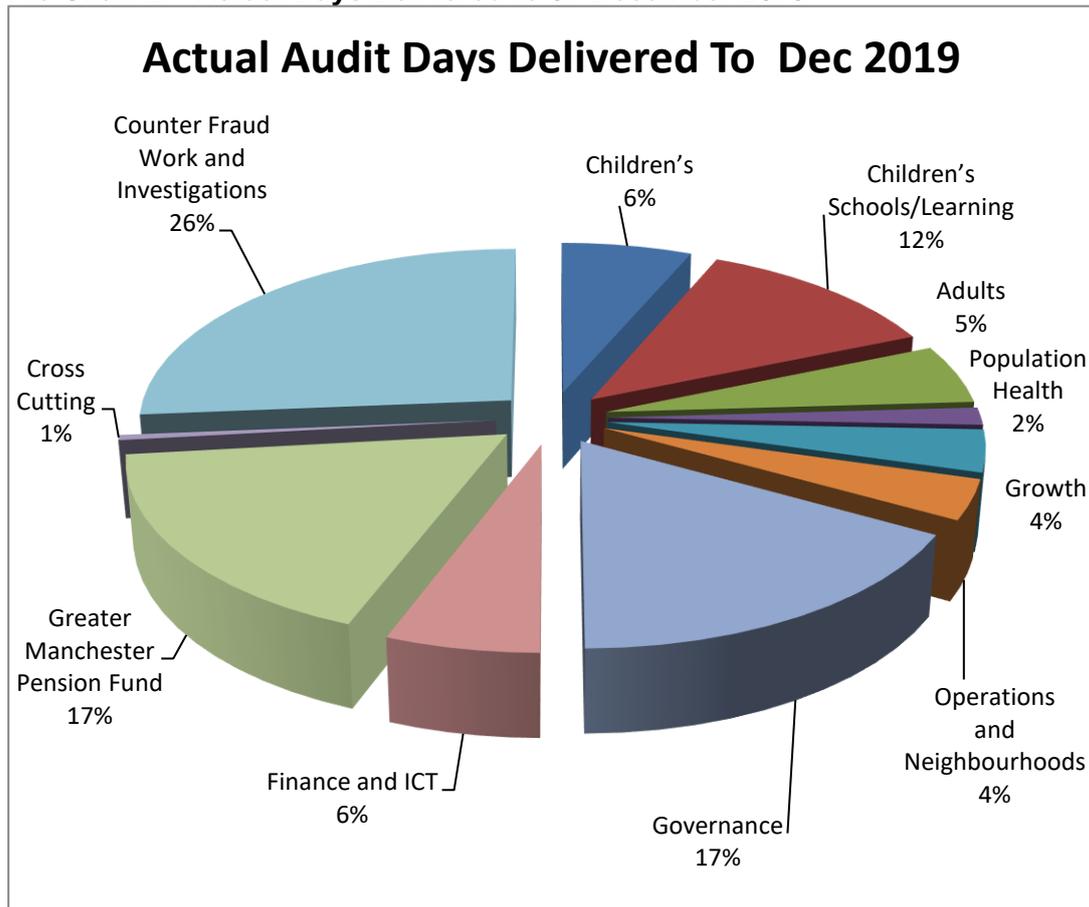
Audit Removed	Reason for Removal
Procurement of Placements for Children	Rescheduled to 2020/21 by the Service
Wild Bank Primary and Nursery	Converting to an Academy from 1 April 2020
Home Care	Rescheduled to 2020/21 by the Service
Inspired Spaces - Monitoring Of The Catering Contract	Contract monitoring process under review
Audit of Contract Final Accounts	Capacity within the Audit Team
PAR - Integrated Transport Service	Capacity within the Service
ICS Data Checks	Capacity within the Audit Team
Information Governance	Capacity issues have affected the delivery of the Work Plan, which means the audit would not add value at this point in time.
ICT Business Continuity and Disaster Recovery	The new arrangements are not in place yet and the purpose of the audit is to provide assurance that they are secure, robust and fit for purpose.
Network Security	Capacity issues at Salford City Council who provide our Computer Audits have resulted in the audit being rescheduled to 2020/21.

3.5 The days to be delivered in Quarter 4 highlighted in Table 1 above exceed available resources by approximately 59 Days and therefore a number of audits will need to be carried forward and completed in to 2020/21.

3.6 **Pie Chart 1 – Revised Annual Audit Plan 2019/2020**



3.7 **Pie Chart 2 – Actual Days Delivered to 31 December 2019**



4. AUDIT ACTIVITY TO 31 DECEMBER 2019

4.1 During Quarter 3, 5 Final Reports were issued in relation to systems and risk based audits, the results of which are summarised in Table 3 below.

Table 3 – Final Reports System/Risk Based Audits 2019/20

Opinion	Q1	Q2	Q3	Q4	Total To Date	Total for 2018/19
High	0	0	4 (2)		4 (2)	11 (9)
Medium	4 (1)	6	1 (1)		11 (2)	13 (5)
Low	2	1	1 (1)		4 (1)	6 (3)
Totals	6 (1)	7	6 (4)		19 (5)	30 (17)

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

4.2 In addition to the final reports issued above, 9 Draft Reports (7 Audits and 2 Control 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:-

- Investigation Control Reports and follow Ups;
- Grant Assurance work;
- Assurance Checks in relation to Car Allowances;
- Assurance Work in relation to Pension Fund Data Collection System;
- New System Sign Offs; and
- Assurance work in relation to Payroll (iTrent) Self Service.

4.4 One Final Audit Report in relation to Schools was issued during Quarter 3, the results of which are summarised in Table 4 below.

Table 4 – Final Reports Schools

Opinion	Q1	Q2	Q3	Q4	Total To Date	Total for 2018/19
High	0	0	0		0	8
Medium	2	1	1		4	13
Low	1	0	0		1	2
Totals	2	1	1		5	23

4.5 In addition to the final reports issued above, five 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. Ten Post Audit Reviews have been completed during the period and a summary of the Post Audit Reviews completed is presented in Table 5 below and details the number of recommendations implemented. The percentage rate of recommendations implemented for the Post Audit Reviews completed this quarter is 89%. Internal Audit was satisfied with the reasons put forward by management where the recommendations had not yet been fully implemented and there are no significant issues outstanding to report to the Panel. A further 40 Post Audit Reviews are in progress which will be reported to the Panel at a future meeting.

4.7 **Table 5 – Post Audit Reviews – Recommendations Implemented**

Post Audit Reviews	Recommendations			Comments
	Made	Implemented		
	No.	No.	%	
Children’s Home	26	23	88	The recommendations outstanding related to Allowances paid to Children, Rotas and Storage and are being addressed.
Holy Trinity CE Gee Cross	12	11	92	One recommendation in relation to the bank reconciliation process was still being addressed at the time of the post audit review.
Holy Trinity CE	7	7	100	
Stalyhill Junior School	6	6	100	
Micklehurst	3	3	100	
St John-Fisher RC	22	18	82	Recommendations relating to school dinners, the business charge card, ICT Policy and the Business Continuity Plan were outstanding but being addressed.
Council Tax Full System	11	11	100	
Visit to Contributing Bodies – Oldham College	9	6	67	The recommendations outstanding related to Assumed Pensionable Pay, monthly returns and leavers forms and are being addressed.
Visit to Contributing Bodies – Wigan BC	5	5	100	
Local investments Impact Portfolio	3	3	100	
Totals	104	93	89	

5. REVIEW OF INTERNAL AUDIT

- 5.1 The review of Internal Audit reported to the Audit Panel on 4 June 2019 highlighted that the service is fully compliant with the requirements of the Public Sector Internal Audit Standards (PSIAS).
- 5.2 The standards require a Quality Assurance and Improvement Programme to be in place and this was also presented and approved by the Audit Panel on 4 June 2019. The service developments listed in Table 6 below were included for 2019/20 and a progress update is provided. Unfortunately due to capacity issues some of the developments will have to be carried forward to 2020/21.

Table 6 – Service Developments 2019/20

Developments	Progress to Date
<p>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.</p>	<p>A restructure of the Risk, Insurance and Information Governance Team has been approved and once appointments have been made the roles relating to Information Governance will be reassessed.</p>
<p>Consideration should be given to identifying the skills needed by the audit team to assist the Council with its current transformation programme and provide training and development opportunities to address any skills shortage.</p>	<p>This has been addressed as part of the Annual Development Review process with the team and will be kept under review during the year as Seminars, Workshops and Webinars become available.</p>
<p>Do internal auditors maintain a record of their professional development and training activities?</p>	<p>The information is currently contained in Annual Development Review Forms and the Me Learning System. An electronic training record is being developed as part of a self-service option on the Payroll/HR System iTrent.</p>
<p>To review the Post Audit Review process to consider whether the use of the Audit Management system 'Galileo' can realise any further efficiencies in the process.</p>	<p>This piece of work has not been completed due to capacity issues and the need to deliver the Audit Plan.</p>
<p>To finalise the review all fraud, bribery and corruption policies, procedures and plans etc. to ensure they are fit for purpose, seeking the appropriate approval and then consider how to effectively disseminate the information to members and officers.</p>	<p>Due to the Maternity Leave of one of the Fraud Investigators, this work has been paused and will be recommenced during 2020/21.</p>
<p>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.</p>	<p>Ongoing</p>
<p>To conduct a service review with the assistance of the Assistant Director of Finance to ensure that the staffing structure across the whole of the Risk Management and Audit Service is effective to deliver the expectations placed upon the team.</p>	<p>A Service Redesign Report which concentrated on the Risk, Insurance and Information Governance Team was presented to the Employer Consultation Group (ECG) on 15 October and approved. Appointments have been made to the Manager role and the Assistant role and Recruitment is now ongoing to appoint a Risk, Insurance and Information Governance Officer.</p>

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 reported to the Monitoring Officer and the Section 151 Officer on a regular basis for challenge and comment and where appropriate further guidance and direction is provided. Liaison with Legal Services takes place on a case by case basis.
- 6.3 Ongoing 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. This work can range from analysing expenditure records, internet usage, identification of undeclared assets and assisting other organisations to progress their investigations.
- 6.4 The number of cases investigated during the period April to December 2019 is summarised in Table 7 below.

Table 7 – Investigations Undertaken from April to September 2019

Detail	No. of Cases
Cases B/Forward from 2018/2019	8
Current Year Referrals	4
Total	12
Cases Closed	3
Cases Still under Investigation	9
Total	12
Assistance Cases	15

- 6.5 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	Value of Fraud £	Recovered To Date £	Potential Annual Savings £
Adult Social Care	8	20,470	16,321	81,206
Business Rates	1	7,572	Investigation Ongoing	
Procurement	1	Not Known	N/A	Not Known
Misappropriation of Public Funds	1	44,281	2,370	N/A
Pension	1	5,644	Investigation Ongoing	
Total	12	77,967	18,691	81,206

- 6.6 The data sets for the National Fraud Initiative (NFI) 2018 Exercise were uploaded in October 2018 and the initial matches identified for Tameside were received in February 2019. However, the website is refreshed on an ongoing basis as matches are added. Table 9 below provides a summary of the key matches identified and the savings/errors highlighted to date. Further updates will be provided to the Audit Panel as investigations are progressed.

Table 9 – National Fraud Initiative (NFI) Findings

NFI Data Set	NFI Report Ref.	Total Number of Matches	Report Match Rating	Comments		
				Processed	In Progress	No. of Error/Frauds and Value
Pensions to DWP Deceased Persons	52	897	High		897	
Pensions to Payroll	54 and 55	2,123	High	1,047	1,076	
Deferred Pensions to DWP Deceased	53	145	High		145	
Housing Benefits to Student Loans	2	67	High	55	12	7 Errors £29,710
Housing Benefits Claimants to DWP Deceased	49.1	82	High	82		
Housing Benefit Claimants to Pensions	13.1 14.1	496	High	181	315	31 Errors £9,531
Council Tax Reduction Scheme to Pensions	435.1 436.1	783	High		783	
Council Tax Reduction Scheme to Payroll	435 436	82	High		82	
Personal Budgets to DWP Deceased	400.1	2	High	2		
Blue Badge to DWP Deceased	172.1	34	High	34		13 Errors £7,475
Private Residential Care Homes to DWP Deceased	173	50	High	50		
Personal Budgets to Pensions	415	12	High	12		1 Fraud £321
Housing Benefit Claimants to Taxi Drivers	47.5	2	Low	2		1 Error £1,511
Council Tax Reduction to HMRC Earnings and Capital	483.1	41	High	37	4	12 Errors £31,839
Council Tax Reduction to HMRC Household Composition	483.2	500		477	23	33 Errors £121,170
Housing Benefit Claimants to HMRC Household Composition	484.2	155	High	148	7	18 Errors £63,415
Totals		5,471		2,127	3,344	115 Errors £264,651 1 Fraud £321

- 6.7 The Blue Badge saving of £7,475 is based on a notional figure of £575 per blue badge error, which is provided by the Cabinet Office and represents the estimated loss of income.
- 6.8 Investigations undertaken in Quarter 3 have increased the errors identified from 20 with a value of £15,661 to 115 with a value of £264,551. Whilst identified as errors, the amounts identified will be recovered where possible. Going forward the Council benefits from the

investigations conducted as part of NFI as council tax reduction discounts and housing benefits paid out to claimants will be reduced.

7 NATIONAL ANTI FRAUD NETWORK DATA AND INTELLIGENCE SERVICES

7.1 NAFN exists to support members in the protection of the public purse. The service provides a single point of contact for members assisting them in the acquisition of data and intelligence to support fraud investigations, enforcement action and debt recovery. It is important to note that the number of local authorities in England has reduced by 11 due to mergers, despite this, membership remains strong. A breakdown of the membership is provided in Table 10 below:-

Table 10 – NAFN Membership

Member Type	Dec 2019	Sept 2019	Target	%	% Increase (Decrease)
Local Authorities	354	350	408	86	0.11
Housing Associations	60	58	N/A	-	0.3
Other Public Bodies	18	15	N/A	-	20
Totals	432	423	-	-	0.21
Registered Users	13,359	13,058	N/A	-	2.3

7.2 The number of requests received during Quarter 3 2019/20 as detailed in Table 11 below has increased overall by 10% from the same period in the previous year. The significant increase in the number of communication data requests (63%) was due to the commencement of the Investigatory Powers Act, in June 2019. This saw the introduction of an independent authorisation body, Office for Communications Data Authorisation (OCDA) and removed the need for local authorities to obtain judicial approval when seeking to acquire communications data.

7.3 **Table 11 – NAFN Requests Received**

Type of Request	2019/20 Apr-Dec	2018/19 Apr-Dec	2018/19 Full Year	% Increase (Decrease) Apr-Dec
General Data Protection	23,268	25,982	33,530	(10)
DVLA	10,821	11,773	15,584	(8)
Investigatory Powers Act	1,187	728	1,032	63
Authorised Officers	8,718	9,071	12,108	(4)
Type B (Online)	126,005	107,299	152,762	17
Grand Total	170,994	154,853	215,016	10

7.4 The NAFN AGM and Annual Conference were delivered successfully on Thursday 21 November 2019 at the Crowne Plaza hotel in Central London. As well as NAFN officers and sponsors, a total of 195 delegates from member, partner and stakeholder organisations attended the event. The topics were extremely well received and supported by excellent speakers who truly brought the subjects to life through case studies and experience of practical application. The Keynote speaker was Sir Stephen Silber who is a High Court Judge and was accompanied by Alex Drummond a Chief Inspector for the Investigatory Powers Commissioners Office (IPCO). The Communications Data and Housing Tenancy Fraud workshops in the afternoon were very popular and received very positive feedback.

Overall the event was well received, inclusive and delivered within budget without compromising quality or content.

- 7.5 The annual inspection conducted by the Investigatory Powers Commissioner's Office (IPCO) took place in November and for the third year running there were no recommendations made. There were a couple of observations noted in the report and the NAFN Leadership Team has taken the opportunity to make some minor service improvements.
- 7.6 NAFN Data and Intelligence Services is a recognised centre of excellence for the provision of information to support local and national government agencies. As a single point of contact supporting the robust management and protection of the public interest; tackling fraud, crime, error and corruption, NAFN's capability to deliver an efficient and effective service is underpinned by its expertise in compliance and ability to collaborate innovatively. In 2019 the iNetwork Innovation Awards, recognised NAFN's excellence in Information Governance. As winners of the Effective Information Sharing and Security Award, in respect of the National Right to Buy Anti-Fraud Service currently responsible for savings of over £6m, NAFN's ability to facilitate the secure storage, sharing and use of sensitive data whilst protecting personal information continues to be highly praised.
- 7.7 Work has commenced to review the NAFN website, to ensure that it is fit for purpose in terms of providing an excellent user experience and that the computer language and design are future proofed to enable further updates as NAFN develops and introduces new services.

8 RECOMMENDATIONS

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