

Report To:	AUDIT PANEL
Date:	16 March 2021
Reporting Officer:	Wendy Poole – Head of Risk Management and Audit Services
Subject:	PROGRESS REPORT ON RISK MANAGEMENT AND AUDIT ACTIVITIES APRIL 2020 TO JANUARY 2021
Report Summary:	To advise members of the work undertaken by the Risk Management and Audit Service between April 2020 and January 2021 and to comment on the results.
Recommendations:	That members note the report and the performance of the Service Unit for the period April 2020 to January 2021.
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 third progress report for the current financial year and covers the period April 2020 to 31 January 2021.
- 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 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 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 Recruitment to the Risk, Insurance and Information Governance Team is now complete and all post are now occupied. The Team consists of:-
- 1 x Risk, Insurance and Information Governance Manager, which is a shared role with Rochdale Council on a 60:40 basis
 - 3 x Risk, Insurance and Information Governance Officers
 - 1 x Risk, Insurance and Information Governance Assistant

The two new Risk, Insurance and Information Governance Officers joined the team in January and February 2021 are making good progress and adding much needed capacity. A work plan across all four disciplines covered by the team (Risk Management, Insurance, Business Continuity and Information Governance) has been reviewed by the Team Manager to ensure all roles and responsibilities are allocated according to individual strengths and experience.

- 2.3 Work to review the Risk Management System in place has been completed and was reported to the Single Leadership Team on 2 March 2021. A separate Risk Management Report is on the agenda presenting the proposed approach to risk management, the Risk Management Policy and Strategy 2021-2023 and the updated Corporate Risk Register.
- 2.4 A draft Work Plan in respect of Information Governance was presented to the Information Governance Group at the end of January 2021 and further work is now underway to refine and allocate the tasks with timescales to team members.
- 2.5 A number of Data Protection Impact Assessments and Sharing/Processing Agreements have been reviewed during the period to ensure that all risks to personal data in relation to new projects and changes to existing processes are assessed and protected to ensure compliance with UK GDPR and the Data Protection Act 2018.
- 2.6 The insurance renewal process is ongoing, information has been provided to our insurance brokers for presentation to insurers and renewal terms are expected in March in time for renewal on 1 April 2021. The draft Actuarial Review has been provided and is being reviewed before it is presented to Finance for the purpose of reviewing the Insurance Reserve and Provisions for inclusion in the Final Accounts.
- 2.7 Support and advice has continued to be 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 provides a summary of progress to 31 January 2021 and details the Approved Audit Plan, Revised Audit Plan Days, Actual Days delivered to 31 January 2021 and the Days left to be delivered in Quarter 4. The Actual Days for the period delivered are 1,197 (841 Days on Planned Work and 356 Days on Counter Fraud Work and Investigations).
- 3.3 The Audit Plan has to be responsive to changing priorities and therefore the revised plan presented in November 2020 has been further updated to reflect the actual work undertaken in Quarters 1, 2 and 3, including estimates for the work to be undertaken in Quarter 4. The revised Plan as summarised below now totals 1,516 (1,100 Days on Planned Work and 416 Days on Counter Fraud/Investigation Work). Whilst this is only marginally different in total to that reported in November 2020, further changes across Directorates have taken place to accommodate audits being rescheduled due to the impact of COVID-19, additional priority requests received, investigations and Audit's continued involvement in the payment of grants to support businesses. The days in relation to Counter Fraud Work and Investigations has increased as Principal/Senior Auditors have had to conduct investigations during the year as the Fraud Investigators have been dealing with a large number of referrals in relation to Support Grants provided to Businesses. The details of the changes can be found in **Appendix 1** which 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 Quarter 4, Status and Level of Assurance.
- 3.4 Resources within the team have been impacted by the vacancy created by a Senior Auditor retiring in September 2020 as we have been unable to successfully recruit a suitable replacement to date, although recruitment is ongoing. When the plan was presented in November we optimistically included 40 Planned Days to be delivered by the new recruit in

February/March 2021, however, these have now been removed and priority work reassigned across the team. In reality this means that some audits that have been started in this year will not be finished prior to 31 March 2021 and will need to be carried forward to next year's plan.

3.5 Six of the audits being delivered by Salford Computer Audit Services will not be completed in year and will be carried forward in 2021/22 as the team were affected by COVID-19 for two reasons:-

- In the immediate response to the pandemic the audit team were redirected on to corporate priorities at Salford; and
- Delivering audits has been delayed across their client base, as many ICT Services were heavily involved in ensuring staff were able to work from home, which has meant they were faced with trying to deliver a twelve month plan in approximately six months with no additional resource.

3.6 With regards to the grant work Internal Audit has undertaken three roles:-

- To provide advice and support to ensure that robust application procedures and checking regimes were in place to minimise the potential for fraud;
- Processing claims; and
- Reviewing and investigating potential fraudulent claims and the results of this work are summarised in Section 7 (Tables 7 and 8) of the report.

In terms of processing claims we still have one Auditor undertaking this role for two days per week and have committed resources to the end of March 2021 and then our involvement in processing will cease.

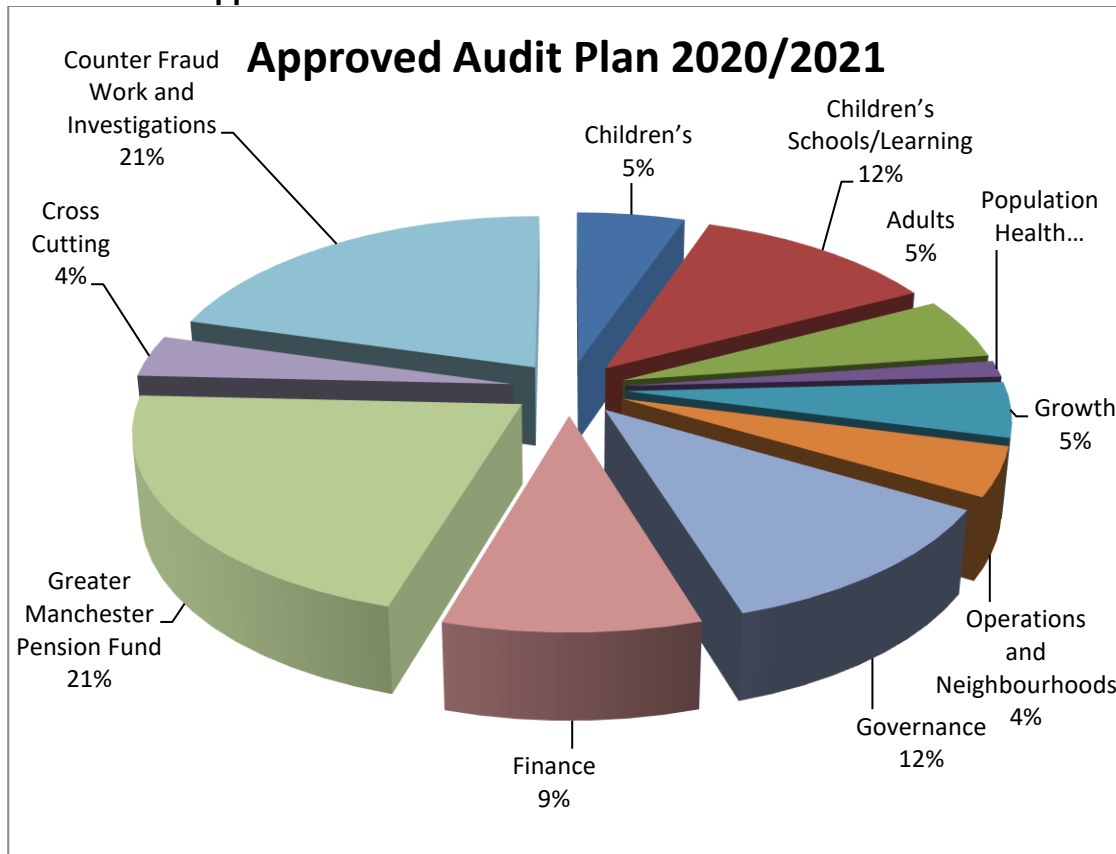
3.7 **Table 1 – Annual Audit Plan Summary 2020/21**

Service Area / Directorate	Approved Audit Plan 2020/21	Revised Audit Plan 2020/21 Nov 2020	Revised Audit Plan 2020/21 Jan 2021	Actual Days To 31 Jan 2021	Days to be Delivered in Q4
Children's	80	69	70	39	31
Schools/Learning	181	125	124	107	17
Adults	82	43	46	31	15
Population Health	22	3	2	1	1
Growth	74	147	205	171	34
Operations and Neighbourhoods	66	40	41	23	18
Governance	178	228	217	181	36
Finance and ICT	141	119	92	55	37
Greater Manchester Pension Fund	320	320	295	226	69
Crosscutting	56	39	8	7	1
Planned Days 2020/21	1,200	1,133	1,100	841	259
Counter Fraud Work and Investigations	310	387	416	356	60
Total Days 2020/21	1,510	1,520	1,516	1,197	319

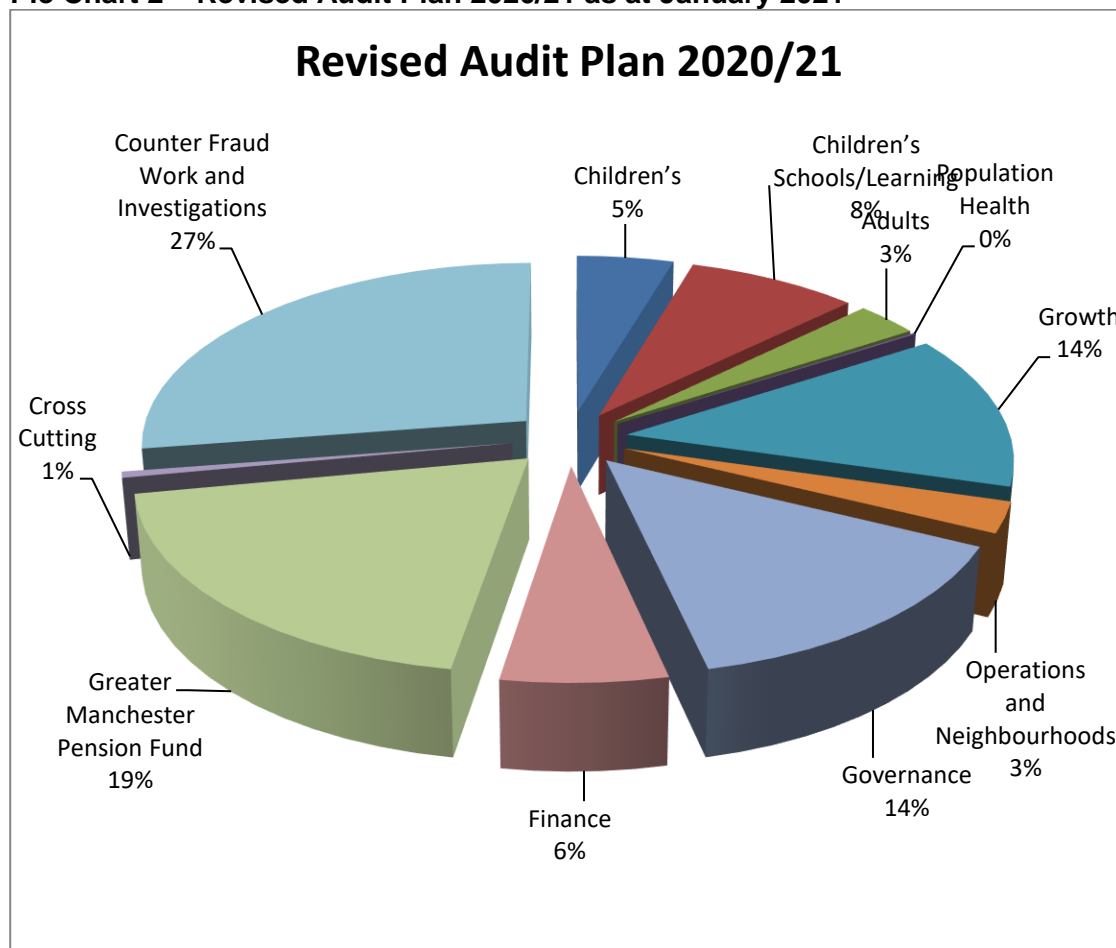
3.8 The Pie Charts below present:-

- Approved Plan 2020/21:
- Revised Plan 2020/21; and
- Actual Days to 31 January 2021.

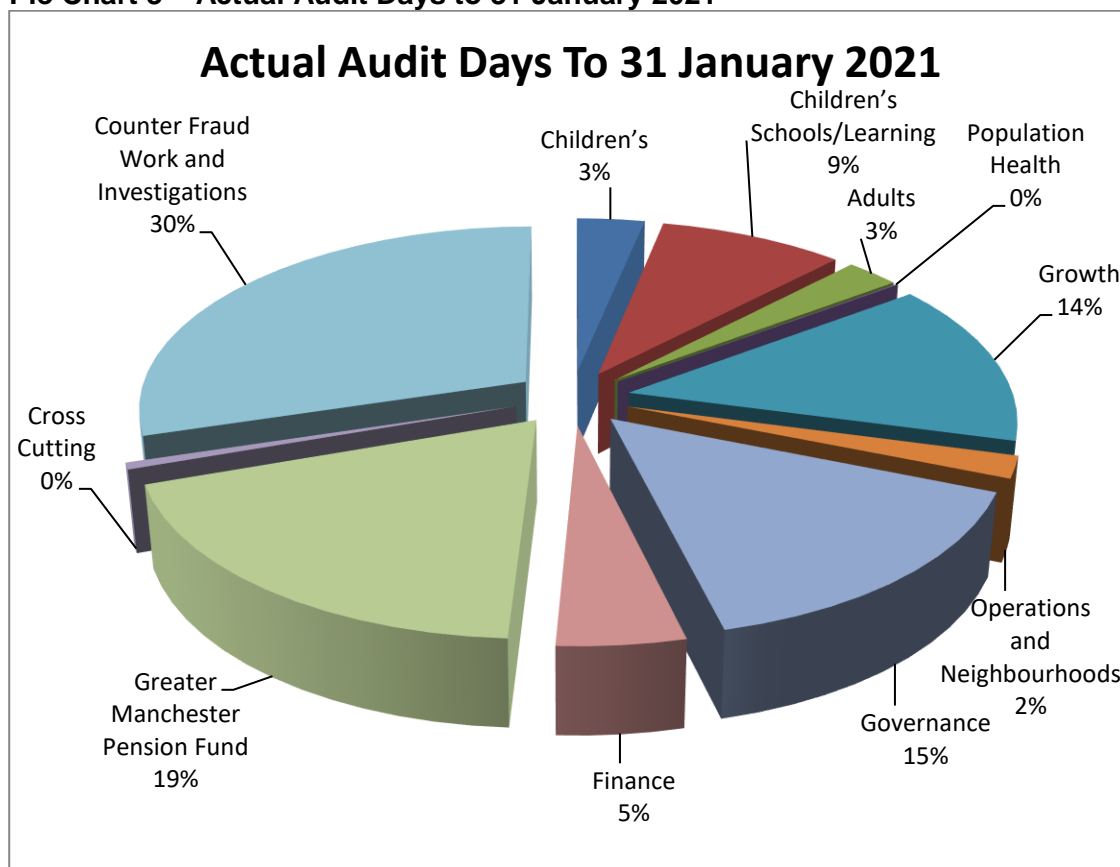
3.9 Pie Chart 1 – Approved Audit Plan 2020/21



3.10 Pie Chart 2 – Revised Audit Plan 2020/21 as at January 2021



3.11 Pie Chart 3 – Actual Audit Days to 31 January 2021



4. AUDIT ACTIVITY TO 31 JANUARY 2021

- 4.1 Five Final Reports were issued in the period from October 2020 to 31 January 2021 which brings the total to fourteen for the year to date, in relation to systems and risk based audits, the results are summarised in Table 2.

Table 2 – 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)		4 (4)	7 (6)
Medium	1	2 (1)	3 (2)		6 (3)	14 (3)
Low	2	2	0		4	5 (1)
Totals	5 (2)	4 (1)	5 (4)		14 (7)	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 (three in relation to audits which will be given an audit opinion and two controls reports in response to investigations undertaken) 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;
 - Continued 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 Growth in the processing of COVID-19 Discretionary Grants;
- Grant Certification Work; and
- System Sign-Offs.

- 4.4 Four Final Audit Report were issued in the period from October 2020 to 31 January 2021 which brings the total to nine for the year to date and the results are summarised in Table 3.

Table 3 – Final Reports Schools

Opinion	Q1	Q2	Q3	Q4	Total To Date	Total for 2019/20
High	0	2	1		3	0
Medium	1	1	2		4	12
Low	0	1	1		2	1
Totals	1	4	4		9	13

- 4.5 In addition to the final reports issued above, one further audit has been completed and the Draft Reports has been issued to the School for management review and responses and it 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. Sixteen Post Audit Reviews have been completed during the period October 2020 to 31 January 2021 and a summary of the findings is presented in Table 4 and details the number of recommendations implemented. The percentage rate of recommendations implemented for the period is 94%. Internal Audit was satisfied with the reasons put forward by management for non-implementation of the recommendations made. A further twenty eight Post Audit Reviews are in progress which will be reported to the Panel at a future meeting.

- 4.7 **Table 4 – Post Audit Reviews – Recommendations Implemented**

Post Audit Reviews	Recommendations			Comments where Recommendations have not been Implemented
	Made	Implemented		
	No.	No.	%	
Lyndhurst Primary and Nursery	11	11	100	
The Heys Primary School	9	9	100	
Fairfield Road Primary and Nursery	14	14	100	
St Peters C E Primary	15	15	100	
Control Report - Misappropriation of Service Users Monies	22	22	100	
Control Report - Integrated Urgent Care Team	28	28	100	
Control Report - Waste Services Tame Street Depot	9	9	100	

Post Audit Reviews	Recommendations			Comments where Recommendations have not been Implemented
	Made	Implemented		
	No.	No.	%	
Visit to Contributing Body - Bury College	2	2	100	
Visits to Contributing Bodies - Liverpool Hope University	4	4	100	
Hollingworth Primary and Nursery	17	16	94	The outstanding recommendation related to ICT Policy which was due to be presented to Governors after the Post audit Review was issued.
Denton Community College	18	17	94	Work is ongoing to address the issue relating to the Schools ICT Policy with the School's IT Supplier.
St Stephens R C Primary Droylsden	14	12	86	Issues relating to Cash Flow Forecasts and the School's Data Protection Policy were still being addressed by the School at the conclusion of the Post Audit Review.
Arundale Primary and Nursery	13	11	85	The outstanding recommendations relating to Cash Flow Forecasting and the Schools Financial Value Standard (SFVS) Return were being addressed by the school.
Payroll Schools	6	5	83	One issue relating to contracts was identified and is being addressed with the Payroll Team.
Social Media	6	5	83	Approval of the Social Media Policy, needs to be addressed.
Hattersley Collaboration Agreement	8	4	50	Management have agreed to implement the four outstanding recommendations which relate to the timely recovery of costs, evidence to support costs and interest calculations.
	196	184	94	

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 Update October 2020	Progress Update January 2021
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.	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.	Work Ongoing
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.	Training is ongoing.	Training is ongoing as identified by individuals in their Annual Development Reviews. Workshops and webinars are attended as and when identified.
Do internal auditors maintain a record of their professional development and training activities?	Training is being recorded.	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 will have to be deferred to 2021/22 due to capacity issues.	This task has now been identified as a development project for one of the Auditors and will be undertaken during 2021/22.
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.	Ongoing.	Ongoing, documents have been drafted and are in the process of being reviewed within the team and by Legal Services.
To continue to work with the Assistant Director of Finance and the Deputy Chief Finance Officer (CCG) to	No progress due to the impact of the Coronavirus Pandemic.	No progress due to the impact of the Coronavirus Pandemic.

Developments	Progress Update October 2020	Progress Update January 2021
develop a greater understanding of the Clinical Commissioning Group's services to develop an integrated service offering.		

6. ANNUAL GOVERNANCE STATEMENT 2019/20

- 6.1 A review of the Annual Governance Statement Improvement Plan for 2019/20 is on the agenda as a separate item.

7 IRREGULARITIES AND 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 2020 to 31 January 2021 are summarised in Table 6.

Table 6 – Investigations Undertaken from April 2020 to 31 January 2021

Detail	No. of Cases April - Nov 2020	No. of Cases April 2020 - Jan 2021
Cases B/Forward from 2019/20	8	8
Current Year Referrals	69	84
Total	77	92
Cases Closed	28	38
Cases Still under Investigation	49	54
Total	77	92
Assistance Cases	19	24

- 7.5 The above investigations can be categorised by fraud type as shown in the tables below. Table 7 details cases referred to Internal Audit for investigation 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 £	Annual Savings £
Adult Social Care	7	80,322	18,404
Business Rates Fraud	75	777,905	N/A
Children's Social Care	2	-	-
Council Tax	1	-	-
Blue Badge	2	-	-
Pensions	1	5,644	-
Procurement	1	-	-
Theft	1	-	N/A
Other	2	-	-
Total	92	863,891	18,404

7.7 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.

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

Fraud Type	No. of Cases	Value £	Value of Fraudulent Claims Still under Investigation £	Payments Stopped To Date £	Value of Grants being Recovered via Invoice £	Value of Grants No Fraud Found £
Business Rates	51	560,000	70,000	160,000	215,000	115,000
Discretionary	24	217,905	15,467	144,669	25,000	32,769
Total	75	777,905	85,467	304,669	240,000	147,769

7.9 With regards to the National Fraud Initiative (NFI) 2020 exercise, the matches have started to be reported back to the Council and some will be allocated to service areas for investigation and other will be managed by the Internal Audit Team. The number of matches, status of the investigation and the number of fraud/errors identified and savings will be reported to future meetings of Audit Panel.

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 90.

Table 9 – NAFN Membership

Member Type	March 2020	June 2020	Sept 2020	Dec 2020
Local Authorities	355	353	355	356
Housing Associations	62	61	62	63
Other Public Bodies	19	19	21	24
Totals	436	433	438	443
Registered Users	13,575	13,711	13,867	14,100

- 8.2 Membership levels have increased for local authorities, housing associations and other public bodies, and the Membership and Communications Officer is currently processing a number of applications across all three groups.
- 8.3 The number of requests received during Quarters 1, 2 and 3 of 2020/21 as detailed in Table 10 below are significantly lower than the recorded figures for 2019/20, and this reflects the impact of COVID-19 on a range of central and local government services. 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.
- 8.4 On a more positive note, there has been a significant increase in the number of requests received under Investigatory Powers Act (IPA). There are three reasons why this has occurred: firstly, members are seeking more communications data to support their investigations; secondly, there is no requirement to obtain judicial approval from a magistrate court; thirdly, we have expanded our membership to other wider public authorities. Overall, we are on target to meet the annual forecast for such enquiries.
- 8.5 Our annual Investigatory Powers Commissioner's Office (IPCO) inspection took place in November 2020 and I am pleased to report another successful outcome. The inspection report recorded a single recommendation and four observations of good practice, concluding that "This inspection has demonstrated that the National Anti-Fraud Network has attained a high level of legislative compliance in respect of acquiring communications data".

8.6 **Table 10 – NAFN Requests Received**

Type of Request	2020/21 Q1	2020/21 Q2	2020/21 Q3	2020/21 Q4	2020/21 Total	2019/20 Full Year
General Data Protection	5,162	5,988	5,980		17,130	31,294
Driver and Vehicle Licensing Agency	1,700	2,893	2,885		7,478	14,044
Investigatory Powers Act – Communications Data	335	511	538		1,384	1,725
Prevention of Social Housing Fraud Act/Council Tax Reduction Scheme	2,200	2,502	2,465		7,167	11,638
Type B (Online)	30,412	37,759	38,746		106,917	174,474
Grand Total	39,809	49,653	50,614		140,076	233,175

- 8.7 NAFN has continued to work very closely with Central Government including the Cabinet Office and the Business Energy and Industrial Strategy (BEIS) in response to COVID-19 business support grant fraud. 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.
- 8.8 In recognition of this collaborative work, the provision of intelligence to the Department for Business Energy and Industrial Strategy (BEIS), Fraud Alerts and for services provided to members in relation to Business Support Grants NAFN has been nominated for a number of awards as detailed in Table 11.

8.9 **Table 11 - NAFN Award Nomination 2020/21**

Award	Category	Status	Final Outcome
Tackling Economic Crime Awards	Outstanding Prevention Initiative Award	Finalist	Finalist
iNetwork Innovation Awards	Effective Information Sharing and Security Award	Finalist	Pending
	iStandUK Award	Finalist	Pending
	COVID-19 Response Recognition Award	Finalist	Pending
Public Sector Counter Fraud Awards	Partnership Excellence Award	Finalist	Finalist

- 8.10 The AGM for 2020 was successfully delivered virtually followed by a presentation from the Leadership Team on the long term strategy, including an update on service transformation. The event was well attended and feedback was very positive.
- 8.11 The NAFN website was updated recently to make is more user friendly, however, the Membership and Communications Officer, together with the Project Manager are about to embark on a major consultation exercise to all members regarding service transformation.
- 8.12 At the January 2021 Executive Board Meeting the Head of Risk Management and Audit was confirmed as the Chair for the eleventh year.

9 RECOMMENDATION

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