

Report To:	AUDIT PANEL
Date:	27 July 2021
Reporting Officer:	Wendy Poole – Head of Risk Management and Audit Services
Subject:	RISK MANAGEMENT AND AUDIT SERVICES – ANNUAL REPORT 2020/21
Report Summary:	The report summarises the work performed by the Service Unit and provides assurances as to the adequacy of the Council's systems of internal control.
Recommendations:	Members note the report and the performance of the Service during 2020/21.
Corporate Plan:	Risk Management and Internal Audit support 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 and Chief Finance Officer)	Effective Risk Management and Internal Audit assists in safeguarding assets, ensuring the best use of resources and the effective delivery of services. It also helps to keep insurance premiums and compensation payments to a minimum.
Legal Implications: (Authorised by the Borough Solicitor)	<p>The legal framework the Council operates within is set out in the main body of the report. In particular the Council has a statutory responsibility to have in place arrangements for managing risks, as stated in the Accounts and Audit Regulations 2015 (as amended):</p> <p style="text-align: center;"><i>A relevant authority must ensure that it has a sound system of internal control which includes effective arrangements for the management of risk.</i></p> <p>The purpose of the legislative requirements is to ensure that the Council delivers its strategic aim and operates its business, under general principles of good governance which members need to consider when receiving this report. Such good governance is all the more critical in times when the council is operating in a particularly challenging financial climate.</p>
Risk Management:	The services of the Risk Management and Audit Service Unit assists in providing the necessary levels of assurance that the significant risks relating to the Council's operations are being effectively managed and controlled and that a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes is in place.
Access to Information:	The background papers can be obtained from the author of the report, Wendy Poole, Head of Risk Management and Audit

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1 INTRODUCTION

- 1.1 The purpose of the report is to present a review of the Risk Management and Audit Service for 2020/21, including the provision of an opinion on how the Council secures governance, risk management and internal control.
- 1.2 The service covers:-
- Internal Audit (including Irregularity Investigations and Counter Fraud work);
 - Risk, Insurance and Information Governance; and
 - National Anti-Fraud Network (NAFN) Data and Intelligence Services.

2 KEY SERVICE ACHIEVEMENTS DURING 2020/21

The major achievements of the Service Unit for 2020/21 are shown below.

<ul style="list-style-type: none">• The implementation rate for audit recommendations was 87%.
<ul style="list-style-type: none">• The percentage of Planned Audits completed was 94%.
<ul style="list-style-type: none">• Customer feedback is very positive with continued high levels of satisfaction demonstrated on customer questionnaires and feedback from managers.
<ul style="list-style-type: none">• Annual reports, plans and regular progress reports presented to Members via the Audit Panel and the Greater Manchester Pension Fund Local Board.
<ul style="list-style-type: none">• The Annual Governance Statement 2019/20 was produced in accordance with best practice and agreed timescales and no adverse comments were received when our External Auditors (Mazars) reviewed it.
<ul style="list-style-type: none">• Advice and support has been provided to both the Growth Directorate and Exchequer Services to ensure the COVID-19 grants to support businesses were assessed and paid following a robust process to minimise the likelihood of fraud.
<ul style="list-style-type: none">• Resources were redirected to meet the priorities of the Council in relation to the above grants as Internal Audit staff supported the processing of the grants.
<ul style="list-style-type: none">• Grant claims reviewed by Internal Audit have resulted in grants totalling £301,000 being withheld and Fraudulent claims totalling £230,000 being investigated and pursued through to recovery.
<ul style="list-style-type: none">• The National Anti-Fraud Network (NAFN) has worked closely with Central Government including the Cabinet Office and the Department for Business, Energy and Industrial Strategy to provide data and intelligence regarding the number and value of frauds from members.
<ul style="list-style-type: none">• Following an inspection in November 2020, NAFN received a very successful inspection outcome from the Investigatory Powers Commissioners Officer (IPCO), receiving only one recommendations and four observations of good practice.
<ul style="list-style-type: none">• NAFN were shortlisted for five awards and were successful in winning the iNetwork Effective Information Sharing and Security Award.
<ul style="list-style-type: none">• The insurance renewal process was completed on time and all policies were updated and effective from April 2021 and within budget.
<ul style="list-style-type: none">• Information Governance support has been provided across the Council, including supporting the COVID-19 response to ensure data is managed in accordance with UK GDPR and the Data Protection Act 2018.

3 INTERNAL AUDIT

3.1 The definition of Internal Audit is outlined by the Public Sector Internal Audit Standards as follows:

“Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”.

3.2 The key elements of the definition are:-

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

3.3 The provision of Internal Audit is defined by the following legislation

- **Local Government Act 1972 Section 151**

“Every Local Authority shall make arrangements for the proper administration of its financial affairs and shall secure that one of its officers has responsibility for the administration of those affairs”

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

- **Accounts and Audit Regulations 2015 (as amended) Part 2, Section 3 – Responsibility for Internal Control**

A relevant Authority must ensure that it has a sound system of internal control which:-

- a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;
- b) ensures that the financial and operational management of the authority is effective; and
- c) includes effective arrangements for the management of risk.

- **Accounts and Audit Regulations 2015 (as amended) Part 2, Section 5 – Internal Audit**

(1) A relevant body must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

(2) Any officer or member of a relevant body must, if required to do so for the purpose of the internal audit:

- a) Make available such documents and records; and
- b) Supply such information and explanations;

as are considered necessary by those conducting the internal audit.

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

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

- **Accounts and Audit Regulations 2015 (as amended) Section 6 – Review of Internal Control System**

- (1) A relevant Authority must, each financial year:
 - a) conduct a review of the effectiveness of the system of internal control required by regulation 3; and
 - b) prepare an annual governance statement.
- (2) If the relevant Authority referred to in paragraph (1) is a Category 1 Authority, following the review, it must:
 - a) consider the findings of the review required by paragraph (1)(a):
 - i) by a committee; or
 - ii) by members of the Authority meeting as a whole; and
 - b) approve the annual governance statement prepared in accordance with paragraph (1)(b) by resolution of:
 - i) a committee; or
 - ii) members of the Authority meeting as a whole.
- (3) Relates to Category 2 Authorities and not applicable to the Council.
- (4) The annual governance statement, referred to in paragraph (1)(b) must be:
 - a) approved in advance of the relevant authority approving the statement of accounts in accordance with regulations 9(2)(b) or 12(2)(b) (as the case may be); and
 - b) prepared in accordance with proper practices in relation to accounts (a).

3.4 The Terms of Reference for the Audit Panel adequately meet the requirements of the Accounts and Audit Regulations 2015 (as amended) and the Chartered Institute of Public Finance and Accountancy Position Statement: Audit Committees in Local Authorities and Police 2018.

3.5 The review of the effectiveness of the system of internal control referred to in paragraph 3.3 has been conducted and a separate report is on the agenda.

4 AUDIT COVERAGE FOR 2020/21

4.1 The report presented to the Audit Panel on 10 March 2020 provided an overview of the work planned for 2020/21 for the Service Unit. The Original Annual Audit Plan of 1,510 days was detailed in the report and approved by the Audit Panel. The Audit Plan, however, as reported during the year has been revised on a regular basis to ensure that it was aligned to changes in service priorities, risks, directorate structures and resources available.

4.2 The Team has worked from home all year. Whilst initially auditing was difficult at the start of the year due to many services being affected by the Covid-19 Pandemic response, auditing in the virtual world is now progressing well and the team are adopting new ways of working to collate and gather the evidence needed to support their audit work.

4.3 Some staff were redeployed to assist with the processing of grant payments to support businesses, however, owing to the breadth of the audit plan it was still possible to complete audits in areas not directly providing the Covid-19 response. So whilst audit days were lost the Team have worked hard to ensure audit coverage was delivered.

4.4 Table 1 below shows the full year position of the Audit Plan by Directorate/Service Area. It details the Approved Plan, the Revised Plan, the Actual Days delivered as at 31 March 2021 and the percentage completed. **Appendix 1** provides a detailed breakdown of the 2020/21 Audit Plan.

4.5 The Actual Days delivered to 31 March 2021 of 1,480 were below the Revised Plan of 1,516 by 36 Days, the shortfall is a result of unanticipated sickness in quarter 4, further assistance provided to the Growth Directorate for the processing of business grants and delayed recruitment to the post of Senior Auditor.

Table 1 – Audit Plan Progress as at 31 March 2021

Directorate/Service Area	Approved Plan Days 2020/21	Revised Plan Feb 2021	Actual Days March 2021	% Plan Complete Plan
Children's	80	70	68	97
Children's Schools/Learning	181	124	119	96
Adults	82	46	43	93
Population Health	22	2	1	50
Growth	74	205	203	99
Operations and Neighbourhoods	66	41	34	83
Governance	163	217	206	95
Finance	141	92	74	80
Cross Cutting	71	8	7	88
Greater Manchester Pension Fund	320	295	304	103
Fraud/Information Investigations	310	416	421	101
Total Planned Days for 2020/2021	1,510	1,516	1,480	98

4.6 The charts below detail the Revised Plan Days and Actual Days Delivered per Directorate/Service Area for 2020/21.

Chart 1 – Revised Plan Days 2020/21

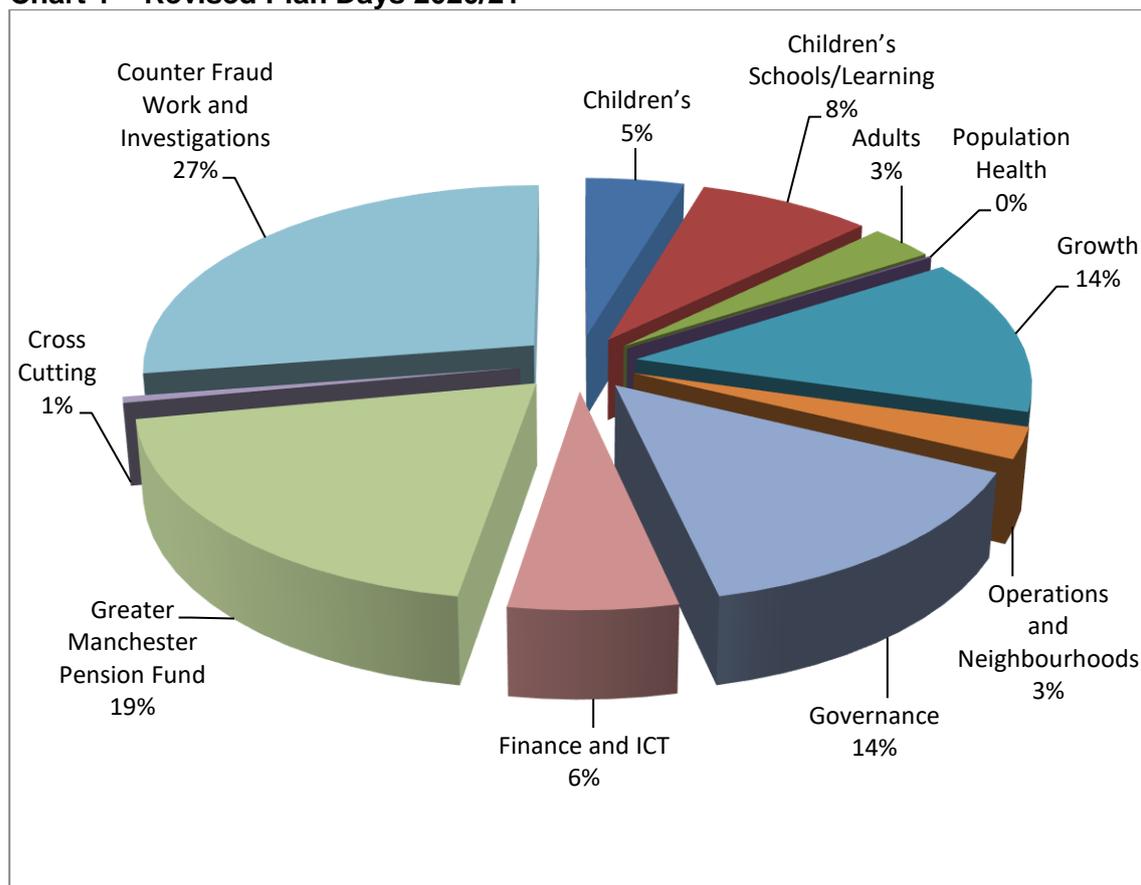


Chart 2 – Audit Days Delivered 2020/21

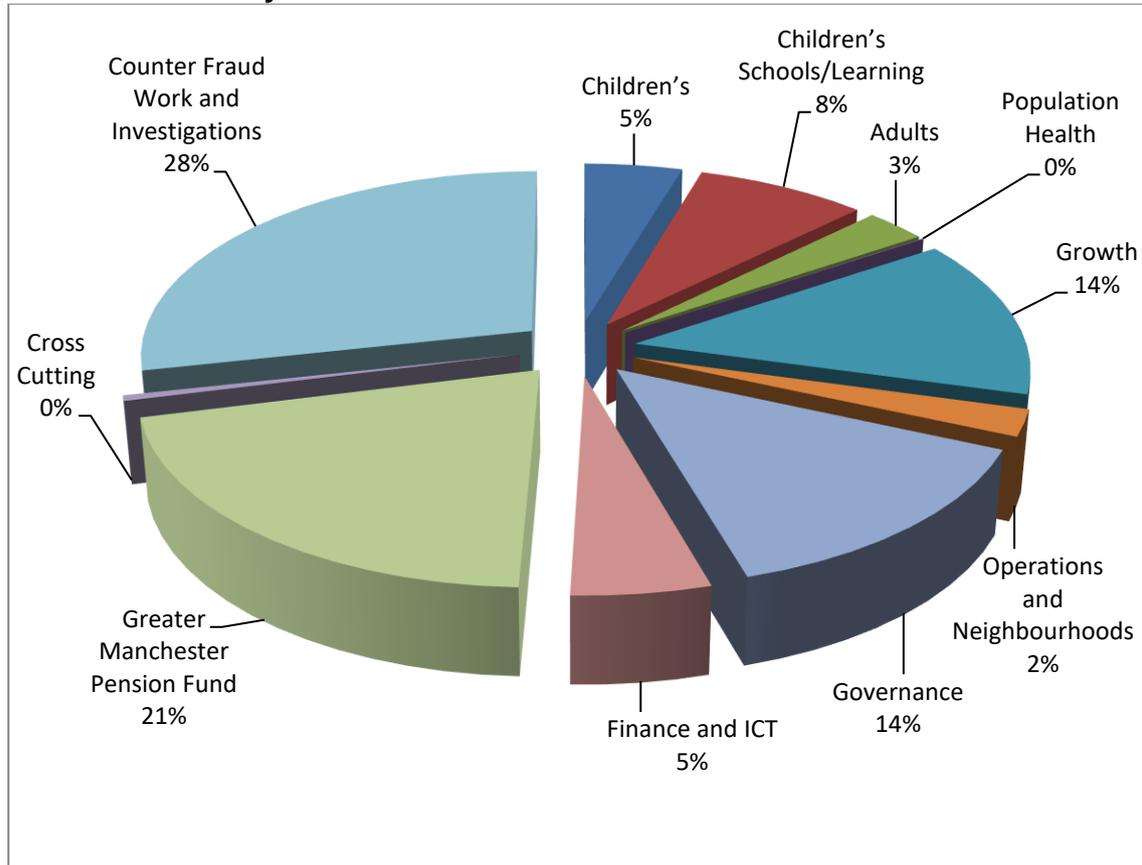
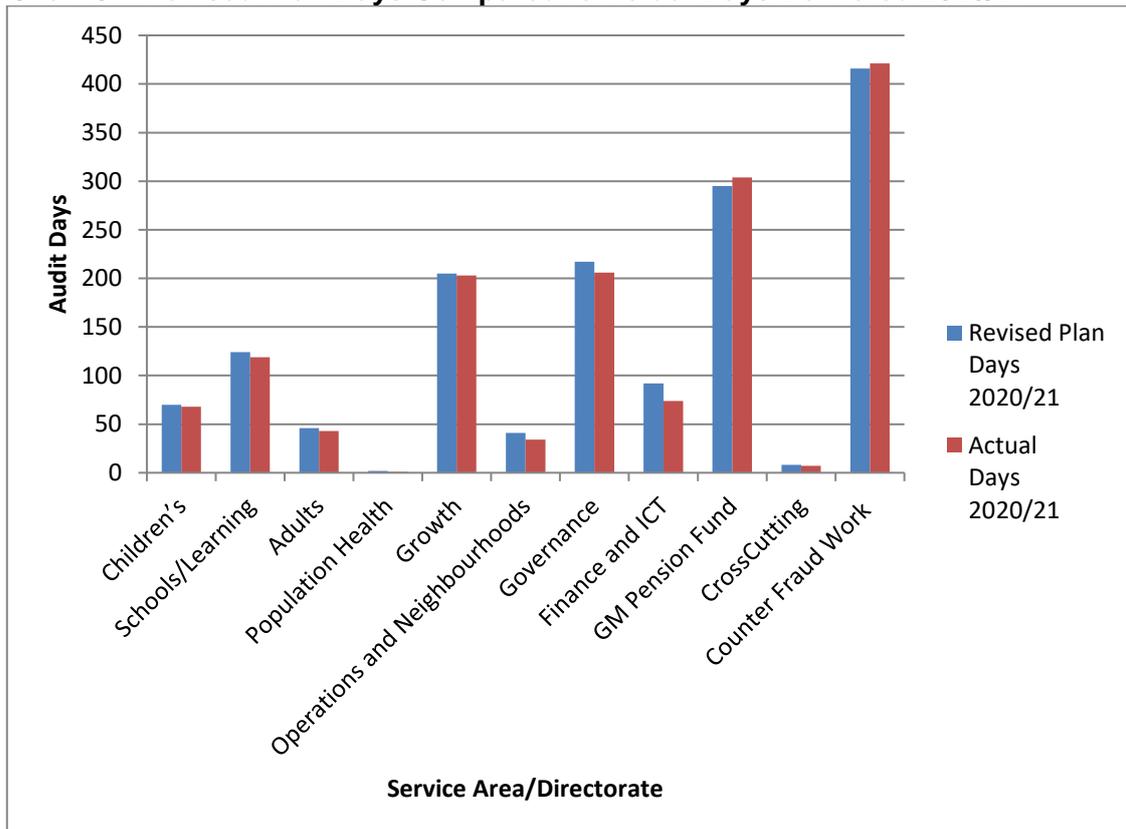


Chart 3 – Revised Plan Days Compared to Actual Days Delivered 2020/21



- 4.7 The successful delivery of the plan can be measured in three ways:-
- Actual Productive Audit Days Delivered against the Revised Plan
The days delivered against the plan, including Fraud Work totalled 1,480 compared to the revised plan of 1,516, which represents 98%.
 - Actual Productive Audit Days Delivered against the Original Plan
The days delivered against the plan, including Fraud Work totalled 1,480 compared to the original plan of 1,510, which represents 98%.
 - Percentage of Planned Audits Completed
This measure focuses on the planned audits, calculates the actual rate of completion per audit, and then consolidates the individual outcomes into one single percentage figure. The figure for 2020/21 is 94% compared to 92% achieved in the previous year 2019/20.
- 4.8 The following sections of the report provide details of the key areas covered during the period April 2020 to March 2021 and comment on any important issues arising from our work.

Financial Systems:

- 4.9 During 2020/21 work has been undertaken on the financial systems detailed in Table 2 below to ensure they were operating securely, fit for purpose and that the information generated from them into the general ledger was reliable. Where issues were identified as part of the systems audit work, action plans were agreed with management and these will be followed up in due course:-

Table 2 – Financial Systems Work 2020/21

Final Reports Issued	Level of Assurance	Date of Issue/Comments	
Budgetary Control and Financial Management – Children’s Services	Low	Issued June 2020 PAR completed 16 June 2021 – 77% of recommendations have been implemented	
General Ledger	Medium	Issued 3 November 2020 PAR – In Progress	
Payroll	High	Issued 31 March 2021 PAR Due October 2021	
Capital Projects – Education	Low	Issued 7 October 2020 PAR Deferred	
Retirement Process	High	Issued 16 November 2020 PAR - In Progress	
Pension Benefits Payable	Medium	Issued 5 January 2021 PAR Due July 2021	
Draft Reports Issued	Level of Assurance	Date of Issue/Comments	
Procure to Pay	Medium	Draft Issued 12 Feb 2021 Final Issued 9 April 2021 PAR Due October 2021	
Custodian Arrangement	High	Draft Issued 26 March 2021 Final Issued 17 June 2021 PAR Due December 2021	
Ill Health Insurance Arrangement	High	Draft Issued 8 April 2021 Final Report 11 June 2021 PAR Due December 2021	
Post Audit Reviews	Level of Assurance	Date Completed	% of Recs Implemented
Bank Reconciliation Procedures	Medium	May 2020	85%
Apprenticeship Levy	Medium	June 2020	100%
Stocks and Stores	Low	April 2021	89%

Work in Progress
Children's Home – Review of Expenditure
Procurement of Placements for Children
Capita System Review
PAR – Budgetary Control and Financial Management – Children's Services (Outstanding at Year End but completed in June 2021)
PAR – Income Management (Completed 19/04/21 – All recommendations implemented)
PAR – Control Report Purchasing Cards/Petty Cash
PAR – Determination and Recovery of Adult Service Care and Support Charges
PAR – Softbox
PAR – Creditors (Pension Fund)

4.10 Sections 4.11 to 4.19 provide details of the audit work undertaken in each directorate.

4.11 **Adults**

Areas reviewed during the year have included:-

- Contract Monitoring – Care Homes
- System Sign Off – Rosta System
- Control Report – Care Home

4.12 **Children's/Learning**

Areas reviewed during the year have included:-

- Procurement of Placements for Children
- System Sign Off – Early Years Module

4.13 **Population Health**

No audits were delivered in this area as the Team managed the Council's response to the Coronavirus/COVID-19.

4.14 **Growth**

Areas reviewed during the year have included:-

- Capital Projects – Education
- Advice and Support for Grants paid to support Businesses
- Processing of Grants paid to support Businesses
- Hattersley Collaboration Agreement

The Audit Team itself was heavily involved in the response to COVID-19 as resources were redirected to assist with the processing of grant applications to support the Growth Directorate and providing advice and support to ensure the application process was robust and minimised the potential for fraud.

4.15 **Operations and Neighbourhoods**

Areas reviewed during the year have included:-

- System Sign Off - Markets
- Local Authority Bus Subsidy Grant

4.16 **Governance**

Areas reviewed during the year have included:-

- Advice and Support – COVID-19 Business Support Grants
- Advice and Support – COVID-19 Self Isolation Payments
- Processing of Business Support Grants
- Capita System Review
- Procure to Pay
- Payroll system
- Registrars Financial Audit

- Advice and Support – iTrent Self-Service
- Agresso Upgrade
- Car Allowance Assurance Work
- Duplicate Payments
- Looked After Children's Health

The Audit Team itself was heavily involved in the response to COVID-19 as resources were redirected to assist with the processing of grant applications to support Exchequer Services and providing advice and support to ensure the application process was robust and minimised the potential for fraud.

4.17 Finance

Areas reviewed during the year have included:-

- General Ledger
- Third Party Supplier Management
- ICT Business Continuity and Disaster Recovery
- Network Security
- Access Control Management
- Vulnerability Management
- Cooperative Network Infrastructure

4.18 Crosscutting

Areas reviewed during the year have included:-

- Procurement – STAR Audit New Supplier Set Up
- Advice and Support – UK Mail

4.19 Greater Manchester Pension Fund:-

Areas reviewed during the year have included:-

- Agresso Upgrade
- System Sign Off – iKEN
- Custodian Arrangements
- Fund Manager Review
- Advice and Support – My Pension
- Visits to Contributing Bodies
- Retirement Process
- Information Governance/GDPR
- Ill Health Insurance Arrangements
- Transfers Out
- Advice and Support – iConnect
- Pension Benefits Payable
- Local Investments
- Advice in relation to system change and updates

4.20 A summary of the audit opinions issued in relation to risk/system based audit work for 2020/21, compared to 2019/20 and 2018/19 is shown in Table 3 below: -

Table 3 – Final Reports System Based Audits

Opinion	Total for 2020/21	%	Total for 2019/20	%	Total for 2018/19	%
High	5 (3)	31	7 (6)	27	11 (9)	37
Medium	7 (4)	44	14 (3)	54	13 (5)	43
Low	4	25	5 (1)	19	6 (3)	20
Totals	16 (7)	100	26 (10)	100	30 (17)	100

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

- 4.22 In addition to the 16 final reports issued above, a further 6 draft reports have been issued for comments and management responses and these will be reported to the Panel in due course.
- 4.23 10 schools have been audited and final reports issued as part of our cyclical review programme during 2020/21. A summary of the opinions issued for schools during 2020/21 compared to 2019/20 and 2018/19 is shown in Table 4 below: -

Table 4 – Audit Opinions – Schools

Opinion	Total for 2020/21	%	Total for 2019/20	%	Total for 2018/19	%
High	3	30	1	8	8	35
Medium	5	50	12	92	13	56
Low	2	20	0	0	2	9
Totals	10	100	13	100	23	100

- 4.24 1 further draft report has been issued for comments and management responses and this will be reported to the Panel in due course.
- 4.25 In addition to the reports issued in Tables 4 and 5, a significant number of days were allocated throughout the year to work that did not generate a report with a level of assurance attached. The areas listed below are examples of this work:-
- Grant Certification;
 - Advice, consultancy and assurance work provided to support service redesigns and the implementation of new or updated processes/systems;
 - Investigations into allegations of Fraud/Irregularities;
 - Investigating Information Incidents;
 - Advice and support to both the Growth Directorate and Exchequer Services in relation to the procedures introduced to process grants provided by Central Government to support businesses in relation to COVID-19;
 - Processing COVID-19 grant applications; and
 - Control Reports.
- 4.26 It is important to note, however, that whilst the above work does not generate an audit opinion it still provides assurance to the Head of Risk Management and Audit Services in terms of the overall audit opinion and undoubtedly adds value to the Council. It ensures that expenditure is in accordance with grant conditions, that new/amended systems are introduced with satisfactory controls in place and that control issues identified as part of fraud/irregularity investigations are resolved to improve the control environment.
- 4.27 Post Audit Reviews are undertaken approximately six months after the Final Report has been issued, however, where a low level of assurance is issued the Post Audit Review is scheduled for three months to ensure that the issues identified are addressed.
- 4.28 31 Post Audit Reviews have been completed in total during the year and these are detailed in Appendix 1. A summary of the 7 Post Audit Reviews completed during Quarter 4 is presented in Table 5 below. It details the number of recommendations made and implemented.
- 4.29 The percentage rate of all recommendations implemented for 2020/21 is 88% compared to 87% in 2019/20. Due to COVID-19 the implementation of recommendations has been delayed in some areas and where significant issues are still outstanding a second Post Audit Review will be scheduled.

Table 5 – Q4 Post Audit Reviews – Recommendations Implemented

Post Audit Reviews	Recommendations			Comments
	Agreed	Implemented		
	No.	No.	%	
Lady Of Mount Carmel	11	11	100	
GMPF Visit - University of Manchester	7	7	100	
GLIL	2	2	100	
Stores and Stock Control	38	34	89	Outstanding recommendations related to CCTV, Returned Stock and the Servitor system.
Pupil Referral Service	16	14	88	Debt Collection and Computer Security still need to be addressed.
Control Report Electronic Signatures	40	31	78	Controls in terms of time recording, additional hours, and authorisation were still outstanding.
GMPF Visit to APS Global	2	1	50	Assumed Pensionable Pay processes need to be reviewed and improvements implemented.
Quarter 4 Totals	116	100	86	

4.30 15 Post Audit Reviews were in progress at the end of 2020/21, and these will be reported to the Panel at a future meeting.

5 ANTI-FRAUD WORK

Irregularity Investigations

- 5.1 Investigations are conducted by two members of the Internal Audit Team under the direction of a Principal Auditor and the Head of Risk Management and Audit Services to ensure consistency of approach. All cases were investigated using the approved standard protocol and procedure, which complies with best practice. A control report is produced in the majority of cases for management to ensure that corrective action is taken where possible to ensure that the control environment is improved therefore minimising the risk of similar irregularities occurring in the future.
- 5.2 All investigations/assistance cases are reviewed by the Monitoring Officer and Section 151 Officer and, where appropriate, they challenge and comment on the cases. Assistance cases can range from obtaining information for an investigating officer to actually undertaking a large proportion of the analysis work to provide evidence for the investigatory process.
- 5.3 The number of cases investigated during the period April 2020 to March 2021 are summarised in Table 6 below.

Table 6 – Investigations Undertaken from April 2020 to March 2021

Detail	No. of Cases April - Nov 2020	No. of Cases April 2020 - Jan 2021	No of Cases April 2020 – March 2021
Cases B/Forward from 2019/20	8	8	8
Current Year Referrals	69	84	90
Total	77	92	98
Cases Closed	28	38	62
Cases Still under Investigation	49	54	36
Total	77	92	98
Assistance Cases	19	24	27

5.4 The above investigations can be categorised by fraud type as shown in Table 7 below.

Table 7 – Investigations by Fraud Type

Fraud Type	No. of Cases	Estimated Value £	Annual Savings £
Adult Social Care	8	87,703	18,404
COVID-19 Business Support Grants	78	784,405	N/A
Children's Social Care	3	6,291	-
Council Tax	1	-	-
Blue Badge	3	-	-
Pensions	1	5,644	-
Procurement	1	-	-
Theft	1	-	N/A
Other	2	-	-
Total	98	884,043	18,404

5.5 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.

5.6 During 2020/21, 78 COVID-19 Business Support Grants have been referred to the Corporate Fraud Team for investigation by both Exchequer Services and the Growth Directorate. Table 8 below summarises the outcome of the work undertaken by the Fraud Team as at 31 March 2021. It shows that grant applications totalling £301,000 were stopped before payment due to inconsistencies in the application. After review grants totalling £137,769 were released for payment and fraudulent payments of £230,000 are being pursued pending Central Governments view on prosecution.

Table 8 – Investigations – Grants to Businesses

Grant 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 Grants	54	590,000	90,000	170,000	215,000	115,000
Discretionary Grants	24	194,405	25,636	131,000	15,000	22,769
Total	78	784,405	115,636	301,000	230,000	137,769

National Fraud Initiative

5.7 The data sets for the National Fraud Initiative (NFI) 2020 Exercise were uploaded to the Cabinet Office' Secure System in October 2020 and the initial matches identified for Tameside were received in February 2021, although the website is refreshed on an ongoing basis as matches are added. Table 9 below provides a summary of the key matches identified for investigation, those listed with a High Report Match Rating indicate that records have match on several data fields, making them the priority for review and investigation.

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

NFI Data Set	NFI Report Ref.	Number of Matches	Report Match Rating
Pensions to DWP Deceased Persons	52	936	High
Pensions to Payroll	54 and 55	1256	High
Deferred Pensions to DWP Deceased	53	158	High
Housing Benefits to Student Loans	2	15	High
Housing Benefits Claimants to DWP Deceased	49.1	32	High
Housing Benefit Claimants to Pensions	Not yet released		
Council Tax Reduction Scheme to Pensions	435.1 436.1	772	High
Council Tax Reduction Scheme to Payroll	435 436	50	High
Council Tax Reduction Scheme to DWP Deceased	482	77	High
Blue Badge to DWP Deceased	172.1	297	High
Housing Benefit Claimants to Taxi Drivers	47.1 47.2	58	High
Council Tax Reduction to HMRC Earnings and Capital	Not yet released		
Council Tax Reduction to HMRC Household Composition			
Housing Benefit Claimants to HMRC Household Composition			
Totals		3,651	

5.9 Investigations have commenced into the matches identified and an update will be provided as part of the Risk Management and Audit Services Progress Reports presented to future Panel meetings.

6 NATIONAL ANTI FRAUD NETWORK DATA AND INTELLIGENCE SERVICES

6.1 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.

Table 10 – NAFN Membership

Member Type	June 2020	Sept 2020	Dec 2020	March 2021
Local Authorities	353	355	356	362
Housing Associations	61	62	63	65
Other Public Bodies	19	21	24	27
Totals	433	438	443	454
Registered Users	13,711	13,867	14,100	14,199

6.2 NAFN exceeded its membership targets for the year with increases across all three groups. Currently, 90% of councils in the UK are members of NAFN with further expressions of

interests received and actively being pursued by the NAFN Membership and Communications Manager. We are hoping to reach our target of 100% local authority membership within the next year.

6.3 The national pandemic has resulted in a change in priorities across our entire membership base along with the requirement to change working practices and investigative techniques arising from national lockdown restrictions. As a consequence, the overall intake of requests for 2020/21 (see Table 11) is down on the previous year and significantly lower than forecast.

6.4 On a more positive note, demand for Investigatory Powers Act Communication Data Requests remained strong. Intake exceeded forecasted figures by over 300 enquires (up 16%). NAFN continued to support existing users and those who benefit from this data to ensure that local authority and relevant wider public authority members are best equipped to obtain intelligence to assist with their investigations.

6.5 NAFN's annual inspection undertaken by the Investigatory Powers Commissioner's Office took place in November 2020 and we can report another successful outcome. The inspection report highlighted only one 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".

6.6 **Table 11 – 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	6,518	23,648	31,294
Driver and Vehicle Licensing Agency	1,700	2,893	2,885	2,604	10,082	14,044
Investigatory Powers Act – Communications Data	335	511	538	928	2,312	1,725
Prevention of Social Housing Fraud Act/Council Tax Reduction Scheme	2,200	2,502	2,465	2,834	10,001	11,638
Type B (Online)	30,412	37,759	38,746	43,941	150,858	174,474
Grand Total	39,809	49,653	50,614	56,825	196,901	233,175

6.7 NAFN 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. As part of this work, NAFN collated and disseminated intelligence to members to support prevention of this widespread fraud. The benefits of these alerts are clear with one member alone preventing payment of a number of fraudulent grant applications to the value of £770,000.

6.8 NAFN intelligence officers worked collaboratively with the National Investigation Service reporting to BEIS in relation to business support grant fraud and this work continues.

6.9 NAFN's successful collaborative work has been widely acknowledged and the team was nominated for a number of awards (see Table 12), and in fact NAFN won the iNetwork Innovation award for Effective Information Sharing and Security for the second year in a row. In addition, NAFN was nominated by BEIS for a Tackling Economic Crime Award.

6.10 **Table 12 - 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	Winner
	iStandUK Award	Finalist	Finalist
	COVID-19 Response Recognition Award	Finalist	Finalist
Public Sector Counter Fraud Awards	Partnership Excellence Award	Finalist	Finalist

6.11 Due to the national lockdown the NAFN AGM was delivered online for the very first time. This was followed by a presentation from the Leadership Team on NAFN's long term strategy, including an update on service transformation. The event was very well attended and feedback was very positive.

6.12 The public facing side of the NAFN website was updated providing a modern structure and navigation that was required to meet the expectations of members, partners and stakeholders.

6.13 Following option appraisal and a detailed report from the Leadership Team, the NAFN Executive Board confirmed the intention to scope and deliver a wide range of service improvements. The first stage is to confirm the appetite for this transformation through a wide-ranging consultation with members.

6.14 At the January 2021 Executive Board Meeting the Head of Risk Management and Audit was confirmed as the Chair for the eleventh year running.

7 RISK MANAGEMENT AND INSURANCE

7.1 The Risk, Insurance and Information Governance Team provide services to the whole Council. Recruitment to the Team is now complete and all post are now occupied, the last two members of the Team joined in January and February 2021.

7.2 The key priorities for 2020/21 are detailed below in Table 13 with a progress update.

Table 13 – Key Priorities 2020/21 – Progress Update

Key Priority 2020/21	Progress Update
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 to ensure that risk registers are kept up to date and reported appropriately to officers and members.	Work to review the Risk Management System in place has been completed and was reported to the Single Leadership Team on 13 July 2021. A separate Risk Management Report is on the agenda presenting the updated approach to risk management, the refreshed Risk Management Policy and Strategy for 2021-2023 and the updated Corporate Risk Register.
To facilitate the continued implementation of the Information Governance Framework,	The Work Plan in respect of Information Governance is being monitored by the Information Governance Group which meets

Key Priority 2020/21	Progress Update
<p>ensuring that the Council is compliant with all Data Protection legislation.</p>	<p>bi-monthly. Tasks have now been allocated across the Team and work is ongoing to deliver these ensuring that the Council is compliant with all Data Protection legislation. A separate Information Governance Report is on the agenda, providing members of the panel with a further detailed look at some of the improvements introduced and documents created/refreshed for consideration.</p> <p>A number of Data Protection Impact Assessments and Sharing/Processing Agreements have been reviewed during the year to ensure that all risks to personal data in relation to new projects/systems and changes to existing processes are assessed and managed/mitigated to ensure compliance with UK GDPR and the Data Protection Act 2018. Work was undertaken in the early part of the year to support the COVID-19 response and ensure data was managed in accordance with UK GDPR and the regulations issued by the NHS. A responsive service has also been provided in relation to information incidents across the Council needing review and investigation to ensure shared learning and improvements in controls where needed were implemented to minimise future incidents.</p>
<p>To work with senior managers to ensure that Service Area 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.</p>	<p>Formal work to review business continuity plans has not been undertaken, whilst the Council was responding to the COVID-19 pandemic. All services have continued to deliver services which demonstrates that business continuity has prevailed. The plans were fully tested on the day all employees were instructed to work from home.</p> <p>Work will be undertaken during 2021/22 to capture the learning and ensure that plans match the new ways of working once defined to ensure we build back better. Testing will also be reviewed.</p>
<p>To work with STAR Procurement to procure Insurance Brokers and Legal Representatives to work with the Council's Insurers in defence of litigated claims.</p>	<p>Insurance Brokers were formally appointed using a Framework agreement in July 2020 and savings of £8,500 were realised per annum.</p> <p>Legal Representatives were not appointed as our insurers have a panel of legal firms that they use depending upon the type of claim.</p>

Key Priority 2020/21	Progress Update
	The insurance renewal process was completed on time and all policies were updated and effective from April 2021. Whilst the cost of some policies increased due to risks perceived to be associated with COVID-19 the overall premium costs were within budget.
To review the insurance database used to ensure it is fit for purpose and that the reporting functionality is efficient and effective.	This was not reviewed due to capacity issues and has been carried forward to 2021/22.
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.	Advice and Support has continued to be provided across the Council throughout the year to ensure that risk management, insurance and information governance arrangements in place are robust and reflect the changes to service delivery where applicable. Ensuring that changes do not undermine any of the insurance policies we have in place and that robust systems are in place to help defend any claims for compensation that may arise.
To work with schools to ensure advice and support is provided.	All schools transferred over the Department for Educations Risk Protection Arrangement (RPA) from April 2020 and therefore the Risk, Insurance and Information Governance Team do not provide any support to schools. However, if a claim relating to an incident prior to 31 March 2020 were to be received this would be processed under the Council's insurance arrangements.
To attend management team meetings quarterly to provide updates on insurance, information governance, risk management and business continuity.	This area is still under development as the additional capacity added to the team is trained and supported. Meetings have taken place on a regular basis with management to update and refresh the Corporate Risk Register.

8 PERFORMANCE INDICATORS

- 8.1 The performance of the section is monitored in a variety of ways and a number of indicators have been devised to enable comparisons between financial years and between similar organisations. Formal benchmarking using the Chartered Institute of Public Finance and Accountancy has not taken place for a number of years due to budget cuts and capacity; however, the North West Chief Audit Executive Group is aiming to reintroduce the comparison of a small number of key performance indicators, albeit this has been delayed due to COVID-19.

- 8.2 The Key Performance Indicators for Internal Audit for 2020/21 are detailed in Table 14 below and they are compared to the two previous years 2019/20 and 2018/19.

Table 14 - Key Performance Indicators 2020/21

	Indicator	Target	20/21	19/20	18/19	Comments
1	Compliance with Public Sector Internal Audit Standards	100%	100%	100%	100%	Target Achieved
2	% of Plan Completed	90%	94%	92%	92%	Target Achieved
3	Customer Satisfaction (per questionnaires)	90% of customers "satisfied \geq 65%"	100%	100%	100%	Target Achieved
4	% Recommendations Implemented	90%	88%	87%	93%	Target Not Achieved
5	No. of Irregularities Reported/Investigated	Downward Trend	12	14	15	Target Achieved
			78	COVID-19 Grant Cases		

- 8.3 Four of the five targets have been achieved for 2020/21, the unachieved target relates to the Percentage of Recommendations Implemented. COVID-19 affected the implementation of recommendations in some areas, due to capacity issues. The target, whilst critical to measure, is not controlled by Internal Audit as the implementation of recommendations is the responsibility of management and delays can occur for a number of reasons.

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

9 PUBLIC SECTOR INTERNAL AUDIT STANDARDS

- 9.1 The Internal Audit function was judged to be compliant with the Public Sector Internal Audit Standards (PSIAS) following an External Peer Review in March 2018, and the majority of recommendations from the review have been implemented enhancing the service further. The Self-Assessment completed for 2020/21 against the updated standard reaffirmed full compliance.
- 9.2 The Review of Internal Audit 2020/21 Report earlier on the agenda provided details of the full Self-Assessment undertaken against the individual standards for 2020/21.

10 QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME (QAIP)

- 10.1 The process and procedures in place within Internal Audit are continually reviewed and any issues/inefficiencies identified are addressed immediately to assist and improve productivity.
- 10.2 The service developments included in the Quality Assurance and Improvement Programme for 2020/21 are listed below in Table 15 together with a progress update.

Table 15 – Progress Update on Service Developments

Development	Progress to March 2021
<p>PSIAS Standard 1130</p> <p>Consider allocating the formal SIRO designation to a Chief Officer, even if the Internal Audit Team continues to support the SIRO function.</p>	<p>This task is detailed in the Information Governance Work Plan and will be discussed with the newly appointed Assistant Director of Finance (Deputy Section 151 Officer).</p>
<p>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.</p>	<p>Complete</p> <p>This is addressed as part of the Annual Development Review process and supervisions.</p>
<p>Do internal auditors maintain a record of their professional development and training activities?</p>	<p>Complete</p> <p>Recorded in Annual Development Review Forms, Spreadsheets and the Me Learning System.</p>
<p>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.</p>	<p>Work in Progress</p> <p>This was delayed due to COVID-19 and the need to deliver the Audit Plan.</p>
<p>To finalise the review of all fraud, bribery and corruption policies, procedures and plans etc. to ensure they are fit for purpose, seeking the appropriate approval and then consider how to effectively disseminate the information to members and officers.</p>	<p>Work in Progress</p> <p>The number of fraud investigations received during 2020/21 was unprecedented in response to grants to support businesses and resources could not be diverted to development work.</p>
<p>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.</p>	<p>On Hold</p> <p>To be carried forward into 2021/22 pending the outcome of the NHS consultation on a national re-configuration of commissioning organisations.</p>
<p>To conduct a service review with the assistance of the Assistant Director of Finance to ensure that the staffing structure across the whole of the Risk Management and Audit Service is effective to deliver the expectations placed upon the Team.</p>	<p>Complete</p> <p>The review concentrated on the Risk, Insurance and Information Governance Team and all posts in the revised structure are now occupied.</p>

11 INDEPENDENCE OF INTERNAL AUDIT

- 11.1 In accordance with the Public Sector Internal Audit Standards, the Internal Audit Team/Function should remain independent of any non-audit operational responsibilities at all

times. However, in response to COVID-19 and corporate priorities some members of the Audit Team were involved in the actual processing of business support grant applications.

- 11.2 Also as indicated in Table 14 above the independence of the Head of Risk Management and Audit Services has not been reviewed in line with the recommendation made as a result of the External Peer Review due to COVID-19 and will be addressed during 2021/22.
- 11.3 However, any audit work in areas directly managed by the Head of Risk Management and Audit Services would be managed by somebody independent to the process, for instance the Assistant Director of Finance or the audit would be undertaken by another AGMA Audit Team. With regards to the team members involved with the processing of grants they will not be involved in any associated audit work for two years.

12 AUDIT OPINION BASED ON RESULTS OF 2020/21 ACTIVITY

- 12.1 The Audit Panel can take reasonable assurance that the Council's arrangements to secure governance, risk management and internal control are suitably designed and applied effectively.
- 12.2 Due to the impact of the COVID-19 pandemic on the 2020/21 Internal Audit Plan, in that significant resources were diverted away to address Council Priorities in terms of providing advice and support to set up robust systems for and processing grants to support businesses the above opinion is based on reduced audit work.

However, despite reduced capacity, Internal Audit continued to be involved in advising on changes to systems and processes and whilst a large proportion of the workforce were working from home we were still able to devise new methods of working and conducted a number of audits and assurance reviews virtually. Contact with Directors and Assistant Directors was maintained to offer support and assistance where required. Similar to the rest of the Council the Audit Plan was kept under constant review and updated to reflect new priorities identified.

The value of Internal Audit lies in the detailed work that we undertake to review systems and processes to ensure that controls are in place to mitigate risks to an acceptable level and where improvements have been highlighted, managers are provided with an assessment of further actions needed and agreed to implement the suggested recommendations. Thus, improving the management of risks and supporting the overall control environment.

- 12.3 In forming my opinion I have considered the number of internal audit reviews undertaken, the assurance work completed that does not generate a formal level of assurance, information provided by Council Directors/Assistant Directors, information provided to me as a Service Unit Manager and my experience and knowledge of the Council.
- 12.4 In addition to the work undertaken directly by Internal Audit I have relied upon work undertaken by my wider Risk, Insurance and Information Governance Team and that provided to me by Directors as part of the Annual Governance Statement assurance gathering process as detailed below:-
- In terms of Risk Management, the Corporate Risk Register has been updated, reported and considered by both the Single Leadership Team and the Audit Panel throughout the year.
 - Each Director has completed an Annual Governance Statement Self-Assessment Checklist and signed an Assurance Statement covering:-
 - Compliance with Legal Requirements
 - Compliance with the Constitution, Council Objectives and Policies
 - Management of Service Delivery
 - Performance Management

- Stakeholders
- Financial Planning and Budgetary Control
- Recording of Actions and Transactions
- Reporting
- Standards of Conduct
- Human Resources
- Partnerships
- Safeguarding Assets
- Value for Money
- IT Systems
- Risk Management
- Information Governance
- Managing Change and Transformation
- With regards to Information Governance the Team have provided advice in relation to the processing of personal data for the COVID-19 response, and have continued to provide advice and support Service Areas to complete Data Protection Impact Assessments and Sharing and Processing Agreements to ensure data is managed in compliance with UK GDPR and the Data Protection Act 2018.

12.5 The Strategic Commission has lead the organisational response to the COVID-19 pandemic, together with key partners since March 2020. From organising a humanitarian hub, to identifying critical functions, ensuring Staff had ICT that allowed them to work at home, the provision of PPE, implementing local track and trace systems, supporting the vaccine rollout, members, management and staff have worked hard in unprecedented times never experienced before for the good of Tameside. Ultimately this has moved the focus away from the Corporate Plan priorities, the improvement journey the Council was on and in some cases affected planned savings. As we move towards the lifting of restrictions the Council is now planning to build back better and fairer, with new ways of working to ensure that future plans deliver long-term financial stability.

13 ANNUAL GOVERNANCE STATEMENT/DEVELOPMENT PLAN

13.1 A separate Annual Governance Report is on the agenda which presents the Annual Governance Statement for 2020/21 and included in the report is an update on the Improvements identified in the Development Plan for 2019/20 which were scheduled to be delivered during 2020/21.

14 RECOMMENDATION

14.1 As set out on the front of the report.