Report To:	**AUDIT PANEL**
Date:	9 June 2019
Reporting Officer:	Wendy Poole – Head of Risk Management and Audit Services
Subject:	**RISK MANAGEMENT AND AUDIT SERVICES – ANNUAL REPORT 2019/20**
Report Summary:	The report summarises the work performed by the Service Unit and provides assurances as to the adequacy of the Council's systems of internal control.
Recommendations:	Members note the report.
Corporate Plan:	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 statutory Section 151 Officer and Chief Finance Officer)**	Effective Risk Management and Internal Audit assists in safeguarding assets, ensuring the best use of resources and the effective delivery of services. It also helps to keep insurance premiums and compensation payments to a minimum.
Legal Implications: **(Authorised by the Borough Solicitor)**	The legal framework the Council operates within is set out in the main body of the report. In particular the Council has a statutory responsibility to have in place arrangements for managing risks, as stated in the Accounts and Audit Regulations 2015 (amended 2016), ' A relevant authority must ensure that it has a sound system of internal control which includes effective arrangements for the management of risk'. The purpose of the legislative requirements is to ensure that the Council delivers its strategic aim and operates its business, under general principles of good governance which members need to consider when receiving this report.
Risk Management:	The services of the Risk Management and Audit Service Unit assists in providing the necessary levels of assurance that the significant risks relating to the Council's operations are being effectively managed and controlled.
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: ☎ Telephone:0161 342 3846 ✉ e-mail: wendy.poole@tameside.gov.uk

1   INTRODUCTION

1.1   The purpose of the report is to present a review of the Risk Management and Audit Services for 2019/20. It covers Internal Audit, Risk Management and Insurance and the National Anti-Fraud Network (NAFN) Data and Intelligence Services.

1.2   The definition of Internal Audit is outlined by the Public Sector Internal Audit Standards as follows:
"Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes".

1.3   The key elements of the definition are:-
*   **Risk Management –** A process to identify, assess, manage and control potential events or situations to provide reasonable assurance regarding the achievement of the organisation's objectives.
*   **Control –** Any action taken by management, the board and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organises and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.
*   **Governance –** The combination of processes and structures implemented by the Board to inform, direct, manage and monitor the activities of the organisation toward the achievement of its objectives.

2   THE AUTHORITY FOR INTERNAL AUDIT

2.1   **Local Government Act 1972 Section 151.**
"Every Local Authority shall make arrangements for the proper administration of its financial affairs and shall secure that one of its officers has responsibility for the administration of those affairs"

The Council's Constitution formally nominates the Director of Finance as the Council's Section 151 Officer who will rely on the work of the Internal Audit Service for assurance that the Council's financial systems are operating satisfactorily.

2.2   **Accounts and Audit Regulations 2015 Part 2, Section 3 – Responsibility for Internal Control**

A relevant Authority must ensure that it has a sound system of internal control which:
(a)   facilitates the effective exercise of its functions and the achievement of its aims and objectives;
(b)   ensures that the financial and operational management of the authority is effective; and
(c)   includes effective arrangements for the management of risk.

2.3   **Accounts and Audit Regulations 2015 Part 2, Section 5 – Internal Audit**
(1)   A relevant body must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

(2)   Any officer or member of a relevant body must, if required to do so for the purpose of the internal audit:
(a) Make available such documents and records; and
(b) Supply such information and explanation;

as are considered necessary by those conducting the internal audit.

(3)   In this regulation "documents and records" includes information recorded in an electronic form.

This is supported by the Council's Financial Regulations, which reflect Internal Audit's statutory authority to review and investigate all areas of the Council's activities in order to ensure that the Council's interests are protected.

2.4   **Accounts and Audit Regulations 2015 Section 6 – Review of Internal Control System**
(1)   A relevant Authority must, each financial year:
(a)   conduct a review of the effectiveness of the system of internal control required by regulation 3; and
(b)   prepare an annual governance statement.

(2)   If the relevant Authority referred to in paragraph (1) is a Category 1 Authority, following the review, it must:
(a)   consider the findings of the review required by paragraph (1)(a):
(i) by a committee; or
(ii) by members of the Authority meeting as a whole; and
(b)   approve the annual governance statement prepared in accordance with paragraph (1)(b) by resolution of:
(i) a committee; or
(ii) members of the Authority meeting as a whole.

(3)   Relates to Category 2 Authorities and not applicable to the Council.

(4)   The annual governance statement, referred to in paragraph (1)(b) must be:
(a)   approved in advance of the relevant authority approving the statement of accounts in accordance with regulations 9(2)(b) or 12(2)(b) (as the case may be); and
(b)   prepared in accordance with proper practices in relation to accounts(**a**).

2.5   The Terms of Reference for the Audit Panel adequately meet the requirements of the Accounts and Audit Regulations.

2.6   The review of the effectiveness of the system of internal control referred to in paragraph 2.4 has been conducted and a separate report is on the agenda.

3   **KEY ACHIEVEMENTS DURING 2019/20**

3.1   The major achievements of the Service Unit for 2019/20 are as follows: -
- Following the External Peer Review of Internal Audit in March 2018 which judged the service to be compliant with the Public Sector Internal Audit Standards (PSIAS) the Self-Assessment for 2019/20 has reaffirmed full compliance.
- The implementation rate for audit recommendations was 87%.
- Customer feedback is very positive with continued high levels of satisfaction demonstrated on customer questionnaires.
- Annual reports, plans and regular progress reports presented to Members via the Audit Panel and the Greater Manchester Pension Fund Local Board.
- The Annual Governance Statement 2018/19 was produced in accordance with best practice and agreed timescales and no adverse comments were received when our External Auditors (Grant Thornton) reviewed it.
- The National Anti-Fraud Network (NAFN) Data and Intelligence Services rolled out the updated Communications Data services based on the Investigatory Powers Act 2016.

- Following an inspection in November 2018, NAFN received an excellent inspection report from the Investigatory Powers Commissioners Officer (IPCO) and for the third year, no recommendations were received.
- NAFN were shortlisted for two awards at the iNetwork Innovation Awards and were successful in winning the Effective Information Sharing and Security Award.
- Cashable savings of £50,722 have been identified in relation to duplicate Creditor Payments which were identified by the National Fraud Initiative Exercise 2018 and investigated by Internal Audit.
- Cashable savings of approximately £25,000 have been identified as a result of work undertaken on assistance cases in financial irregularities.
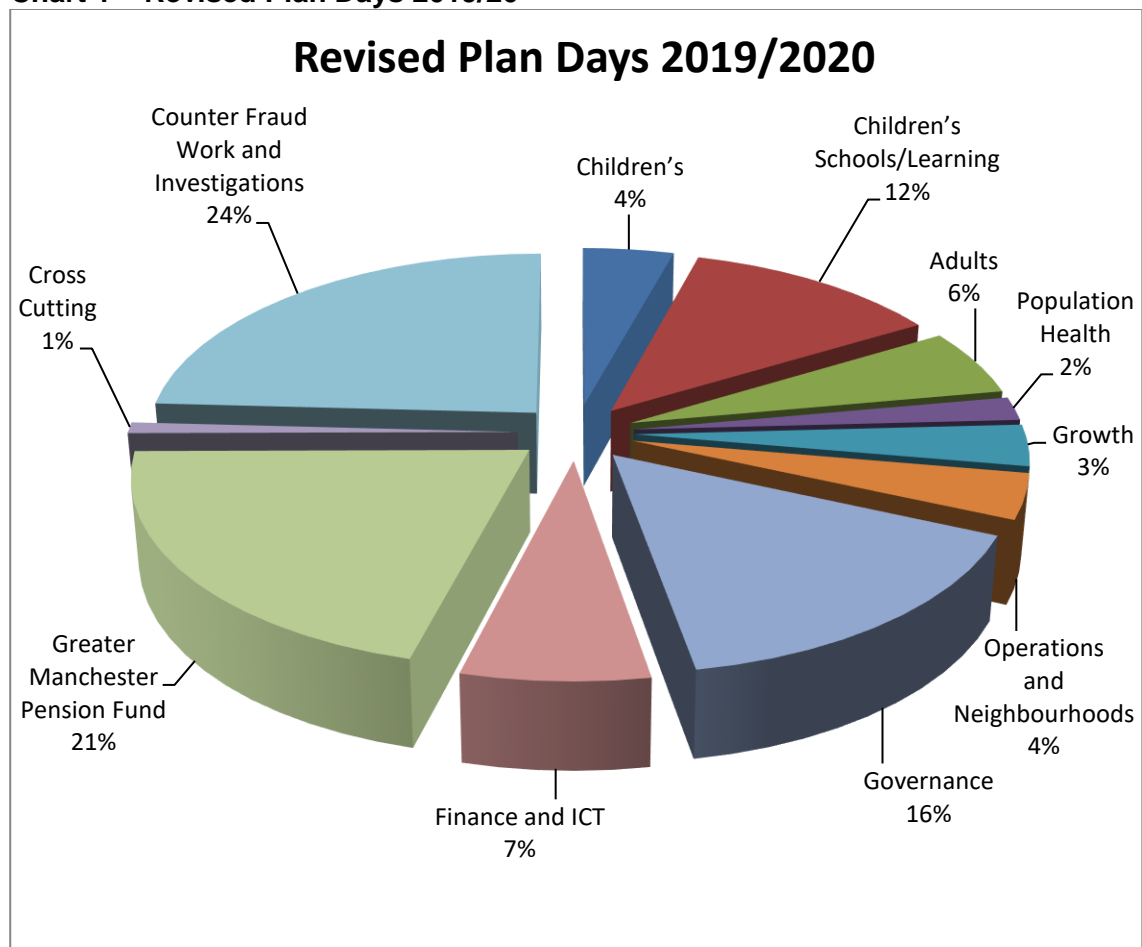
4 COVERAGE FOR 2019/20

4.1 The report presented to the Audit Panel on 4 June 2019 provided an overview of the work planned for 2019/20 for the Service Unit. The Original Annual Audit Plan of 1,515 days was detailed in the report and approved by the Audit Panel. The Audit Plan, however, as reported during the year has been revised on a regular basis to ensure that it was aligned to changes in service priorities, risks, directorate structures and resources available.

4.2 Table 1 below shows the full year position of the Audit Plan by Directorate/Service Area. It details the approved plan, the revised plan, the actual days delivered as at 31 March 2020 and the percentage completed. **Appendix 1** provides a detailed breakdown of the 2019/20 Audit Plan.

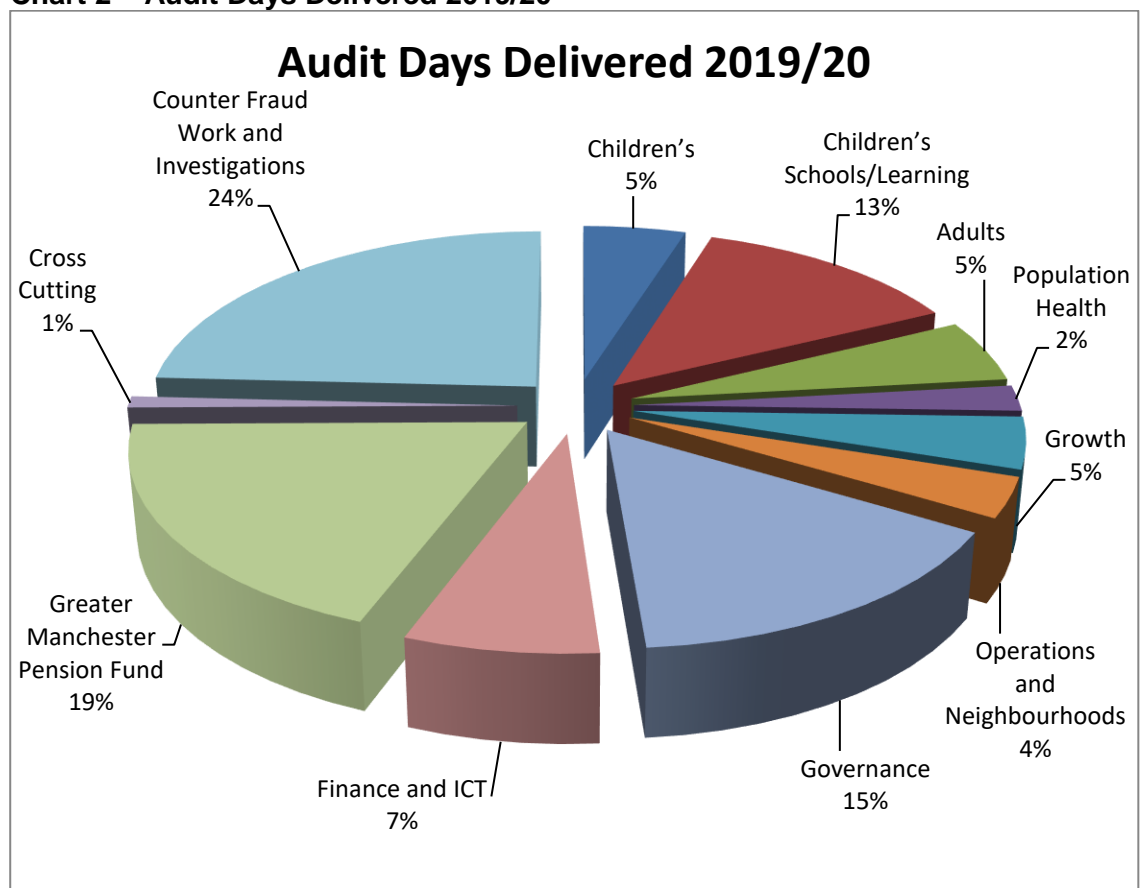**Table 1 – Audit Plan Progress as at 31 March 2020**

Directorate/Service Area	Approved Plan Days 2019/20	Revised Plan Feb 2020	Actual Days to March 2020	% Complete Against Revised Plan
Children's	78	64	74	116
Children's Schools/Learning	177	181	195	108
Adults	78	86	83	97
Population Health	26	30	34	113
Growth	68	53	68	128
Operations and Neighbourhoods	64	58	53	91
Governance	186	233	232	99
Finance	134	101	105	104
Cross Cutting	70	14	15	107
Greater Manchester Pension Fund	311	311	289	93
Fraud/Information Investigations	324	360	366	102
Total Planned Days for 2018/2019	**1,515**	**1,491**	**1,513**	**101**

4.3 Despite the Revised Plan at February 2020 showing a reduction in planned days, unproductive time (Sickness, Leave and Training) was minimised during February and March and the total days delivered were two short of the Approved Audit Plan.

4.4 Delivery of the Audit Plan was not affected by the COVID-19 Pandemic in the last two weeks of March, when the Council and the rest of the UK went into lockdown. All members of the team were able to work from home successfully and have continued to do so.

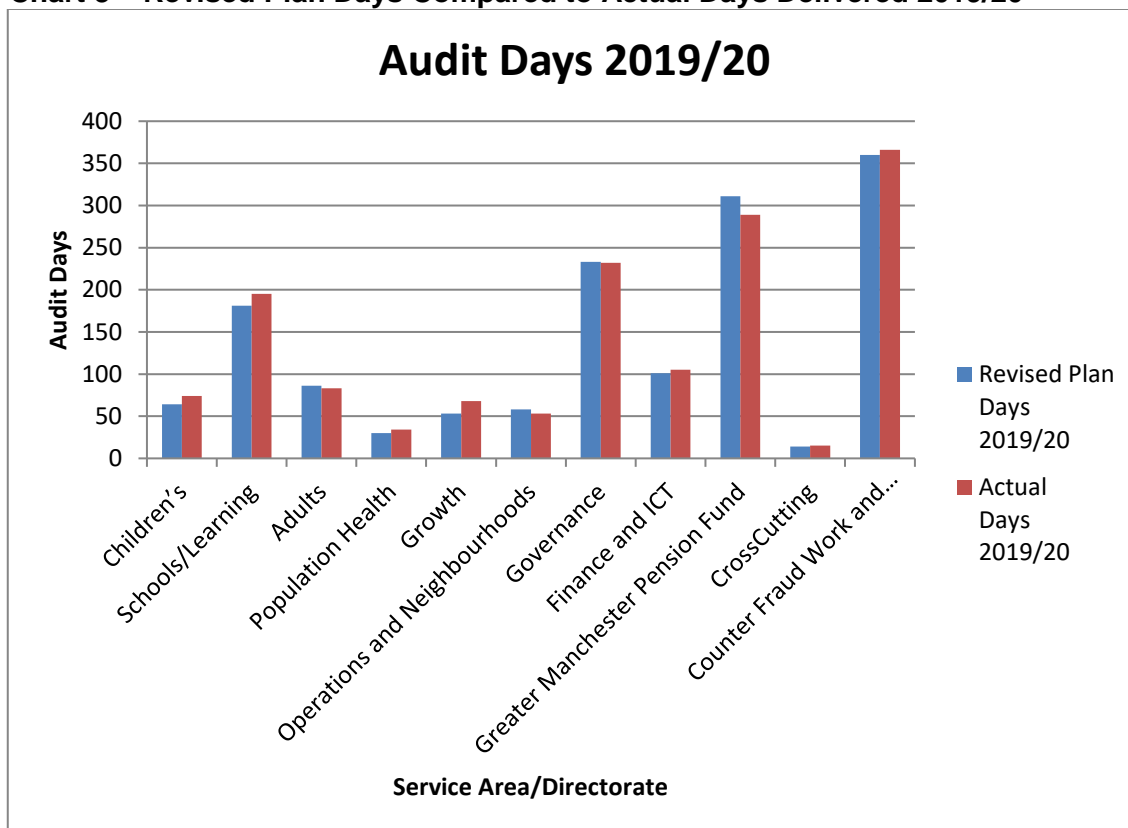4.5 The charts detail the Revised Plan Days and Actual Days Delivered per Directorate/Service Area for 2019/20.

Chart 1 – Revised Plan Days 2019/20

Revised Plan Days 2019/2020

- Counter Fraud Work and Investigations 24%
- Cross Cutting 1%
- Children's 4%
- Children's Schools/Learning 12%
- Adults 6%
- Population Health 2%
- Growth 3%
- Operations and Neighbourhoods 4%
- Governance 16%
- Finance and ICT 7%
- Greater Manchester Pension Fund 21%

Chart 2 – Audit Days Delivered 2019/20

Audit Days Delivered 2019/20

- Counter Fraud Work and Investigations 24%
- Cross Cutting 1%
- Children's 5%
- Children's Schools/Learning 13%
- Adults 5%
- Population Health 2%
- Growth 5%
- Operations and Neighbourhoods 4%
- Governance 15%
- Finance and ICT 7%
- Greater Manchester Pension Fund 19%

Chart 3 – Revised Plan Days Compared to Actual Days Delivered 2019/20

4.6   The successful delivery of the plan can be measured in three ways:-
   - **Actual Productive Audit Days Delivered against the Revised Plan**
     The days delivered against the plan, including Fraud Work totalled 1,513 compared to the revised plan of 1,491, which represents 101%.
   - **Actual Productive Audit Days Delivered against the Original Plan**
     The days delivered against the plan, including Fraud Work totalled 1,513 compared to the original plan of 1,515, which represents 99.9%.
   - **Percentage of Planned Audits Completed**
     This measure focuses on the planned audits, calculates the actual rate of completion per audit, and then consolidates the individual outcomes into one single percentage figure. The figure for 2019/20 is 92% which is comparable with the previous year 2018/19.

4.7   Whilst the number of days delivered has exceeded the revised plan, not all these days related to planned work, as a number of priority jobs were requested in latter part of the year, days have been allocated to investigate information incidents and a number of control reports in response to both fraud/information incidents have been produced to prevent further incidents occurring.

4.8   The following sections of the report provide details of the key areas covered during the period April 2019 to March 2020 and comment on any important issues arising from our work.

Financial Systems:

4.9   During 2019/20 work has been undertaken on the financial systems detailed in Table 2 below to ensure they were operating securely, fit for purpose and that the information generated from them into the general ledger was reliable. Where issues were identified as part of the systems audit work, action plans were agreed with management and these will be followed up in due course:-

Table 2 – Financial Systems Audits 2019/20

Audit	Level of Assurance	Comments	
Softbox	Medium	Final Report Issued 17/03/2020	PAR - August 2020
Income Management	Medium	Final Report Issued 08/01/2020	PAR - July 2020
Payroll – School/Third Party Providers	High	Final Report Issued 17/09/2019	PAR - March 2020 Work In Progress
External Audit Checks - Payroll	Completed – No significant issues highlighted		
Capital Projects – Schools	Low	Draft Report Issued – 10/03/2020	
Procurement – STAR Audit New Supplier Set Up	Medium	Draft Report Issued – 30/01/2020	
Budgetary Control and Financial Management – Children's Services	Low	Draft Report Issued – 09/01/2020	
Work In Progress			
Housing Benefits			
External Audit Checks - General Expenditure			
Review of Corporate Procedures - General Ledger and Budgetary Control			
Fixed Asset Register – System Sign Off			

4.10 One financial systems audit was undertaken on the Pension Fund, as detailed in Table 3 below. Where issues were identified as part of the systems audit work, action plans were agreed with management and these will be followed up in due course:-

Table 3 – Financial Systems Audits 2018/19

Audit	Level of Assurance	Comments	
Creditor Payments	Medium	Final Report Issued 03/02/2020	PAR - August 2020

4.11 Sections 4.12 to 4.20 provide details of the audit work undertaken in each directorate.

4.12 **Adults**
Areas reviewed during the year have included:-
- Locality Teams Care Management
- Homemaker Service
- Integrated Urgent Care Team
- Nursing and Residential Home Contractual Arrangements/Payments

4.13 **Children's/Learning**
Areas reviewed during the year have included:-
- Budgetary Control and Financial Management
- Troubled Families
- Petty Cash and Procurement Cards
- Special Educational Needs and Disability (SEND)

4.14 **Population Health**
Areas reviewed during the year have included:-
- Active Tameside
- Health Visiting Service

4.15 **Growth**
Areas reviewed during the year have included:-
- Capital Projects – Education

- Planning Process
- System Sign Off – Planning System
- Hattersley Collaboration Agreement

4.16 **Operations and Neighbourhoods**
Areas reviewed during the year have included:-
- Stores and Stock Control
- Youth Service
- Local Authority Bus Subsidy Grant

4.17 **Governance**
Areas reviewed during the year have included:-
- System Sign off – Complaints and information System
- Housing Benefits
- COVID-19 Award of Grants to Businesses
- Softbox
- iTrent Self-Services
- GMPF Annual Return – Compliance Checks
- Car Allowance and Bank Holiday Pay Assurance Work
- Deferred Payment Scheme Reconciliation Exercise
- External Audit Checks – Payroll
- Looked After Children's Health

4.18 **Finance**
Areas reviewed during the year have included:-
- Corporate Procedures – General Ledger and Budgetary Control
- Bank Reconciliation Procedures
- Income Management
- External Audit Checks – General Expenditure
- Fixed Asset Register System Sign off
- Cyber Security Review/ ISO 27001 Gap analysis
- Third Party Supplier Management

4.19 **Crosscutting**
Areas reviewed during the year have included:-
- GMCA Grant Assurance work
- Procurement – STAR Audit New Supplier Set Up

4.20 **Greater Manchester Pension Fund**:-
Areas reviewed during the year have included:-
- Creditor Payments
- Information Governance/GDPR
- Altair – Administration to Payroll Upgrade
- iConnect
- First Bus Asset Transfers
- GLIL Regulated Vehicle
- Transfer of Assets to New custodian
- Visits to Contributing Bodies
- Advice in relation to system change and updates

4.21 A summary of the audit opinions issued in relation to risk/system based audit work for 2019/20 compared to 2018/19 and 2017/18 is shown in Table 4 below: -

Table 4 – Final Reports System Based Audits

Opinion	Total for 2019/20	%	Total for 2018/19	%	Total for 2017/18	%
High	7 (6)	27	11 (9)	37	8 (7)	42
Medium	14 (3)	54	13 (5)	43	8 (2)	42
Low	5 (1)	19	6 (3)	20	4 (1)	16
Totals	**26 (10)**	**100**	**30 (17)**	**100**	**20 (10)**	**100**

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

4.22   In addition to the twenty six final reports issued above, a further nine draft reports have been issued for comments and management responses and these will be reported to the Panel in due course.

4.23   Sixteen schools have been audited and final reports issued as part of our cyclical review programme during 2019/2020. A summary of the opinions issued for schools during 2019/20 compared to 2018/19 and 2017/18 is shown in Table 5 below: -

Table 5 – Audit Opinions – Schools

Opinion	Total for 2019/20	%	Total for 2018/19	%	Total for 2017/18	%
High	1	8	8	35	8	50
Medium	12	92	13	56	5	31
Low	0	0	2	9	3	19
Totals	**13**	**100**	**23**	**100**	**16**	**100**

4.24   One further draft report has been issued for comments and management responses and this will be reported to the Panel in due course.

4.25   In addition to the reports issued in Tables 4 and 5, a significant number of days were allocated throughout the year to work that did not generate a report with a level of assurance attached. The areas listed below are examples of this work:-
   • Grant Certification;
   • Advice and consultancy work provided to support service redesigns and the implementation of new or updated systems;
   • Investigations into allegations of Fraud/Irregularities
   • Investigating Information Incidents; and
   • Control Reports.

4.26   It is important to note, however, that whilst the above work does not generate an audit opinion it still provides assurance to the Head of Risk Management and Audit Services in terms of the overall audit opinion and undoubtedly adds value to the Council. It ensures that expenditure is in accordance with grant conditions, that new/amended systems are introduced with satisfactory controls in place and that control issues identified as part of fraud/irregularity investigations are resolved to improve the control environment.

4.27   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. Fifty three Post Audit Reviews have been completed in total during the year and these are detailed in Appendix 1. A summary of the 19 Post Audit Reviews completed during Quarter 4 is presented in Table 6 below. It details the number of recommendations made and implemented. The percentage rate of recommendations implemented for 2019/20 is 87%.

4.28   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. Seventeen Post Audit Reviews are in progress, which will be reported to the Panel at a future meeting.

Table 6 – Post Audit Reviews – Recommendations Implemented

Post Audit Reviews	Recommendations			Comments
	Made	Implemented		
	No.	No.	%	
Control Report Thefts at Tame Street Garage	12	12	100	
Control Report - Misappropriation of Service Users Monies	4	4	100	
Control Report Droylsden Library Thefts	11	11	100	
Unitisation	4	4	100	
Visits to Bolton at Home	6	6	100	
Broadbottom C E Primary	8	8	100	
Mottram C E Primary	8	8	100	
St Joseph's R C Primary and Nursery	9	9	100	
- St Christopher's R C Primary	10	10	100	
Samuel Laycock School	7	7	100	
Special Educational Needs and Disability (SEND)	16	16	100	
Integrate Urgent Care Team	21	20	95	The outstanding recommendation related to training and is being addressed by management.
Corries Primary and Nursery	19	17	89	Recommendations relating to the Budget Plan and IT Pen Testing are being addressed by the School.
Cromwell High School	6	5	83	An issue with the School Charge Card is being dealt with by the School.
Ravensfield Primary School	11	9	82	Outstanding issues in relation to the School Charge Card and Bank Mandate are being resolved by the School.
St Mary's CE Infant and Nursery School	14	11	79	Recommendations relating to Lettings, Ordering and Petty Cash are still being implemented by the School.
Visit to Trafford Borough Council	9	5	55	Action is still needed in relation to the Leavers process and the Year-End Reconciliation.
Visit to Salford City Council	9	4	44	Outstanding recommendations related to; Leavers, Outstanding Tasks and Final Pay/Assumed Pensionable Pay are being addressed.
Community Response	24	3	12	The service is now under full review and the recommendations made at the audit will be considered as the work is undertaken

5 ANTI-FRAUD WORK

Irregularity Investigations

5.1 Investigations are conducted by two members of the Internal Audit Team under the direction of a Principal Auditor and the Head of Risk Management and Audit Services to ensure consistency of approach. All cases were investigated using the approved standard protocol and procedure, which complies with best practice. A control report is produced in the majority of cases for management to ensure that corrective action is taken where possible to ensure that the control environment is improved therefore minimising the risk of similar irregularities occurring in the future.

5.2 All investigations and assistance cases are reviewed by the Standards Panel regularly 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.

5.3 The number of cases investigated during the period April 2019 to March 2020 is summarised in Table 7 below.

Table 7 – Investigations Undertaken from April 2019 to March 2020

Detail	No. of Cases
Cases B/Forward from 2018/19	8
Current Year Referrals	6
Total	**14**
Cases Closed	5
Cases Still under Investigation	9
Total	**14**
Assistance Cases	**16**

5.4 The above investigations can be categorised by fraud type as shown in Table 8 below.

Table 8 – Investigations by Fraud Type

Fraud Type	No. of Cases	Value £	Recovered To Date £	Annual Savings £
Adult Social Care	9	36,593	16,321	81,206
Business Rates	1	7,572	0	N/A
Procurement	1	Not Known	N/A	Not Known
Misappropriation of Public Funds	2	44,281	2,370	N/A
Pension Overpayment	1	5,644	Investigation Ongoing	
Total	**14**	**94,090**	**18,691**	**81,206**

5.5 All fourteen of the above cases investigated involved frauds perpetrated against the Council by claimants or third parties. The figures shown in the Value and Potential Annual Savings column in Table 8, are estimated based on the information available to date. Several of the cases are still being investigated or prepared for prosecution and the value of the fraud could change as the case progresses. The Annual Savings represent the cashable savings to the Council in relation to Direct Payments that have been stopped as a direct result of Internal Audit's involvement in the case.

5.6 The assistance cases whereby Internal Audit help managers to progress investigations/irregularities, referred to in Table 7 above, have identified potential savings in the region of £25,000.

5.7   The processes in place within Internal Audit and across the Council to manage the risk of fraud and corruption are in accordance with the code of practice issued by the Chartered Institute of Public Finance and Accountancy in 2014 entitled "Managing the Risk of Fraud and Corruption" and the more recently updated Fighting Fraud and Corruption Locally Strategy.

Fighting Fraud and Corruption Locally

5.8   CIPFA recently published the updated Fighting Fraud and Corruption Locally, a strategy for the 2020's, a response to economic crime and fraud. It provides a blueprint for a coordinated response to fraud and corruption perpetrated against local authorities. It builds on the previous two strategies which focused upon pillars of activity that summarised the areas local authorities should concentrate efforts on. These were 'acknowledge', 'prevent' and 'pursue'. These pillars are still applicable, however, during the research for this strategy another two areas of activity emerged that underpin those pillars and are 'govern' and 'protect'.

5.9   The five pillars of the strategy are:-

Govern -   Having robust arrangements and executive support to ensure anti-fraud, bribery and corruption measures are embedded throughout the organisation. Having a holistic approach to tackling fraud is part of good governance.

Acknowledge -   Acknowledging and understanding fraud risks and committing support and resource to tackling fraud in order to maintain a robust anti-fraud response.

Prevent -   Preventing and detecting more fraud by making better use of information and technology, enhancing fraud controls and processes and developing a more effective anti-fraud culture.

Pursue -   Punishing fraudsters and recovering losses by prioritising the use of civil sanctions, developing capability and capacity to investigate fraudsters and developing a more collaborative and supportive local enforcement response.

                    Local authorities have achieved success by following this approach; however, they now need to respond to an increased threat and protect themselves and the community.

                    The second new area that has appeared during the research recognises the increased risks to victims and the local community.

Protect -   Protecting against serious and organised crime, protecting individuals from becoming victims of crime and protecting against the harm that fraud can do to the community.

                    For a local authority this will also cover protecting public funds, protecting its organisation from fraud and cybercrime and also protecting itself from future frauds.

5.10   A copy of Fighting Fraud and Corruption Locally is attached at **Appendix 2.** Section 4 details the Local Response and provides a checklist of requirements. A Self-Assessment against this is underway and will be presented to the July 2020 meeting of the Audit Panel.

National Fraud Initiative

5.11   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. The NFI database is now closed for the 2018 exercise as preparations are underway for the 2020 exercise which will commence in October 2020 when all the data sets are uploaded.

5.12   **Table 9 – National Fraud Initiative (NFI) Findings**

NFI Data Set	NFI Report Ref.	Number of Matches	Report Match Rating	No. of Error/Frauds	Value of Error/Frauds
Pensions to DWP Deceased Persons	52	897	**High**	-	-
Pensions to Payroll	54 and 55	2,123	**High**	-	-
Deferred Pensions to DWP Deceased	53	145	**High**	-	-
Housing Benefits to Student Loans	2	67	**High**	7 Errors	£29,174
Housing Benefits Claimants to DWP Deceased	49.1	82	**High**	-	-
Housing Benefit Claimants to Pensions	13.1 14.1	496	**High**	77 Errors	£15,362
Council Tax Reduction Scheme to Pensions	435.1 436.1	783	**High**	-	-
Council Tax Reduction Scheme to Payroll	435 436	82	**High**	-	-
Personal Budgets to DWP Deceased	400.1	2	**High**	-	-
Blue Badge to DWP Deceased	172.1	34	**High**	13 Errors	£7,475
Private Residential Care Homes to DWP Deceased	173	50	**High**	-	-
Personal Budgets to Pensions	415	12	**High**	1 Fraud	£321
Housing Benefit Claimants to Taxi Drivers	47.5	2	**Low**	1 Error	£1,511
Council Tax Reduction to HMRC Earnings and Capital	483.1	41	**High**	12 Errors	£31,839
Council Tax Reduction to HMRC Household Composition	483.2	500	**High**	35 Errors	£127,854
Housing Benefit Claimants to HMRC Household Composition	484.2	155	**High**	18 Errors	£63,415
Totals		**5,471**		**163 Errors 1 Fraud**	**£276,630 £321**

5.13   Investigations undertaken have identified a total of 163 errors with a value of £276,630 and a single fraud valued at £321. 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.

5.14   Matches were received in relation to duplicate creditor payments and from the work undertaken by Internal Audit, savings of £50,722 have been identified which will now be recovered.

5.15   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   NATIONAL ANTI-FRAUD NETWORK (NAFN)

6.1   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	March 2020	March 2019	Target	%	% Increase (Decrease)
Local Authorities	355	359	408	87	(1)
Housing Associations	62	58	N/A	-	7
Other Public Bodies	19	15	N/A	-	27
Totals	**436**	**432**	**-**	**-**	**1**
Registered Users	13,575	12,657	N/A	-	7

6.2   The number of requests received during 2019/20 is detailed in Table 11 below has increased overall by just over 8% from the previous year. The significant increase in the number of communication data requests (67%) is 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.

6.3   A detailed report regarding NAFN will be presented to the next meeting of the Audit Panel.

6.4   **Table 11 – NAFN Requests Received**

Type of Request	2019/20	2018/19	Increase (Decrease)	% Change
General Data Protection	31,294	33,530	(2,236)	(7)
DVLA	14,044	15,584	(1,540)	(10)
Investigatory Powers Act	1,725	1,032	693	67
Authorised Officers	11,638	12,108	(470)	(4)
Type B (Online)	174,474	152,762	21,712	14
Grand Total	**233,175**	**215,016**	**18,159**	**8.4**

6.5   The success of the NAFN AGM and Annual Conference, the Investigatory Powers Commissioner's Office (IPCO) inspection, winning of an award at the iNetwork Innovation Awards 2019 and the continued support to members has been reported to the Audit Panel in progress reports during the year.

6.6   During the final quarter of the year 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.

6.7   Work has also continued in relation to the development of an intelligence service and the revised e-learning and CPD modules which will allow investigators to update their skills and record their training.

7   **RISK MANAGEMENT AND INSURANCE**

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

7.2   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. Interviews were held in March just before we went into lockdown and an offer made, however, due to the uncertainty in relation to COVID-19, the offer was rejected. Recruitment will recommence shortly.

7.3   Work during Quarter 4 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 finalising the Insurance procurement exercise and all insurance covers were in place by 1 April 2020.
   - In January the Department for Education extended the insurance scheme currently in place for academies to cover all maintained schools. An assessment was

undertaken to compare the cost of the scheme to the cost of commercial insurance and moving all schools to the scheme realised a significant saving for schools. In addition to the cost savings schools benefit from more favourable insurance terms and lower excesses. In conjunction with the Assistant Director of Learning, the team assisted in providing reports for the Schools Forum, communications for the schools and enrolling them all onto the scheme.

- 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 Risk, Insurance and Information Governance Manager is in post.

8   PERFORMANCE INDICATORS

8.1   The performance of the section is monitored in a variety of ways and a number of indicators have been devised to enable comparisons between financial years and between similar organisations. Formal benchmarking using the Chartered Institute of Public Finance and Accountancy has not taken place for a number of years due to budget cuts and capacity; however, the North West Chief Audit Executive Group is aiming to reintroduce the comparison of a small number of key performance indicators during the coming year.

8.2   The Key Performance Indicators for Internal Audit for 2019/20 are detailed in Table 12 below and they are compared to the two previous years 2018/19 and 2017/18.

Table 12 - Key Performance Indicators 2019/20

	Indicator	Target	19/20	18/19	17/18	Comments
1	Compliance with Public Sector Internal Audit Standards	100%	100%	100%	100%	**Target Achieved**
2	% of Plan Completed	90%	92%	92%	93%	**Target Achieved**
3	Customer Satisfaction (per questionnaires)	90% of customers "satisfied ≥ 65%"	100%	100%	100%	**Target Achieved**
4	% Recommendations Implemented	90%	87%	93%	90%	**Target Not Achieved**
5	No. of Irregularities Reported/Investigated	Downward Trend	14	15	8	**Target Achieved**

8.3   Four of the five targets have been achieved for 2019/20, the unachieved target relates to the Percentage of Recommendations Implemented. Whilst demonstrating that the standard and quality of recommendations made are acceptable, their implementation is the responsibility of management and delays can occur for example due to lack of capacity, new systems and service reviews/redesigns.

8.4   The effectiveness of the team in terms of adding value to the Council is an important element of the role of internal audit (as per the definition outlined in section 1.1) and the service as a whole, however, it is extremely difficult to use quantitative indicators to measure this performance. Added value is demonstrated by the variety of work undertaken above, the responsive and flexible approach adopted, the positive comments and feedback received from auditees and the opinion of our External Auditors that they can place reliance on the work of Internal Audit.

9 PUBLIC SECTOR INTERNAL AUDIT STANDARDS

9.1 The Internal Audit function was judged to be compliant with the Public Sector Internal Audit Standards (PSIAS) following an External Peer Review in March 2018, and the recommendations from the review have been implemented enhancing the service further. Furthermore, the Self-Assessment completed for 2019/20 against the updated standard reaffirmed full compliance.

9.2 The Review of Internal Audit 2019/20 Report earlier on the agenda provided details of the full Self-Assessment undertaken against the individual standards for 2019/20.

9.3 The Quality Assurance and Improvement Programme which is presented to the Audit Panel in March 2020 as part of the Risk Management and Audit Planned Work 2020/21 Report detailed the service developments for 2020/21, including any minor issues identified from the 2019/20 Self-Assessment.

10 QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME (QAIP)

10.1 The process and procedures in place within Internal Audit are continually reviewed and any issues/inefficiencies identified are addressed immediately to assist and improve productivity.

10.2 The service developments included in the Quality Assurance and Improvement Programme for 2019/20 are listed below in Table 13 together with a progress update.

Table 13 – Progress Update on Service Developments

Development	Progress to March 2019
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.	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.
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.	This has been addressed as part of the Annual Development Review process with the team and is kept under review during the year at supervision meetings and as Seminars, Workshops and Webinars become available.
Do internal auditors maintain a record of their professional development and training activities?	The information is currently contained in Annual Development Review Forms and the Me Learning System. The electronic training record being developed as part of a self-service option on the Payroll/HR System iTrent is delayed and therefore a spreadsheet is being used to collate training undertaken.
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.	This piece of work has not been completed due to capacity issues and the need to deliver the Audit Plan.
To finalise the review all fraud, bribery and corruption policies, procedures and plans etc. to ensure they are fit for purpose,	Due to the Maternity Leave of one of the Fraud Investigators, this work has been paused and will be recommenced during

Development	Progress to March 2019
seeking the appropriate approval and then consider how to effectively disseminate the information to members and officers.	2020/21.
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.	Ongoing.
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.	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.

11   INDEPENDENCE OF INTERNAL AUDIT

11.1   In accordance with the Public Sector Internal Audit Standards, the Internal Audit Team/Function has continued to remain independent of any non-audit operational responsibilities during 2019/20.

11.2   As indicated above in Table 13 the independence of the Head of Risk Management and Audit Services has not been reviewed in line with the recommendation made as a result of the External Peer Review and will be addressed during 2020/21.

11.3   However, any audit work in areas directly managed by the Head of Risk Management and Audit Services would be managed by somebody independent to the process, for instance the Assistant Director of Finance or the audit would be undertaken by another AGMA Audit Team.

12   AUDIT OPINION BASED ON RESULTS OF 2019/20 ACTIVITY

12.1   The Audit Panel can take reasonable assurance that arrangements to secure governance, risk management and internal control, within those areas reviewed, are suitably designed and applied effectively.

12.2   The COVID-19 pandemic has not undermined the controls in place for 2019/20, as it is based on the audit work undertaken and the levels of assurance allocated to completed audits which were almost complete prior to the lockdown commencing. Looking to 2020/21 Internal Audit has been involved in advising on changes to systems and processes and despite the whole workforce working from home we are still able to conduct audits and are keeping in contact with Directors and Assistant Directors to offer support and assistance where required.

12.2   As stated in previous years it has to be accepted that the gross risk for the Council has increased in recent years (as we have reduced capacity whilst still having to deliver a

significant change programme to meet our financial challenges). The finding of our work is that controls are in place to mitigate these risks and where improvements have been highlighted, managers have agreed to implement the suggested recommendations. This will aid the management of risks and support the overall control environment.

13   ANNUAL GOVERNANCE STATEMENT DEVELOPMENT PLAN 2019/20

13.1   A full update of the above Development Plan for 2019/20 will be presented to the July meeting of the Audit Panel as part of the Annual Governance Report.

14   RECOMMENDATION

14.1   As set out on the front of the report.