

Report To:	AUDIT PANEL
Date:	10 November 2020
Reporting Officer:	Wendy Poole – Head of Risk Management and Audit Services
Subject:	PROGRESS REPORT ON RISK MANAGEMENT AND AUDIT ACTIVITIES APRIL TO 2 OCTOBER 2020
Report Summary:	To advise members of the work undertaken by the Risk Management and Audit Service between April and 2 October 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 2 October 2020.
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 statutory Section 151 Officer & Chief Finance Officer)	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)	<p>This report demonstrates compliance with the Accounts and Audit Regulations 2015 whilst also demonstrating proper administration of the Council's affairs.</p> <p>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</p>
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 second progress report for the current financial year and covers the period April to 2 October 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 half 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 review the Risk Management System by working 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 the 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 The Risk, Insurance and Information Governance Manager commenced in post from 1 July 2020. The post is shared between Tameside and Rochdale Council on a 60/40 ratio.
- 2.3 The recruitment of the two additional Risk, Insurance and Information Governance Officers was a priority and interviews were held at the beginning of September. Two appointments have been made, but unfortunately as they are transferring from the private sector their periods of notice are three months and so capacity on the team will not increase until January 2021.
- 2.4 Work to review the Risk Management System in place was identified as a priority for the new manager and has commenced, resources have concentrated on updating the Corporate Risk Register working with the Single leadership Team for presentation to the Audit Panel at the November meeting. The next steps will include a review of the Risk Management Policy and Strategy, the format of risk registers and the guidance for assessing the likelihood and impact of risks and working with Directorates to refresh Operational Risk Registers.

- 2.5 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 99%.
- 2.6 Work is underway to cleanse the Insurance Claims Database in preparation for the annual Actuarial Review and the forthcoming renewal process which will commence in November/December 2020.
- 2.7 Support and advice has been provided across the Council in the period in relation to COVID-19 to ensure that risk management, insurance and information governance arrangements in place are robust and reflect the changes to service delivery where applicable.

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 2 October 2020. The Table details the Approved Audit Plan, Revised Audit Plan Days, Actual Days delivered to 2 October 2020 and the Days to be delivered in Quarters 3 and 4. The Actual Days for the period delivered are 716 (511 Days on Planned and 205 Days on Counter Fraud/Investigations). **Appendix 1** provides a detailed breakdown of the 2020/21 Audit Plan and shows; the Auditable Area, Approved Audit Plan 2020/21, Revised Audit Plan 2020/21, Actual Days, Variance/Days to be delivered in Quarters 3 and 4, Status and Level of Assurance.

3.3 **Table 1 – Annual Audit Plan Summary 2020/21**

Service Area / Directorate	Approved Audit Plan 2020/21	Revised Audit Plan 2020/21	Actual Days To 2 October 2020	Variance/ Days to be Delivered in Q3/4
Children's	80	69	16	53
Children's Schools/Learning	181	125	60	65
Adults	82	43	22	21
Population Health	22	3	1	2
Growth	74	147	114	33
Operations and Neighbourhoods	66	40	8	32
Governance	178	228	98	130
Finance and ICT	141	119	36	83
Greater Manchester Pension Fund	320	320	151	169
Crosscutting	56	39	5	34
Counter Fraud Work/Investigations	310	387	205	182
Total Planned Days for 2020/21	1,510	1,520	716	804

- 3.4 The Audit Plan has to be responsive to changing priorities and the Approved Plan of 1,510 days has been revised to reflect the actual work undertaken in Quarters 1 and 2, including estimates for the work to be undertaken in Quarters 3 and 4. The revised Plan as summarised above now totals 1,520, which is only 10 days different, however, some of the changes across Directorates are significant. The changes in Growth and Governance reflect the significant support the Internal Audit Team has provided in relation to the payment of grants relating to COVID-19. The Team have been involved in ensuring that robust application procedures and checking regimes were in place to minimise the potential for fraud

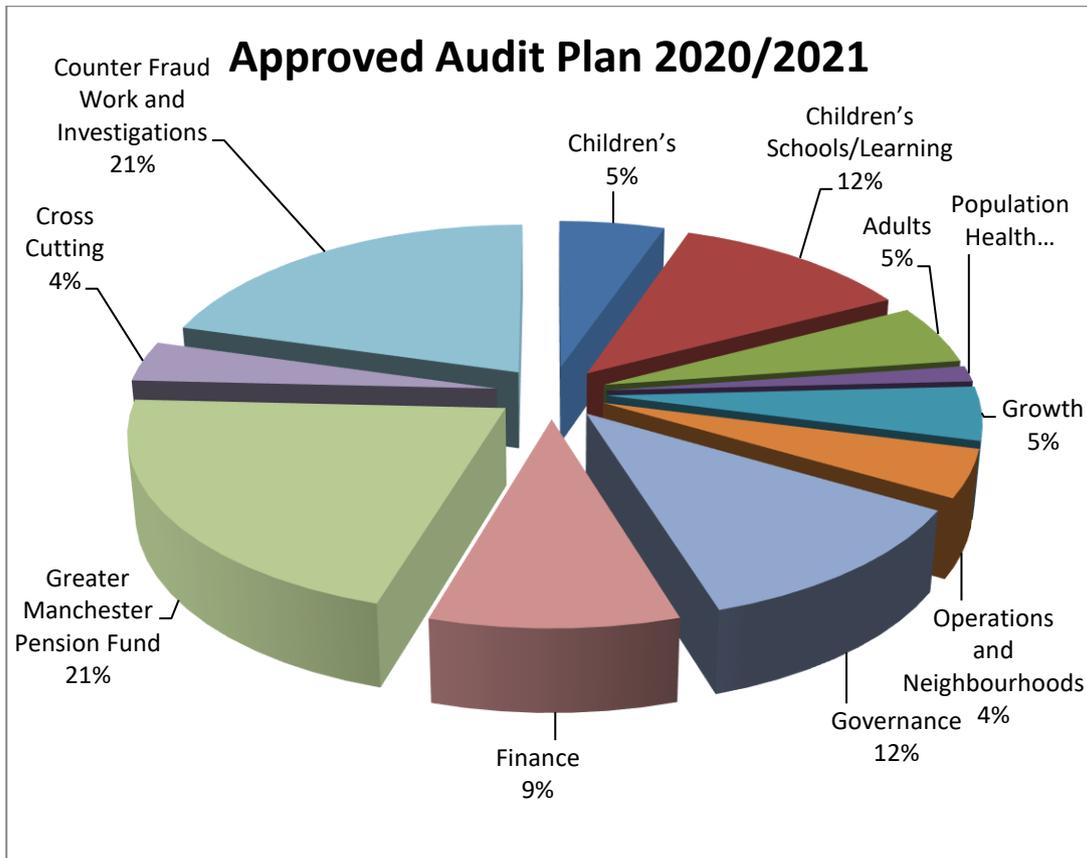
and ensure that entitlement to the funding was verified. The Team have also been involved in the actual processing of claims and acting as compliance officers as dual processing was in place and this additional support was provided to supplement the resource available within the service area teams.

- 3.5 As a result of the grant work, audits not delivered in planned days, loss of a Senior Auditor and additional requests for work that were not in the original Approved Plan a number of audits need to be removed from the 2020/21 Plan and rescheduled into 2021/22. All Directorates were initially affected by COVID-19 and audits were delayed, however, as things have settled and we now learn to live with COVID-19 a reassessment of outstanding audits has taken place. Table 2 below provides the details of the audits affected.

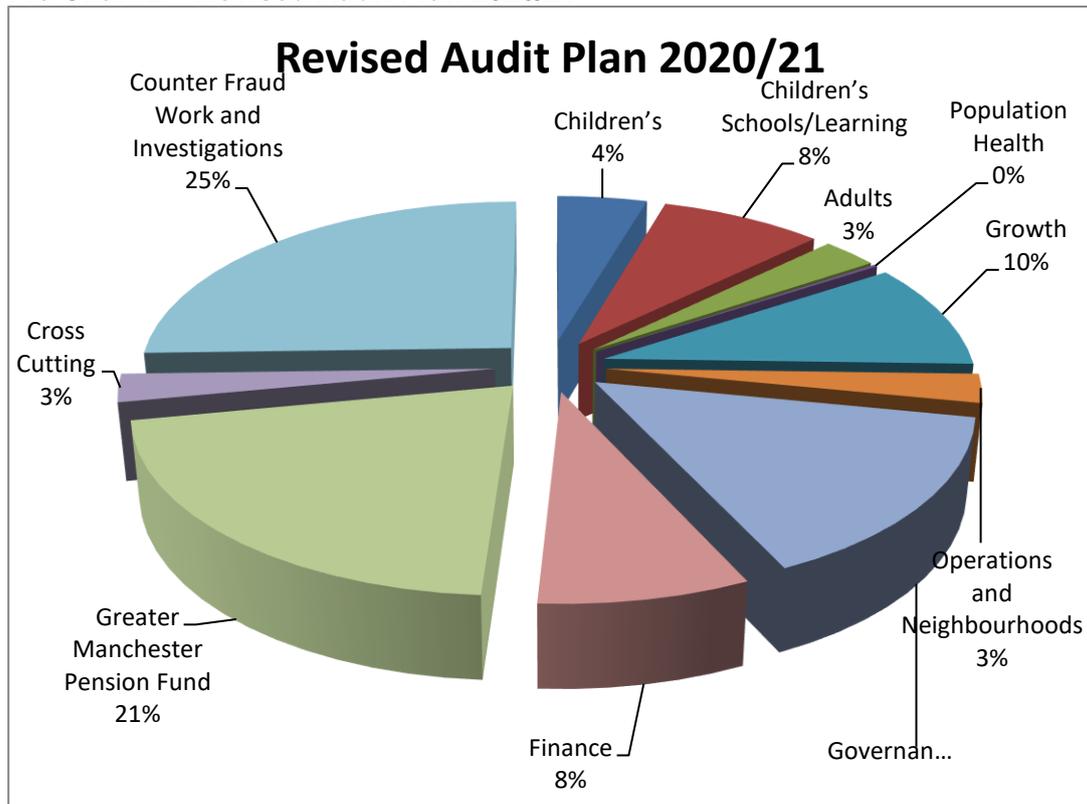
Table 2 – Audits Rescheduled to 2021/22

Directorate	Audit	Days
Children's	Safeguarding	15
Schools/Learning	8 Primary and Nursery Schools	48
	2 High Schools	18
	Placements for Children with Special Education Needs	15
Adults	Home Care	15
	Out of Hours	15
	Learning Disabilities Client Accounts	15
Population Health	Public Health - Contract Monitoring - Sexual Health	15
Growth	Monitoring of the Facilities Management Contract	15
	Monitoring Of The Catering Contract	15
Operations and Neighbourhoods	Health and Safety	15
	Welfare Rights – System Sign Off	5
Governance	Clients Financial Affairs – Deputyships/Appointeeships	15
Finance	Information Governance	15
	Business Continuity	15
Cross Cutting	Audit of Final Accounts	10
	Total Audits Rescheduled	261

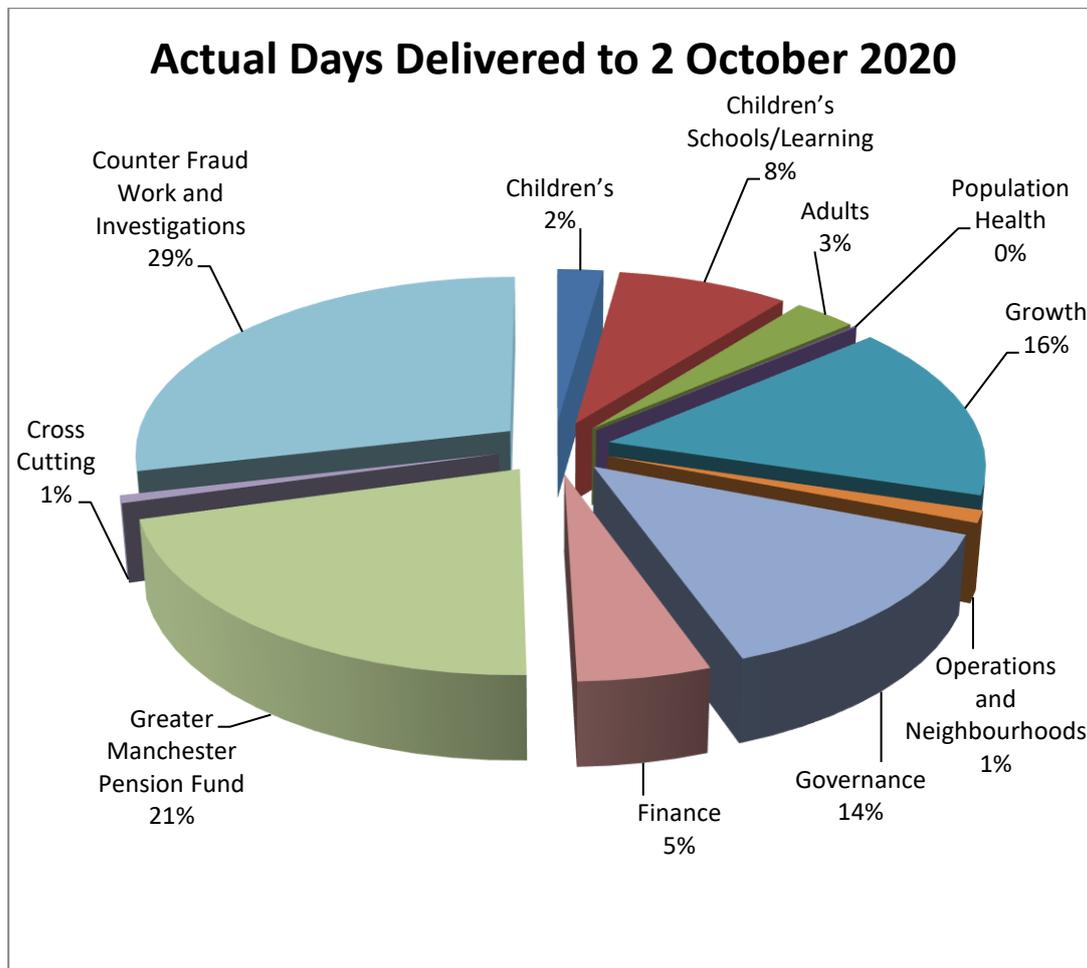
- 3.6 The loss of the Senior Auditor has been offset by re-assessing the planning assumptions adopted in February 2020 when the Audit Plan was formulated which has generated more productive days than envisaged and the key areas are listed below:-
- Deferred and reduced training – 10 Days;
 - Reduced meetings across the North West Audit Groups – 5 Days ;
 - Annual Leave, as in the current climate shorter breaks are being taken – 40 Days;
 - Earlier return from Maternity Leave than assumed – 20 Days; and
 - Development days reduced to cover essential audit work – 10 Days.
- 3.7 Audit work has continued during the period as the team have settled into working at home. Evidence required is now provided electronically and all meetings are being virtually via Skype for Business and MS Teams.
- 3.8 We have continued to audit a number of schools without being able to undertake a site visit with a slightly revised audit programme, although, the process is taking slightly longer to obtain evidence and resolve queries.
- 3.9 The Pie Charts below present the Approved Plan 2020/21, the Revised Plan 2020/21 and the Actual Days Delivered to 2 October 2020.
- 3.10 **Pie Chart 1 – Approved Audit Plan 2020/21**



3.11 Pie Chart 2 – Revised Audit Plan 2020/21



3.12 Pie Chart 3 – Actual Days Delivered to 2 October 2020



4. AUDIT ACTIVITY TO 2 OCTOBER 2020

4.1 Five Final Reports were issued in Quarter 1 with a further four being issued in Quarter 2, 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 2020/21

Opinion	Q1	Q2	Q3	Q4	Total To Date	Total for 2019/20
High	2 (2)	0			2 (2)	7 (6)
Medium	1	2 (1)			3 (1)	14 (3)
Low	2	2			4	5 (1)
Totals	5 (2)	4 (1)			9 (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, five 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;
- Grant Certification Work; and
- System Sign-Offs.

4.4 One Final Audit Report was issued in Quarter 1 and a further four were issued in Quarter 2 in relation to Schools, 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 2019/20
High	0	2			2	0
Medium	1	1			2	12
Low	0	1			1	1
Totals	1	4			5	13

4.5 In addition to the final reports issued above, four 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. Two Post Audit Reviews have been completed during Quarter 2 and a summary of the findings is presented in Table 5 below and details the number of recommendations implemented. The percentage rate of recommendations implemented is currently only 29%. Internal Audit was satisfied with the reasons put forward by management for non-implementation of the recommendations in relation to the Cyber Security/ISO27001 Gap Analysis review, due to COVID-19, however, a second follow up review has been included in the plan as assurance needs to be obtained that the improvements have been delivered. A further twenty eight 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.	%	
GMPF Visit to GMCA	4	4	100	
Cyber Security/ISO27001 Gap Analysis	17	2	12	The recommendation in the report have not yet been implemented due to COVID-19 and the need to support the Council to work at home and in a virtual environment.
	21	6	29	

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 6 below were included for 2020/21.

Table 6 – Service Developments 2020/21

Developments	Progress Update July 2020	Progress Update October 2020
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.	The Risk, Insurance and Information Governance Manager commenced in post in July 2020. Appointments have been made to the two remaining vacancies in the structure, although agreed start dates are not until January 2021. The work plan will be assessed in Quarter 3 as roles and responsibilities across the new team are determined.
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.	Training in ongoing.
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.	Training is being recorded.
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.	This project will have to be deferred to 2021/22 due to capacity issues.

Developments	Progress Update July 2020	Progress Update October 2020
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 and officers.	This project is on hold until the Fraud Investigator currently on Maternity Leave returns in September 2020.	Ongoing.
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.	No progress due to the impact of the Coronavirus Pandemic.

6. ANNUAL GOVERNANCE STATEMENT 2019/20

- 6.1 The Annual Governance Statement for 2019/20 is on the agenda as a separate item for approval.

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 Investigation resources were reduced during this period from two full time employees to one due to Maternity Leave, and therefore members of the Internal Audit Team have had to step in and assist with irregularity/whistleblowing investigations as the team has seen an unprecedented number of referrals. However, from September resources have increased to 1.67 full time employees as the returning employee has reduced her hours to 24 per week to spend more time with her young family.
- 7.5 The number of cases investigated during the period April to 2 October 2020 are summarised in Table 7 below.

Table 7 – Investigations Undertaken from April to June 2020

Detail	No. of Cases
Cases B/Forward from 2019/20	8
Current Year Referrals	69
Total	77
Cases Closed	28
Cases Still under Investigation	49
Total	77
Assistance Cases	19

7.6 The above investigations can be categorised by fraud type as shown in the tables below. Table 8 details the cases non-grant related cases investigated and Table 9 concentrates on the Business Support Grants referred to Internal Audit for review and assessment.

7.7 Table 8 – Investigations by Fraud Type

Fraud Type	No. of Cases	Estimated Value £	Annual Savings £
Procurement	1	Unknown	Unknown
Theft	1	Unknown	Unknown
Adult Social Care	6	18,921	18,037
Misappropriation of Public Funds	2	44,281	N/A
Blue Badge	2	Unknown	Unknown
Pension	1	5,644	N/A
Total	13	68,846	18,037

7.8 The annual savings relate to reduced or cancelled direct care packages which equate to cashable savings for the Council. The Estimated Value shows the value of the fraud and every effort is made to recover these monies.

7.9 Table 9 – Investigation by Fraud Type – Grants to Businesses

Fraud Type	No. of Cases	Estimated Value £	Fraudulent Claims Still under Investigation £	Payments Stopped To Date £
Business Rates	46	490,000	390,000	100,000
Discretionary	18	141,000	15,000	126,000
Total	64	631,000	405,000	226,000

7.10 As the table shows above, 64 cases have/are being investigated. Out of the 64 cases;

- 9 cases, to the value of £105,000, have been investigated and no fraud was found and the grant was paid.
- 26 cases, to the value of £226,000, have been investigated and the grant payments were stopped.
- 13 cases, to the value of £125,000, have been investigated and fraud was found. These are cases where the grant had already been paid to the recipient and therefore action is now being taken to reclaim the grant monies.
- 16 cases, to the value of £175,000, are still currently under investigation.

- 7.11 All the preparation work in relation to the National Fraud Initiative (NFI) 2020 has been completed and all the data sets have been uploaded to the secure NFI Website. The results will be made available for review and investigation in January/February 2021.
- 7.12 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 10 below: -

Table 10 – NAFN Membership

Member Type	March 2020	June 2020	Sept 2020
Local Authorities	355	353	355
Housing Associations	62	61	62
Other Public Bodies	19	19	21
Totals	436	433	438
Registered Users	13,575	13,711	13,867

- 8.2 Membership levels have increased for local authorities, housing associations and other public bodies. The appointment of a Membership and Communications Officer last year is proving to be very successful and there are a number of organisations interested in becoming members and undertaking the due diligence needed to join NAFN. Local authority mergers present a risk to membership numbers and a review of the membership fee will be required during 2020/21 to address this threat to financial sustainability.
- 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 into collaboration agreements with a range of other public bodies. The regulator for this activity is the Investigatory Powers Commissioner's Office and the annual inspection was conducted during the week of 19 to 24 October 2020. Feedback at the conclusion of the inspection was very positive and the formal report will be issued to the Chief Executive in due course.
- 8.4 The number of requests received during Quarters 1 and 2 of 2020/21 as detailed in Table 11 below has significantly reduced overall by 20% 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 data requests again in response to fraud associated with the Government COVID-19 Business Support Grants.

8.5 **Table 11 – NAFN Requests Received**

Type of Request	2020/21 Apr-Sept	2019/20 Apr-Sept	2019/20 Full Year	% Increase (Decrease)
General Data Protection	11,150	15,190	31,294	(26.6)
Driver and Vehicle Licensing Agency	4,593	7,600	14,044	(39.6)
Investigatory Powers Act	846	742	1,725	14.0
Prevention of Social Housing Fraud Act/Council Tax Reduction Scheme	4,702	5,838	11,638	(19.5)
Type B (Online)	68,171	82,368	174,474	(17.2)
Grand Total	89,462	111,738	233,175	(19.9)

8.6 NAFN has continued to work very closely with Central Government including the Cabinet Office and the Department for Business Energy and Industrial Strategy (BEIS) in response to COVID-19 business support 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 In recognition of this collaborative work NAFN has been shortlisted for Outstanding Prevention Initiative in the Tackling Economic Crime Awards 2020 which will take place in December.

8.8 NAFN intelligence officers are still working collaboratively with the National Investigation Service (NATIS) reporting to BEIS in relation to business support grant fraud. NAFN is proving an intelligence gathering role on behalf of its members to support this widespread fraud investigation.

8.9 Due to COVID-19 the AGM for 2020 will be delivered virtually followed by a presentation from the Leadership Team on the long term strategy, including an update on service transformation.

8.10 A copy of the Annual Report is attached at **Appendix 2** for information.

8.11 Development work is ongoing within the team to improve communications with both members and perspective members, including reviewing the public website and an updated more modern version was launched week commencing 19 October 2020. Feedback to date is very positive.

9 RECOMMENDATION

9.1 As set out on the front of the report.