Report To:	**AUDIT PANEL**
Date:	16 March 2021
Reporting Officer:	Wendy Poole – Head of Risk Management and Audit Services
Subject:	**RISK MANAGEMENT AND AUDIT SERVICES PLANNED WORK 2021/22**
Report Summary:	The report presents the planned work for the Risk Management and Audit Service for 2021/22.
Recommendations:	1. Members approve the Draft Internal Audit Plan for 2021/22 shown at **Appendix 1** and note the planned work for the Risk, Insurance and Information Governance Team and the National Anti-Fraud Network Data and Intelligence Service.
	2. Members approve the Audit Strategy for 2021/22 shown at **Appendix 2.**
	3. Members approve the Audit Charter for 2021/22 shown at **Appendix 3.**
	4. Members approve the Quality Assurance and Improvement Programme for 2021/22 shown at **Appendix 4**.
Corporate Plan:	Internal Audit supports the individual operations, which deliver the objectives within the Community Strategy.
Policy Implications:	Effective Internal Audit and Risk Management supports the achievement of Council objectives and demonstrates a commitment to high standards of corporate governance.
Financial Implications: **(Authorised by the statutory Section 151 Officer and Chief Finance Officer)**	Effective Internal Audit assists in safeguarding assets, ensuring the best use of resources and reducing losses due to poor risk management. It also helps to keep insurance premiums to a minimum and provides assurance that a sound control environment is in place.
Legal Implications: **(Authorised by the Borough Solicitor**	Demonstrates compliance with the Accounts and Audit Regulations 2015.
Risk Management:	By assisting in the effective management of risks, Internal Audit helps to reduce costs and improve service delivery.
Access to Information:	The background papers can be obtained from the author of the report, Wendy Poole, Head of Risk Management and Audit Services by:

☎ Telephone: 0161 342 3846

✉ e-mail: wendy.poole@tameside.gov.uk

1. INTRODUCTION

1.1 The report presents the planned work for the Risk Management and Audit Service for 2021/22. It sets out in detail the work of Internal Audit and presents the Annual Audit Plan for 2021/22 for approval. It highlights the planned work in relation to:-

- Counter Fraud/Investigation Work;
- Risk, Insurance and Information Governance Team; and
- National Anti-Fraud Network (NAFN) – Data and Intelligence Services.

2. INTERNAL AUDIT PLANNING PROCESS

2.1 The Internal Audit Service plans its work with a view to achieving the following key objectives:

- Supporting the Council's Vision;
- Providing optimum coverage across all services to ensure the best use of resources;
- Targeting resources towards priority (high-risk) areas;
- Satisfying legislative requirements;
- Providing assurances to Members and Senior Managers as to the effectiveness of the Council's internal controls;
- Responding to the needs of service managers; and
- Maintaining a regular level of audit presence in all areas.

2.2 The plan is reviewed and revised each year to take into account service and legislative changes, which can result in large shifts in priorities and culminates in the production of the Annual Audit Plan.

2.3 The audit management system used ("Galileo") holds the entire list of all audits to be undertaken "the Audit Universe" and this is used as part of the consultation process.

2.4 Audits are prioritised based on an assessment of risk and allocated a numerical risk score which equates to either High, Medium/High, Medium, Low/Medium or Low and the following factors are taken into account:-

- Susceptibility to Error/Fraud;
- Control Environment;
- Sensitivity and Reputation of the Council;
- Complexity;
- Volume and Value of Transactions;
- Management Concerns;
- Management Changes;
- Specific Business Risks/Business Importance;
- Quality, Integrity and Security of Information; and
- Years since Previous Audit.

2.5 Consultation involves Executive Members, Directors, Assistant Directors, Heads of Service and in some cases Service Unit Managers and was carried out during January/February 2021. These meetings help to inform the risk assessments undertaken on audit activities and provide members and officers with the opportunity to discuss areas of concern or provide further details of up and coming changes to structures, key personnel, systems, procedures and/or legislation. In addition to agreeing priority audits, the discussions also include a report on previous audit work undertaken and the level and quality of the service provided. Risks identified in the Corporate Risk Register and other sources of assurance across the Council are also taken into account during the planning process.

2.6 Allegations of fraud investigated during the year together with intelligence gained from external sources (e.g. Chartered Institute of Public Finance and Accountancy Fraud Centre, National Anti-Fraud Network and networking events) are used to identify potential risks and

new fraud areas which are then taken into account either directly as an audit or used to inform the audit work scheduled in a particular area.

2.7 Taking all the above information into account, the draft plan is produced. This plan is then balanced to resources and priorities and amended accordingly, as requested audits exceed resources available. This stage of the process is conducted by the Head of Risk Management and Audit Services supported by the Principal Auditors who manage the plans on a day-to-day basis and is based on professional judgement and the potential risk exposure posed to the Council. Audits that cannot be covered in the current plan year are highlighted as priorities for next year's audit plan and held in contingency in case difficulties arise in achieving any of the audits included in the annual plan.

2.8 The Director of Finance (Section 151 Officer) and the Assistant Director of Finance have been consulted to ensure that the levels of coverage will provide the necessary information and assurance to support the Section 151 Officer Role and the preparation of the Annual Governance Statement.

2.9 Whilst the work of Internal Audit, External Audit and Scrutiny are different, consultation takes place during the year to ensure our respective work programmes are complementary and that areas are not "over audited/inspected".

2.10 Liaison is also ongoing with the Tameside And Glossop Clinical Commissioning Group's Internal Auditors (Merseyside Internal Audit Agency) to ensure that internal audit resources are maximised and used efficiently.
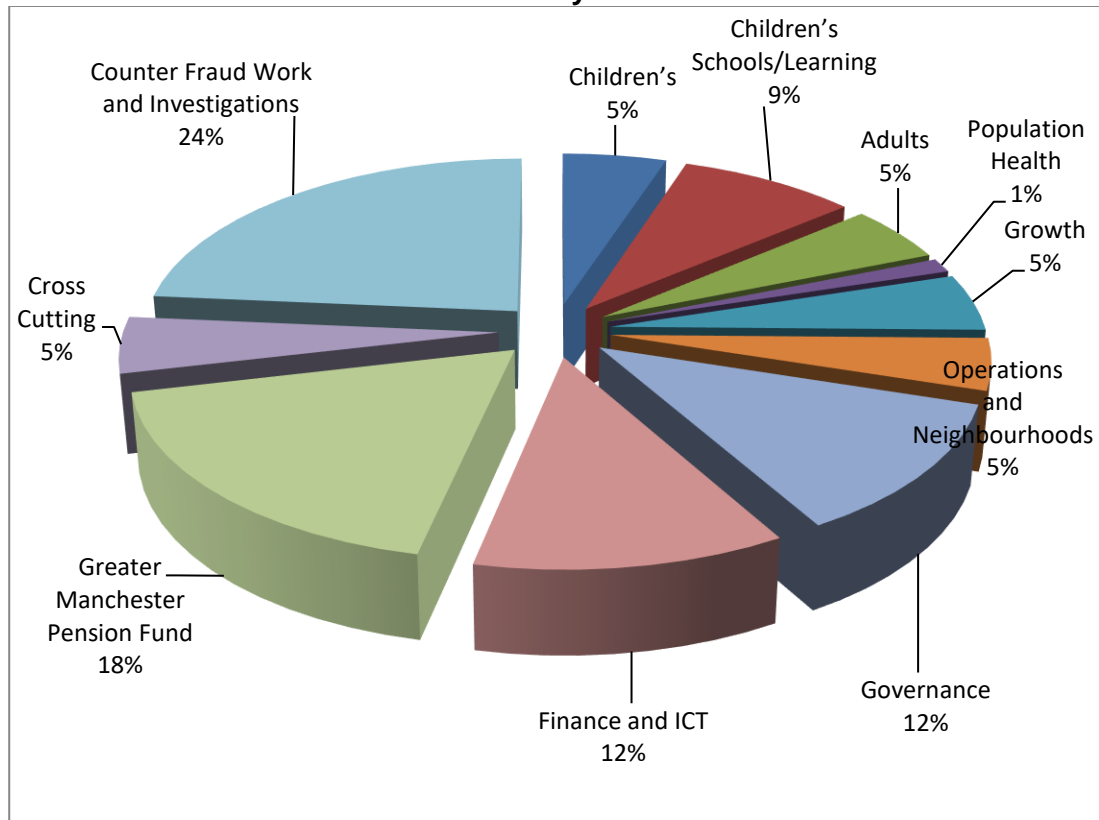
3. INTERNAL AUDIT ANNUAL AUDIT PLAN 2021/22

3.1 The Annual Audit Plan is detailed at **Appendix 1** and is summarised in Table 1 and Pie Chart 1 below and totals 1,665 Days. The Approved Plan for 2020/21 totalled 1,510 which included 1,200 Days on Planned Work and 310 Days on Counter Fraud Work and Investigations.

Table 1 – Annual Audit Plan Summary 2021/22

Service Area / Directorate	Planned Days	%
Children's	85	5
Children's Schools/Learning	146	9
Adults	84	5
Population Health	20	1
Growth	85	5
Operations and Neighbourhoods	77	5
Governance	197	12
Finance and ICT	194	12
Greater Manchester Pension Fund	300	18
Cross Cutting	84	5
Total Planned Days for 2021/22	**1,272**	**76**
Counter Fraud Work and Investigations	393	24
Total Planned Days for 2021/22	**1,665**	**100**

Pie Chart 1 – Annual Audit Plan Summary 2021/22

3.4 The full Annual Audit Plan for 2021/22 is included at **Appendix 1** and details the following:-
- Links to the Corporate Plan;
- Links to the Corporate Risk Register;
- Auditable Area;
- Purpose of the Audit;
- Priority;
- Audit Category; and
- Planned Days for 2021/22.

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

Table 2 – Corporate Plan Themes

3.6   Where appropriate each audit has been linked to a risk in the Corporate Risk Register to ensure that the plan is providing audit coverage in the areas deemed to be of significant risk to the Council. For the Greater Manchester Pension Fund audits have been linked to their specific service risk registers.

3.7   Each audit in the Annual Audit Pan has been allocated to an Audit Category which are explained in Table 3 below. Table 4 and Pie Chart 2 present the Annual Audit Plan analysed by those Categories.

Table 3 – Audit Categories

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

3.8   **Table 4 – Annual Audit Plan 2021/22 Analysed by Category**

Category	Planned Days 2021/22
Assurance	534
School Visits	92
Grant Certification Work	28
Computer Audit	77
Contract Audit	90
Financial Control	155
Follow Up Work (Post Audit Reviews)	89
Investigations	403
Planning	75
Advice	76
Days to Complete 2020/219 Work	46
Total Planned Days 2020/21	**1,665**

3.9   **Pie Chart 2 – Annual Audit Plan Analysed by Category**
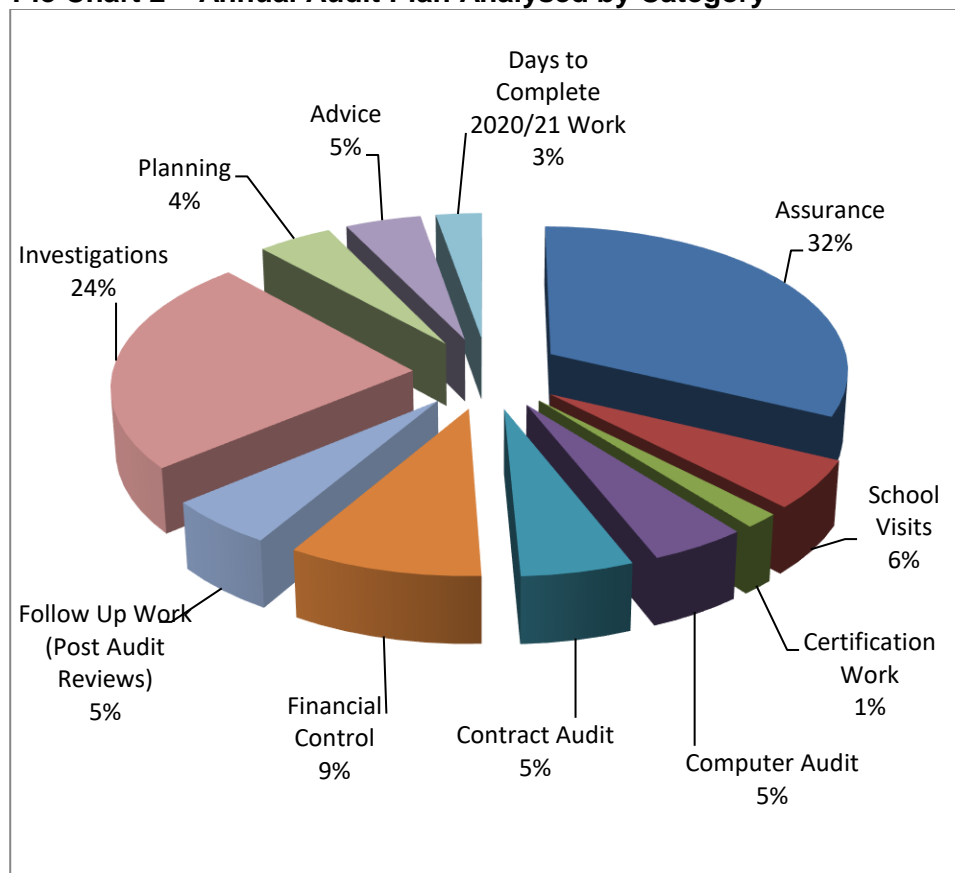
3.11   The Annual Audit Plan of 1,665 days detailed above has been balanced to resources available. However, productive days are estimated and any changes to the assumptions used will be reflected during the year and reported to the Audit Panel/Greater Manchester Pension Fund Local Board. One assumption is based on the recruitment of a Senior Auditor and productive days have been included from May 2021.

3.12   As in previous years the demand for audit work has exceeded the days available and therefore the Annual Audit Plan for 2021/22 presented for approval includes only Mandatory and High Risk Audits as defined below:-

• Mandatory – Audits/Audit Processes that need to be included e.g. grant certification work.

• High/Medium/Low – Each audit in the 'Audit Universe' is risk assessed within the Audit Management System 'Galileo' and allocated a numerical score. Those with the highest scores are included in the plan until all available resources have been accounted for.

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

4.   **INTERNAL AUDIT STAFFING**

4.1   The structure of the team is shown in Table 5 below. One of the Auditors has just obtained the Chartered Institute of Public Finance and Accountancy (CIPFA) qualification and the other is waiting to start the Association of Accounting Technicians (AAT) supported by the

Apprenticeship Levy. We also have one of the Counter Fraud/Investigators embarking on a further fraud qualification again supported by the Apprenticeship Levy.

4.2 **Table 5 – Internal Audit Staffing Structure**

Post	Qualification	Audit Experience
Head of Risk Management and Audit Services	CIPFA/PGCM	Over 20 Years
Principal Auditor	CIPFA/PGCM	Over 20 Years
Principal Auditor	ACCA/IIA	Over 20 Years
Senior Auditor	CIPFA	Over 20 Years
Senior Auditor	-	Over 20 Years
Senior Auditor	-	Vacant
Counter Fraud/Investigator	CIPFA ACFTech	Over 10 Years
Counter Fraud/Investigator	CIPFA ACFTech	Less than 5 Years
Auditor	CIPFA	Less than 5 Years
Auditor	-	Less than 5 Years

4.3 The Service Unit does not employ a specialist Computer Auditor for the provision of technical computer audit support and this is procured from Salford MBC Computer Audit Services using the AGMA Collaboration Computer Audit Agreement to help deliver the ICT – Computer Audit Plan.

4.4 The Internal Audit Team has complete organisational independence and is not responsible for any non-audit work. Staff are very aware of the need to remain independent and ensure that requests for advice and support do not compromise this position.

4.5 The Head of Risk Management and Audit Services is responsible for the Risk, Insurance and Information Governance Team and is the Council's Senior Information Risk Owner (SIRO), which does challenge her independence. Any reviews conducted in these areas would be reported in the name of an independent manager, namely the Assistant Director of Finance (Deputy Section 151 Officer), to ensure that independence is not compromised or the review would be completed by another Internal Audit Team.

4.6 All members of the Internal Audit Team sign an annual declaration form, and this includes confirming that they have read and agreed to adhere to the Tameside Code of Conduct for Employees and the Public Sector Internal Audit Standards - Code of Ethics.

5. INTERNAL AUDIT REPORTING PROCESS

5.1 At the completion of an audit review a draft report is produced which is issued to the appropriate auditees and managers within the area (this will vary depending on the review, but usually includes members of the senior management team) for them to check the factual accuracy of the report and to provide their management responses to the recommendations identified. Closure meetings are held with all parties to expedite the process.

5.2 A quality control and review process is in place within the team that ensures all audits are conducted to a high standard and that working papers, conclusions and recommendations are sound and justified.

5.3 A final audit report is then produced incorporating the management responses and circulated to: -
- Executive Member – responsible for area under review;
- Chief Executive;
- Director of Governance and Pensions (Monitoring Officer);
- Director of Finance (Section 151 Officer);
- Assistant Director of Finance (Deputy Section 151 Officer);

- Director;
- Appropriate Service Area Managers;
- Financial Management Business Partner; and
- External Audit.

5.4 Six months after completion, a Post Audit Review is undertaken to establish whether the agreed recommendations have been implemented, however, where a low level of assurance is issued the area is re-visited within 3 months. This report is circulated to those members and officers who received the final report so that they can check that progress has been made. Areas of concern are escalated to the Head of Risk Management and Audit Services and/or the Director/Assistant Director of Finance for discussion with the relevant service managers to ensure that progress is made. Post Audit Reviews with significant outstanding items will, in turn, be reported to the Audit Panel.

5.5 All reports issued are reviewed and quality checked within the team by the Principal Auditors before they are released. The Head of Risk Management and Audit Services also reviews all Final Reports and Post Audit Reviews. Low level assurance audits are discussed with Assistant Directors to gain assurance that resources will be targeted to resolve issues identified.

5.6 In addition, progress reports are produced for the Audit Panel, which summarise the audits issued by level of assurance, issues highlighted from completed audits and any concerns resulting from Post Audit Reviews.

5.7 At the end of the financial year, an annual report is produced summarising the work undertaken during the year and providing an opinion on the overall control environment. In broad terms, the opinion is based on the audit opinions issued during the year, the nature of the audits and the type and severity of recommendations made.

5.8 The Internal Audit service conforms to the Public Sector Internal Audit Standards (PSIAS), and this was confirmed by the External Peer Review Assessment in March 2018 and subsequent self-assessment completed for 2018/19 and 2019/20, which were reported to the Audit Panel in June 2019 and June 2020. The self-assessment review based on 2020/21 will be presented to the next meeting of the Audit Panel and this will inform the Review of the Effectiveness of the System of Internal Control required by the Accounts and Audit Regulations 2015 Section 6.

5.9 The self-assessment against the Chartered Institute of Public Finance and Accountancy Statement for the Head of Internal Audit for 2020 will also be reported to the next meeting of the Audit Panel as part of the assurance work for the preparation of the Annual Governance Statement.

6. **ANNUAL GOVERNANCE STATEMENT**

6.1 The Accounts and Audit Regulations 2015 require audited bodies to conduct a review, at least once a year, of the effectiveness of its systems of internal control. The findings of the review shall be considered by a committee of the relevant body, or by members of the relevant body meeting as a whole, and following consideration, shall approve a governance statement, prepared in accordance with proper practices in relation to internal control.

6.2 The work of Internal Audit is fundamental to the production of this statement as the work conducted provides evidence and ongoing assurance that the systems of internal control have been reviewed and that risks are being effectively managed.

6.3 The Risk Management and Audit Service Annual Report for 2020/21 will be presented to the next meeting of the Audit Panel.

7.   INTERNAL AUDIT STRATEGY AND CHARTER

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

7.2   The Strategy provides an overview of Internal Audit and covers:-
- Introduction;
- Main Drivers in setting the Direction;
- What this means we need to do; and
- How will we do this?

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

8.   QUALITY ASSURANCE AND IMPROVEMENT PRORAMME

8.1   Standard 1300 of the Public Sector Internal Audit Standards require:
"That the Chief Internal Auditor must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity".

8.2   The Quality Assurance and Improvement Programme (attached at **Appendix 4**) includes:-
- Introduction;
- Internal Assessments;
- External Assessments;
- Service Development; and
- Review of the Quality Assurance and Improvement Programme.

9.   PROACTIVE FRAUD WORK/IRREGULARITY INVESTIGATIONS

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

9.2   Resources have increased for Counter Fraud Work and Investigations from 310 to 393 Days as we have a full team in place where as during 2020/21 we covered a Maternity Leave.

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

9.4   Intelligence from all corporate fraud/irregularities notified to Internal Audit is used to:-
- Evaluate our response plan;
- Inform the audit planning process to ensure fraud risks are taken into account; and
- Inform the risk assessment tool within Galileo (audit management system) to ensure all auditable activities are correctly assessed.

10.   RISK, INSURANCE AND INFORMATION GOVERNANCE

10.1   The Risk, Insurance and Information Governance Team provide services to the whole Council. During 2019/20 a service review of the team was undertaken and the number of posts increased from two to five. Recruitment is now complete and all posts are occupied, Table 6 below details the team.

Table 6 – Risk, Insurance and Information Governance Team

Post	Qualification/Experience
Risk, Insurance and Information Governance Manager	Insurance Qualification/Local Government and Insurance Sector experience.
Risk, Insurance and Information Governance Officer	Insurance Qualification/Insurance Sector experience.
Risk, Insurance and Information Governance Officer	Insurance Qualification/Insurance Sector experience
Risk, Insurance and Information Governance Officer	Legal Qualification/Insurance Sector experience
Risk, Insurance and Information Governance Assistant	Financial Services experience

10.2   The key priorities for the team during 2021/22 are:-

- To continue 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, to review the process for recording and evaluating risks and develop operational risk registers. A key priority will be to develop the monitoring of risk registers to ensure they are reported appropriately to officers and members.
- To deliver the Information Governance Work Plan which is being developed with the Information Governance Group to ensure 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 regularly reviewed to support management in responding to a major incident.
- To review the insurance database used to ensure it is fit for purpose and that the reporting functionality is efficient and effective.
- To review the information held and introduce regular reports for management in terms of claims received to inform and improve risk management process.
- To continue to support managers to assess their risks as services are redesigned to ensure that changes to systems and procedures remain robust and resilient offering cost effective mitigation and that claims for compensation can be successfully repudiated and defended should litigation occur.
- To attend management team meetings quarterly to provide updates on insurance, information governance, risk management and business continuity.

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

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

- To continue to maintain and where necessary improve operational controls in pursuit of operational excellence to meet Government standards on data and intelligence;
- To work with the Investigatory Powers Commissioner's Office (IPCO) to maintain high standards of integrity and legitimate use for communications data and ensure compliance with the Investigatory Powers Act;
- Following a consultation exercise undertaken during March 2020/21 improvements to services and ICT provision will be reviewed and plans finalised to implement changes and transform the service. There is a pressing need to upgrade the current ICT platform to meet business continuity requirements and potential disaster recovery demands. This also provides an opportunity to integrate existing systems and expand services providing access to new datasets;
- Extending membership to all local authorities, housing associations and wider public bodies;
- Review of NAFN Constitution and Membership Agreement;
- Following a decision on the preferred business solution for transforming the service there will be a need to formally review the NAFN Membership Fee and associated usage charges;
- Roll out of the NAFN e-learning and CPD system including formal certification;
- To complete the enhanced Intelligence Service pilot including case studies and promotion to members; and
- Undertake an options appraisal on procurement of a Customer Relationship Management System ahead of a formal recommendation to the Executive Board.

12.   PERFORMANCE MONITORING

12.1   **T**he performance of the service is monitored against targets and performance indicators. Individually auditors are monitored against performance targets and appraisal sheets are completed for audits highlighting issues and potential training needs. Customer questionnaires are also used at the conclusion of each audit to test customer reaction to the audit and to help identify any training needs or service improvements.

12.2   The Audit Plan will be continually monitored via monthly progress meetings between the Audit Management Team and regular update meetings with Executive Members, Senior Managers and External Audit and quarterly reports to the Audit Panel and the Greater Manchester Pension Fund Local Board.

12.3   The performance indicators monitored and measured are detailed in Table 6 below.

Table 6 – Performance Indicators

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

12.4   The target for achievement is 90% of the agreed plan. However, high priority requests that arise during the year, changes in available audit resources and problem areas highlighted may affect the achievement of this target and result in the need for revisions to the agreed plan. All significant changes are agreed with relevant managers and Executive Members where appropriate and will be brought to the Panel for approval.

12.5   The Public Sector Internal Audit Standards are the benchmark against which the performance and effectiveness of the Internal Audit service will be measured.

13.   MEMBER TRAINING

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

14.   RECOMMENDATIONS

14.1   As set out on the front of the report.