



Report To:	AUDIT PANEL
Date:	28 July 2020
Reporting Officer:	Wendy Poole – Head of Risk Management and Audit Services
Subject:	PROGRESS REPORT ON RISK MANAGEMENT AND AUDIT ACTIVITIES APRIL TO JUNE 2020
Report Summary:	To advise members of the work undertaken by the Risk Management and Audit Service between April and June 2020 and to comment on the results.
Recommendations:	That members note the report and the performance of the Service Unit for the period April to June 2020.
Links to 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: (Authorised by the Borough Treasurer)	Effective Risk Management and Internal Audit assists in safeguarding assets, ensuring the best use of resources and reducing losses due to poor risk management. It also helps to keep insurance premiums and compensation payments to a minimum and provides assurance that a sound control environment is in place.
Legal Implications: (Authorised by the Borough Solicitor)	Demonstrates compliance with the Accounts and Audit Regulations 2015 whilst demonstrating proper administration of the Council's affairs. Internal Audit when engaging and supporting individual operations need to evidence prudent management of affairs to secure economic, efficient and effective use of Council resources
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 Papers:	The background papers can be obtained from the author of the report, Wendy Poole, Head of Risk Management and Audit Services by contacting:  Telephone: 0161 342 3846  e-mail: wendy.poole@tameside.gov.uk

1. INTRODUCTION

- 1.1 This is the first progress report for the current financial year and covers the period April to June 2020.
- 1.2 The main objective of this report is to summarise the work undertaken by the Risk Management and Audit Service during the first quarter of the year in respect of the approved Plan for 2020/21, which was presented to the Audit Panel on 10 March 2020.

2. RISK MANAGEMENT AND INSURANCE

- 2.1 The Risk, Insurance and Information Governance Team provide services to the whole Council. The key priorities for the team during 2020/21 are: -
- To work with the Single Leadership Team to review the Corporate Risk Register ensuring that it is linked to the Corporate Plan Themes and Priorities and develop operational risk registers. A key priority will be to introduce a robust system of monitoring that risk registers are kept up to date and reported appropriately to officers and members.
 - To facilitate the continued implementation of the Information Governance Framework, ensuring that the Council is compliant with all Data Protection legislation.
 - To work with senior managers to ensure that Service Area/Units Business Continuity Plans are robust and fit for purpose and that Corporate Business Continuity Plan is regularly updated and reported to the Single Leadership Team. Work to produce a list of critical services needs to be finalised and regularly updated to support management in responding to a major incident. Once updated the plans will need to be tested and a methodology for determining how to introduce a testing regime for both service plans and the corporate plan will need to be devised.
 - To work with STAR Procurement to procure Insurance Brokers and Legal Representatives to work with the Council's Insurers in defence of litigated claims.
 - 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 work with schools to ensure advice and support is provided.
 - To attend management team meetings quarterly to provide updates on insurance, information governance, risk management and business continuity.
- 2.2 Work in Quarter 1 has concentrated on ensuring that the new insurance contract was finalised in light of the Coronavirus Pandemic which has severely affected the insurance industry and market. Advice and guidance has been provided across directorates to ensure insurance cover was in place as services adjusted to new ways of delivery. Work has also been undertaken in relation to School Trips as a significant number were affected by the pandemic and lockdown.
- 2.3 Work to update the Corporate Risk Register was undertaken and this was presented to the Audit Panel at the June meeting.
- 2.4 A number of Data Protection Impact Assessments have been undertaken during the period to ensure that all risks to personal data in relation to new projects and changes to existing processes are assessed to ensure compliance with GDPR and the Data Protection Act 2018. Mandatory training for Information Governance and Cyber Security has been monitored and the overall completion rate is now at 95%.

- 2.5 A Risk, Insurance and Information Governance Assistant joined the team in March just as the UK went into lockdown and we all started working at home. Considerable resource has been committed during quarter one to train and develop her into her new role in the virtual world.
- 2.6 The Risk, Insurance and Information Governance Manager commenced with the Council on 1 July 2020 and it has been agreed with the Assistant Director of Finance that a review of the risk management system in place will be his key priority.

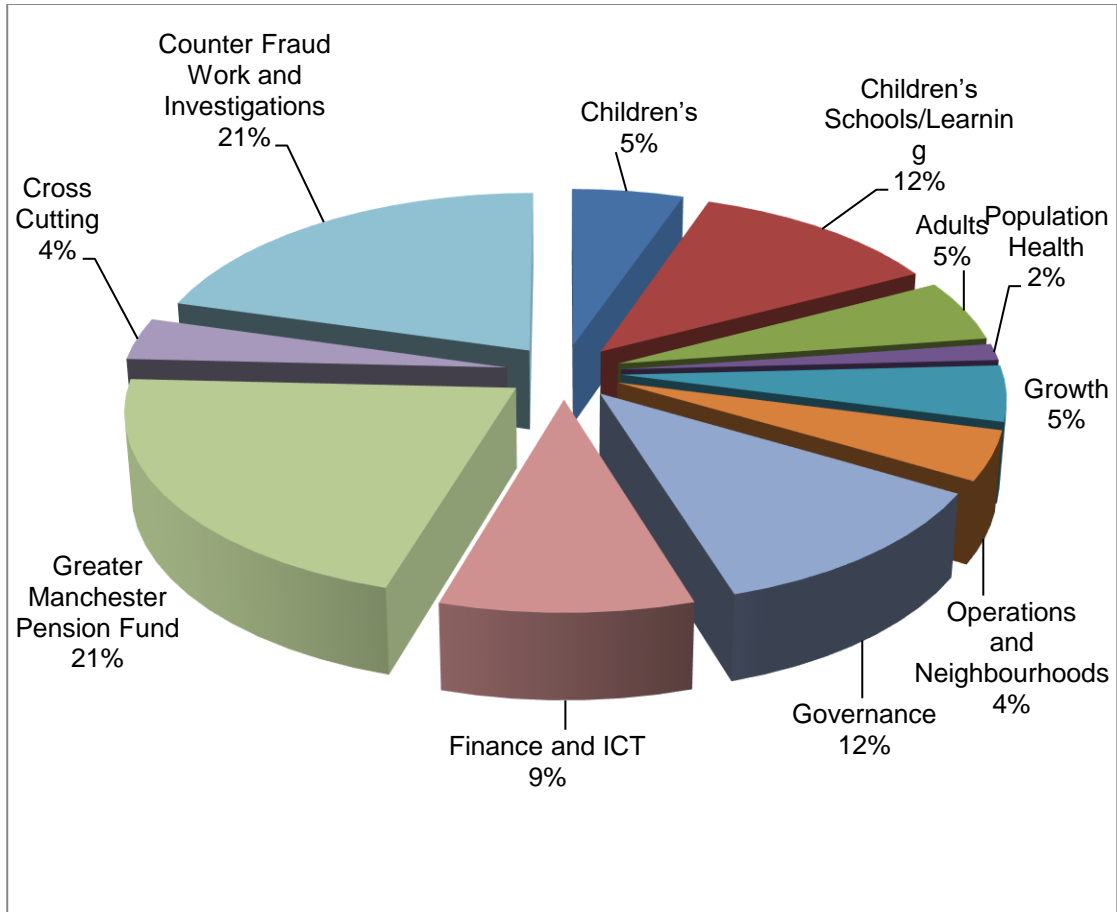
3. INTERNAL AUDIT OVERVIEW

- 3.1 The Audit Plan approved on 10 March 2020 covered the period April 2020 to March 2021 and totalled 1,510 Days. This was made up of 1,200 days on planned audits and 310 days on reactive fraud work.
- 3.2 Table 1 below provides a summary of progress to 30 June 2020. The Table details the Planned Days, Profiled Days, Actual Days delivered at Quarter 1 and the Days to be delivered in Quarters 2 - 4. The actual days in total are 352, compared to profiled days of 339. **Appendix 1** provides a detailed breakdown of the 2020/21 Audit Plan and shows; the Auditable Area, Approved Audit Plan 2020/21, Profiled Days Quarter 1, Actual Days, Variance, Days to Deliver in Quarters 2 - 4, Status and Level of Assurance.
- 3.3 Planned work has continued during the Coronavirus Lockdown in most areas across the plan, as evidence required has been provided electronically and all meetings have been held virtually via Skype for Business. We have now managed to audit a school without having to undertake a site visit with a slightly revised audit programme and this methodology will be used going forward. Some audits planned for quarter 1, however, have not been completed due to the Pandemic/Lockdown and a review of the plan will be undertaken at the end of July when work on the business support grants has been completed.
- 3.4 The Pie Charts below present the plan for the year, the profiled plan for Quarter 1 and the actual days delivered to 30 June 2020.

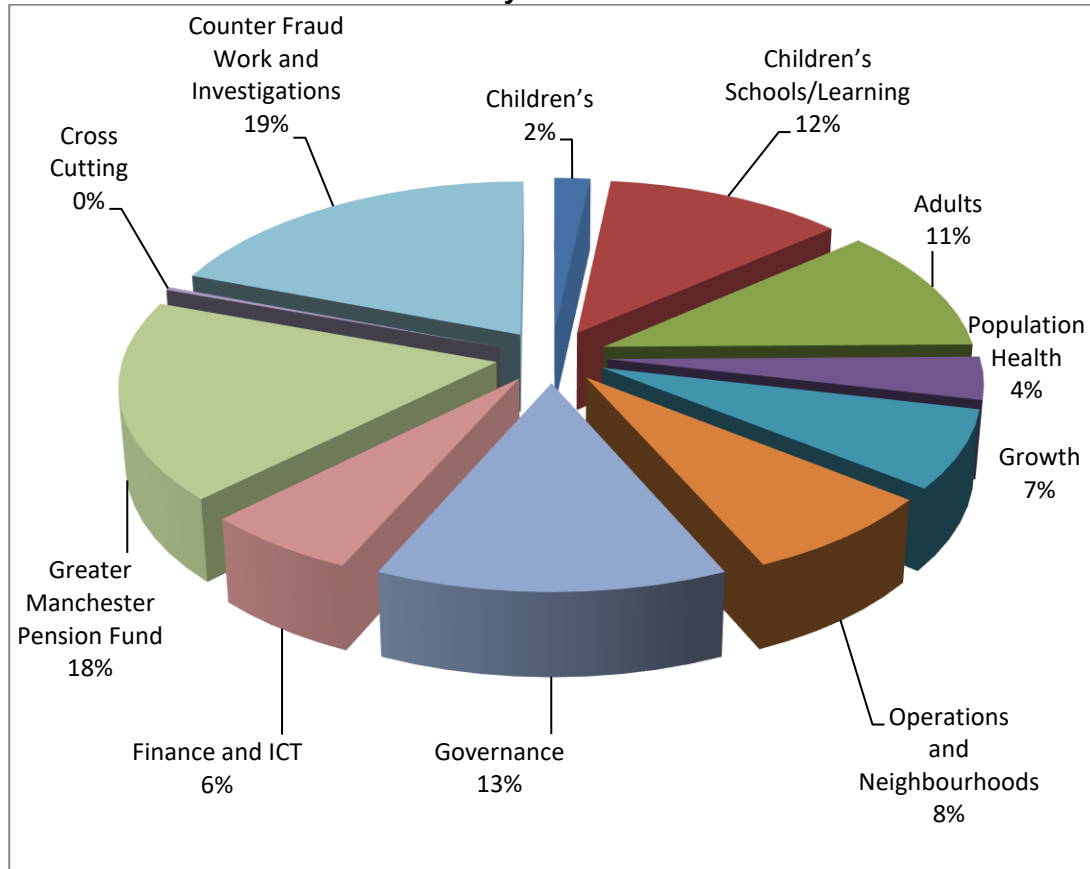
3.5 Table 1 – Annual Audit Plan Summary 2020/21

Service Area / Directorate	Approved Plan 2020/21	Quarter 1 Profiled Planned Days	Actual Days To June 2020	Variance Days to be Delivered in Q2 – Q4
Children's	80	6	6	74
Children's Schools/Learning	181	40	27	154
Adults	82	38	13	69
Population Health	22	13	1	21
Growth	74	24	55	19
Operations and Neighbourhoods	66	26	4	62
Governance	178	45	71	107
Finance and ICT	141	20	20	121
Greater Manchester Pension Fund	320	61	74	246
Crosscutting	56	1	1	55
Counter Fraud Work/Investigations	310	65	81	229
Total Planned Days for 2020/21	1,510	339	352	1158

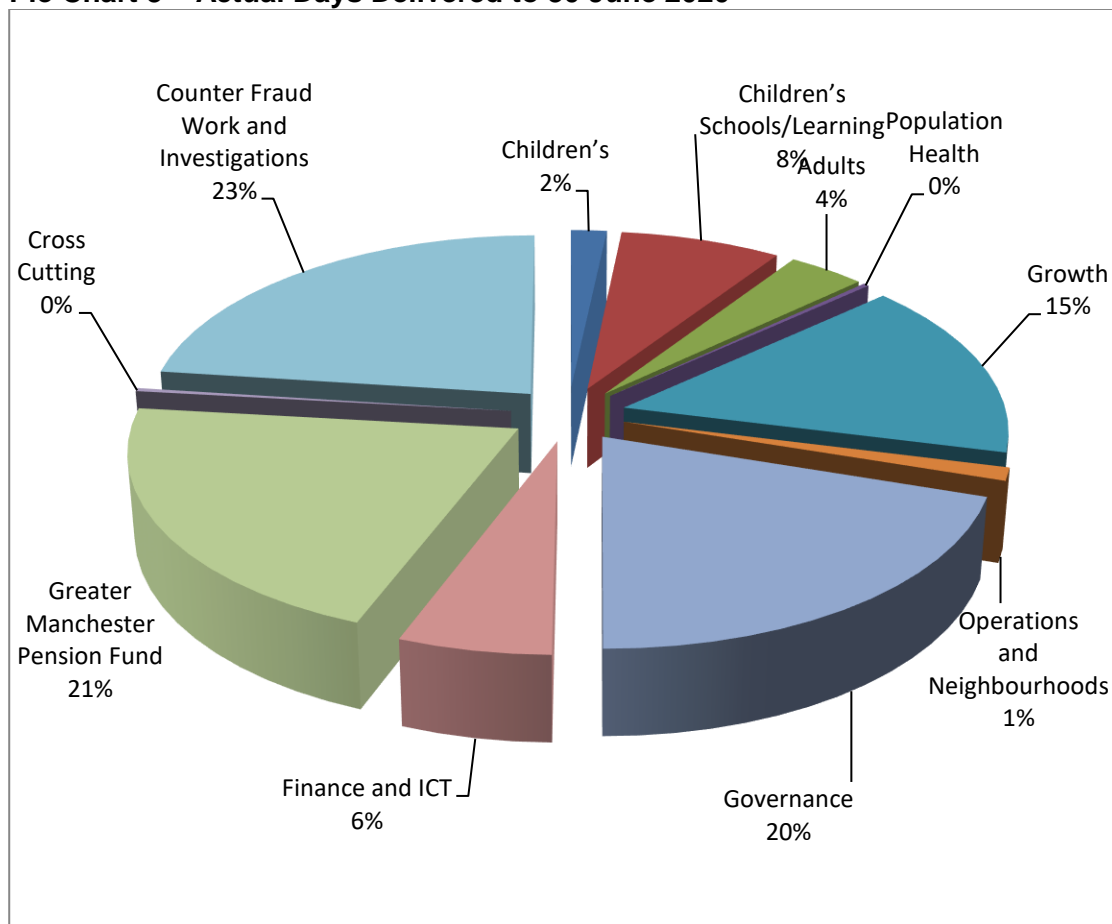
3.6 **Pie Chart 1 – Annual Audit Plan 2020/21**



3.7 **Pie Chart 2 – Profiled Audit Plan Days Quarter 1**



3.8 **Pie Chart 3 – Actual Days Delivered to 30 June 2020**



4. **AUDIT ACTIVITY TO 30 JUNE 2020**

4.1 During the first quarter of the year, three Final Reports were issued in relation to systems and risk based audits, the results of which are summarised in Table 2 below.

Table 2 – Final Reports System/Risk Based Audits 2020/21

Opinion	Number	%	Total To Date	Total for 2019/20
High	0	0	0	7 (6)
Medium	1	33	1	14 (3)
Low	2	67	2	5 (1)
Totals	3	100	3	26 (10)

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

4.2 In addition to the Final Reports issued above, seven Draft Reports have been issued for management review and responses and these will be reported to the Panel in due course.

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

- Investigation Control Reports and follow Ups;
- GMPF Assurance Work (e.g. iConnect and Address Tracing Projects);
- Significant support has been provided to both Exchequer Services and Growth during the quarter in relation to the business support grants funded by the Government in response to COVID-19, to ensure that the application review processes implemented were robust and designed to minimise the likelihood of fraud;

- Support to Exchequer in the processing of COVID-19 Business Grants;
- Support to Growth in the processing of COVID-19 Discretionary Grants; and
- System Sign-Offs.

4.4 One Final Audit Report in relation to a School was issued during the period, the results of which are summarised in Table 3 below.

Table 3 – Final Reports Schools

Opinion	Number	%	Total To Date	Total for 2019/20
High	0	0	0	0
Medium	1	100	1	12
Low	0	0	0	1
Totals	1	100	1	13

4.5 In addition to the final reports issued above, six further audits have been completed and the Draft Reports have been issued to the Schools for management review and responses and they will be reported to the Panel in due course.

4.6 Post Audit Reviews are undertaken approximately six months after the Final Report has been issued, however, where a low level of assurance is issued the Post Audit Review is scheduled for three months to ensure that the issues identified are addressed. Nine Post Audit Reviews have been completed during the period and a summary of the Post Audit Reviews completed is presented in Table 4 below and details the number of recommendations implemented. The percentage rate of recommendations implemented is currently 95%. 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 fourteen Post Audit Reviews are in progress which will be reported to the Panel at a future meeting.

Table 4 – Post Audit Reviews – Recommendations Implemented

Post Audit Reviews	Recommendations			Comments
	Made	Implemented		
	No.	No.	%	
St Christopher's RC Primary	10	10	100	
Information Incident – Adults	17	17	100	
Control Report – Tame Street	3	3	100	
Apprenticeship Levy	8	8	100	
Control Report – Youth Service	23	23	100	
Youth Service	30	29	97	The only outstanding recommendation related to data sharing and system access and will be reviewed by management.
VAT	15	14	93	The treatment of VAT in relation to Write-Offs was outstanding and will be addressed in 2020/21.
Bank Reconciliation Procedures	20	17	85	Recommendations relating to Age and Clearance of Offending Items together with Procedures notes were outstanding and management agreed to consider these during

Post Audit Reviews	Recommendations			Comments
	Made	Implemented		
	No.	No.	%	
				2020/21.
GMPF Visit to Sodexo	9	7	78	Outstanding issues relate to Contribution Bandings and Assumed Pensionable Pay
	135	128	95	

5. REVIEW OF INTERNAL AUDIT

- 5.1 The review of Internal Audit reported to the Audit Panel on 9 June 2020 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 presented and approved by the Audit Panel on 10 March 2020. The service developments listed in Table 5 below were included for 2020/21.

Table 5 – Service Developments 2020/21

Developments	Progress to Date
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.	Due to capacity issues on the Risk, Insurance and Information Governance Team, the roles relating to Information Governance will be assessed during 2020/21 once the new post-holders are in place.
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.	Skills and training requirements are considered on an ongoing basis at Annual Development Reviews and supervisions and any gaps identified are addressed. All relevant webinars/workshops/training courses are discussed by management and disseminated to staff.
Do internal auditors maintain a record of their professional development and training activities?	Audit Staff keep a record of their training as part of their Annual Development Review and corporate training is recorded on the Me Learning System. An electronic training record is on the project plan as part of the self-service options being developed on the Payroll/HR System iTrent.
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 project has been deferred until the latter part of the year.
To finalise the review of all corporate documents relating to fraud, bribery and corruption to ensure they are fit for purpose, seeking the appropriate approval and then consider how to effectively disseminate the information to members	This project is on hold until the Fraud Investigator currently on Maternity Leave returns in September 2020.

Developments	Progress to Date
and officers.	
To continue 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.	Work has been delayed due to the impact of the Coronavirus Pandemic.

6. ANNUAL GOVERNANCE STATEMENT 2019/20

- 6.1 The Draft Annual Governance Statement for 2019/20 is on the agenda as a separate item.
- 6.2 The Final Annual Governance Statement for 2019/20 will be presented to the Audit Panel in November 2020 as the deadlines have been deferred due to the Coronavirus Pandemic.

7 IRREGULARITIES/COUNTER FRAUD WORK

- 7.1 Fraud, irregularity and whistle-blowing investigations are conducted by two members of the Internal Audit Team under the direction of a Principal Auditor and the Head of Risk Management and Audit Services to ensure consistency of approach.
- 7.2 All investigations and assistance cases are reported to the Standards Panel 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.
- 7.3 Ongoing assistance cases can range from obtaining information for an investigating officer to actually undertaking some analysis work and providing 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.
- 7.4 The number of cases investigated during the period April to June 2020 is summarised in Table 6 below.

Table 6 – Investigations Undertaken from April to June 2020

Detail	No. of Cases
Cases B/Forward from 2019/20	8
Current Year Referrals	19
Total	27
Cases Closed	4
Cases Still under Investigation	23
Total	27
Assistance Cases	12

- 7.5 The above investigations can be categorised by fraud type as shown in the tables below. Table 7 details the cases brought forward from 2019/20 and Table 8 concentrates on the Business Support Grants referred to Internal Audit for review and assessment.

7.6 **Table 7 – Investigations by Fraud Type**

Fraud Type	No. of Cases	Estimated Value £	Recovered To Date £	Annual Savings £
Adult Social Care	5	18,921	976	18,037
Misappropriation of Public Funds	2	44,281	2,370	N/A
Pension	1	5,644	Investigation Ongoing	
Total	8	68,846	3,346	18,037

7.7 **Table 8 – Investigation by Fraud Type – Grants to Businesses**

Fraud Type	No. of Cases	Estimated Value £	Still under Investigation £	Fraudulent Claims Paid £	Payments Stopped To Date £	Payments Released After Investigation £
Business Rate	12	120,000	40,000	40,000	40,000	N/A
Discretionary	7	46,000	5,000	0	26,000	15,000
Total	19	166,000	45,000	40,000	66,000	15,000

7.8 The fraudulent claims paid totalling £40,000 are being reviewed in conjunction with the Assistant Director of Exchequer and the Head of Legal to ensure a robust and cost effective recovery process is put in place. To date £9,924 has been recovered and returned to the Council's Bank Account. The challenge added by referring claims to the Fraud Investigator has prevented a further eight claims being paid totalling £66,000.

7.9 The data sets for the National Fraud Initiative (NFI) 2018 Exercise were investigated and the final results were reported to the Audit Panel on 9 June 2020. Preparations will soon be underway to upload the data sets in October required for the 2020 Exercise. Results should be available for investigation in Jan/Feb 2021 and updates will be provided to the Audit Panel as investigations are progressed.

7.10 The assessment against the National Fraud Strategy Fighting Fraud and Corruption Locally 2020 has been delayed as resources have been prioritised to work on the grant cases to provide feedback to both Exchequer and Growth so that timely and appropriate action can be taken.

8 NATIONAL ANTI FRAUD NETWORK DATA AND INTELLIGENCE SERVICES

8.1 NAFN exists to support members in their protection of the public purse and acts as an Intelligence Hub providing a single point of contact for members to acquire data and intelligence in support of investigations, enforcement action and debt collection. A breakdown of the membership is provided in Table 9 below: -

Table 9 – NAFN Membership

Member Type	June 2019	June 2020	Target	%	% Increase (Decrease)
Local Authorities	356	353	404*	87	3
Housing Associations	57	61	N/A	-	7
Other Public Bodies	15	18	N/A	-	20
Totals	428	432	-	-	0.9
Registered Users	12,040	13,575	N/A	-	12.8

* Reduction in total number of local authorities (419) due to councils merging.

- 8.2 Membership levels have increased for both housing associations and other public bodies. Local authority membership has risen in terms of percentage coverage but the actual number of members has declined because of continuing local authority mergers.
- 8.3 NAFN is the Single Point of Contact for all local authority communication data requests. The Introduction of the Investigatory Powers has provided NAFN with the opportunity to enter in to collaboration agreements with a range of other public bodies. This now includes the Pension Regulator and NHS Counter Fraud who are now members.
- 8.4 The number of requests received during Quarter 1 2020/21 as detailed in Table 10 below has significantly reduced overall by 28% from the same period in the previous year. We strongly believe that this significant reduction reflects the impact of COVID-19 on a range of central and local government services. However, it is clear that corporate Anti-Fraud and trading standards teams have focused on communications data requests again in response to fraud associated with the Government COVID-19 Business Grants.

8.5 **Table 10 – NAFN Requests Received**

Type of Request	2020/21 Apr-Jun	2019/20 Apr-Jun	2019/20 Full Year	% Increase (Decrease)
General Data Protection	5,017	7,239	31,294	(30)
Driver and Vehicle Licensing Agency	1,700	3,871	14,044	(30)
Investigatory Powers Act	335	128	1,725	161
Prevention of Social Housing Fraud Act/Council Tax Reduction Scheme	2,303	2,916	11,638	(21)
Type B (Online)	30,412	40,800	174,474	(25)
Grand Total	39,767	54,954	233,175	(28)

- 8.6 Since March 2020, NAFN has been working very closely with Central Government including the Cabinet Office and the Business Energy and Industrial Strategy (BEIS) in response to COVID-19 business grant fraud. NAFN is also actively participating in a number of national working groups including the National Economic Crime Centre, Operation Etherin (Understanding the Threat Expert Panel) and the Fraud Advisory Panel.
- 8.7 NAFN intelligence officers are working collaboratively with the National Investigation Service (NATIS) reporting to BEIS in relation to business grant fraud. NAFN is proving an intelligence gathering role on behalf of its members to support this widespread fraud investigation.

9 RECOMMENDATION

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