

Report To:	AUDIT PANEL
Date:	27 July 2021
Reporting Officer:	Wendy Poole – Head of Risk Management and Audit Services
Subject:	PROGRESS REPORT ON RISK MANAGEMENT AND AUDIT ACTIVITIES – QUARTER 1 2021/22
Report Summary:	To advise members of the work undertaken by the Risk Management and Audit Service for Quarter 1 of 2021/22 and to comment on the results.
Recommendations:	That members note the report and the performance of the Service Unit for Quarter 1 of 2021/22.
Links to Corporate Plan:	Internal Audit supports the individual operations, which deliver the objectives within the Corporate Plan.
Policy Implications:	Effective Risk Management and Internal Audit supports the achievement of Council objectives and demonstrates a commitment to high standards of corporate governance.
Financial Implications: (Authorised by the Borough Treasurer)	Effective Risk Management and Internal Audit assists in safeguarding assets, ensuring the best use of resources and reducing losses due to poor risk management. It also helps to keep insurance premiums and compensation payments to a minimum and provides assurance that a sound control environment is in place.
Legal Implications: (Authorised by the Borough Solicitor)	<p>This report is provided to Members to demonstrate compliance with the Accounts and Audit Regulations 2015 (as amended) which in turn demonstrates 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> <p>Such prudent management is all the more critical during periods when the council is operating in a challenging financial climate and to ensure that where necessary lessons are learned and management improved.</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.
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 contacting:



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1. INTRODUCTION

- 1.1 This is the first progress report for the current financial year and covers the period April to June 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 quarter of the year in respect of the approved Plan for 2021/22, which was presented to the Audit Panel on 16 March 2021.

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 2021/22 are detailed in Table 1 below together with a progress update to June 2021.

Key Priorities 2021/22	Progress Report - June 2021
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.	<p>The refreshed Risk Management Policy and Strategy is being presented to the Audit Panel on 27 July 2021, which includes an updated risk register template and process.</p> <p>The Corporate Risk Register is updated and presented to the Single Leadership Team and the Audit Panel quarterly.</p> <p>Work with service areas to refresh operational risk registers using the revised template will be a priority for the team in Quarter 2.</p>
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.	Work is ongoing to deliver the Work Plan and new policies, procedures and guidance documents are being presented to the Information Governance Group for consideration, ahead of them being presented to the Audit Panel for approval. A new quarterly Information Governance Report will be presented to the Audit Panel.
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.	Work will commence later in year when the Council has determined the new working arrangements for staff, thereafter plans can be updated and refreshed.
To review the insurance database used to ensure it is fit for purpose and that the reporting functionality is efficient and effective.	This review has commenced and will be completed by September 2021.
To review the information held and introduce regular reports for management in terms of claims received to inform and improve risk management process.	The format and presentation of the reports is being reviewed to ensure the information they add value.

Key Priorities 2021/22	Progress Report - June 2021
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.	The Team continue to provide advice and support to services areas across all four disciplines as and requested:- <ul style="list-style-type: none"> • Risk Management • Insurance • Information Governance • Business Continuity Planning
To attend management team meetings quarterly to provide updates on insurance, information governance, risk management and business continuity.	Meetings have taken place to review the Corporate Risk Register but a more formal approach will be identified and introduced.

3. INTERNAL AUDIT OVERVIEW

3.1 The Audit Plan approved on 16 March 2021 covered the period April 2021 to March 2022 and totalled 1,665 Days. This was made up of 1,272 days on planned audits and 393 days on reactive fraud work/investigations. The Plan Days have been slightly redistributed as an audit in the Approved Plan was in the wrong Directorate and the Days Brought Forward from 2020/21 were slightly different to the split anticipated when the 2021/22 Plan was drafted in February 2021 and these changes are reflected in the Revised Plan 2021/22 column in Table 1.

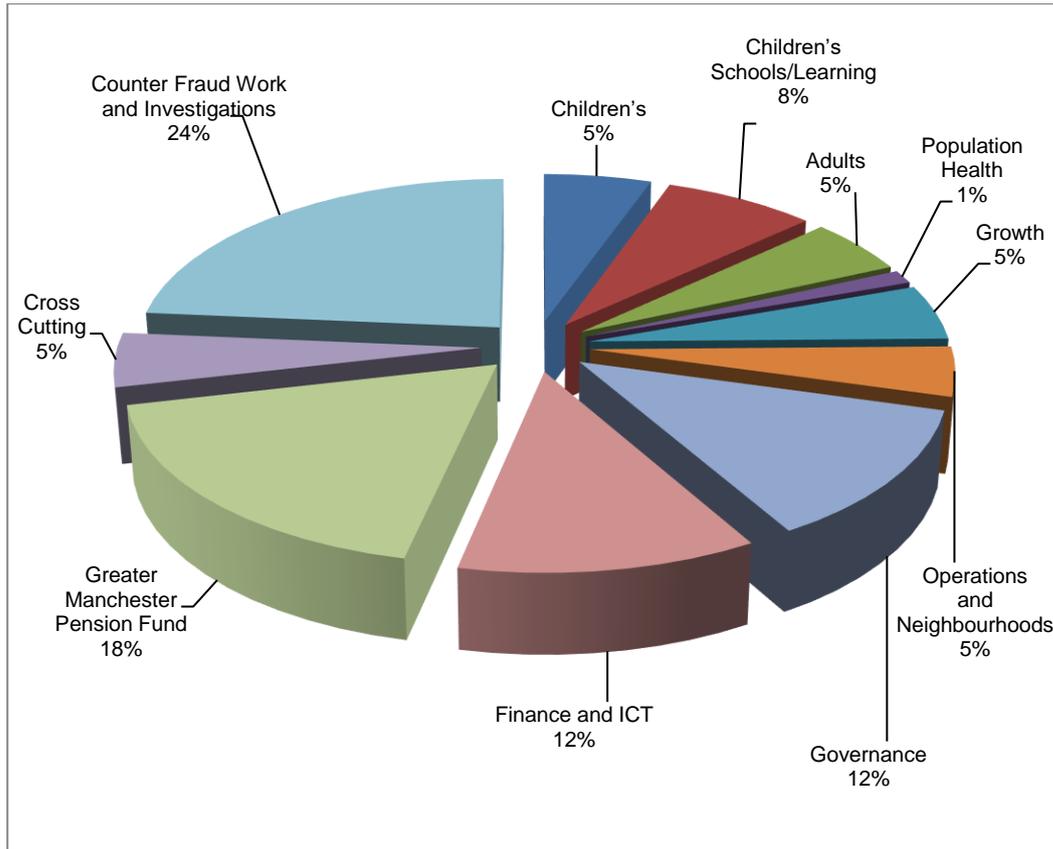
3.2 Table 1 below provides a summary of progress to the end of Quarter 1. The Table details the Approved Plan Days, Revised Plan Days, Actual Days delivered in Quarter 1 and the Days to be delivered in Quarters 2 - 4. The actual days in total are 334. **Appendix 1** provides a detailed breakdown of the 2021/22 Audit Plan and shows; the Audit Activity, Approved Audit Plan 2021/22, Revised Plan 2021/22, Actual Days, Days to Deliver in Quarters 2 - 4, Status and Level of Assurance.

3.3 Table 1 – Annual Audit Plan Summary 2021/22

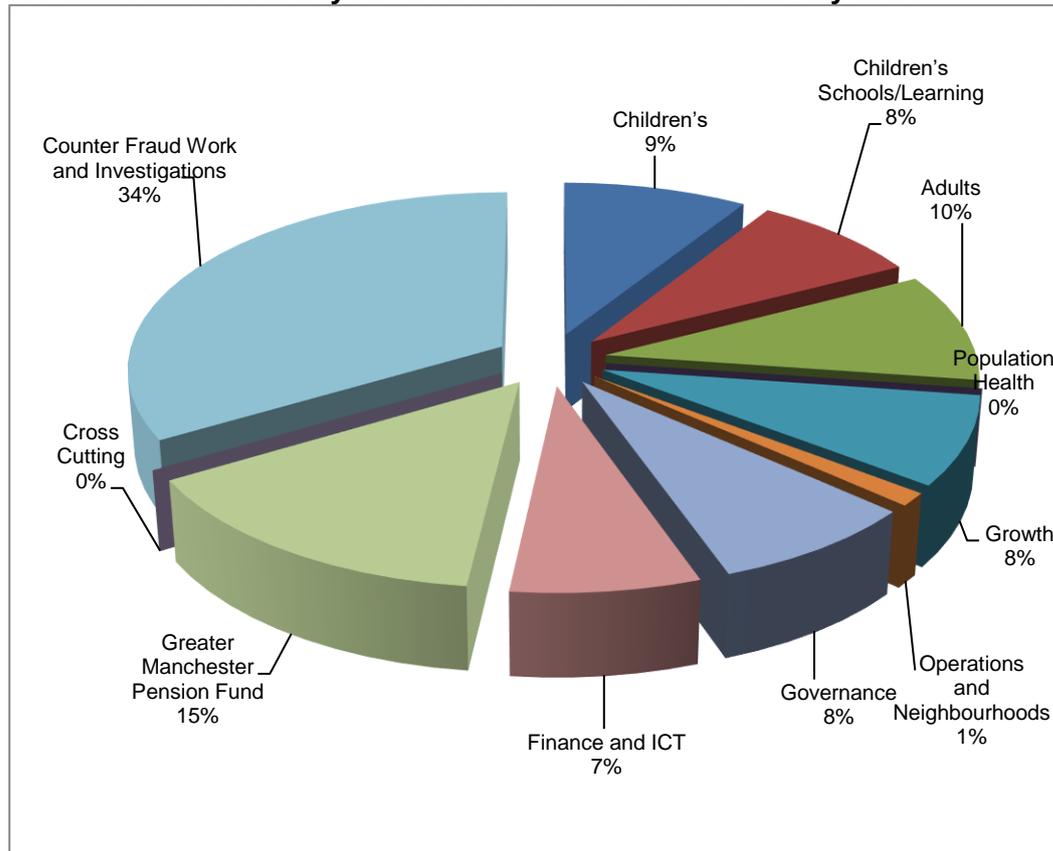
Service Area / Directorate	Approved Plan 2021/22	Revised Plan 2021/22	Actual Days To 2 July 2021	Variance Days to be Delivered in Q2 – Q4
Children's	85	90	30	60
Children's Schools/Learning	146	128	28	100
Adults	84	87	33	54
Population Health	21	21	0	21
Growth	85	86	27	59
Operations and Neighbourhoods	77	77	4	73
Governance	197	206	27	179
Finance and ICT	194	194	24	170
Greater Manchester Pension Fund	300	300	49	251
Crosscutting	84	84	0	84
Total Planned Days 2021/22	1,273	1,273	222	1,051
Counter Fraud Work/Investigations	393	393	112	281
Total Planned Days for 2020/21	1,666	1,666	334	1,332

3.4 The Pie Charts below present the Revised Plan 2021/22 and the Quarter 1 Actual Days delivered to 2 July 2021.

Pie Chart 1 – Revised Audit Plan 2021/22



Pie Chart 2 – Actual Days Delivered to Quarter 1 as at 2 July 2021



- 3.5 The Risk Management and Audit Team are continuing to work from home. The vacant Senior Auditor post has now been filled, however, the new starter only joined the team in the last week of June, which is later than anticipated when the Plan for 2021 was compiled. This will have an impact on the delivery of the plan and will need to be reviewed at the end of Quarter 2 when the plan will be reassessed.

4. AUDIT ACTIVITY TO QUARTER 1 AS AT 2 JULY 2021

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

Table 2 – Final Reports System/Risk Based Audits 2021/22

Opinion	Quarter 1	Quarter 2	Quarter 3	Total for 2021/22	Total for 2020/21
High	2 (2)				5 (3)
Medium	1				7 (4)
Low	1 (1)				4
Totals	4				16 (7)

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

- 4.2 In addition to the Final Reports issued above, four Draft Reports have been issued for management review and responses and these will be reported to the Panel in due course.
- 4.3 Not all work undertaken by the team generates an audit opinion and several pieces of work undertaken in the period fall into this category:-
- Investigation Control Reports and follow Ups;
 - GMPF Assurance Work (e.g. iConnect);
 - Post Payment Assurance work in relation to COVID-19 Business Grants;
 - System Upgrades/Sign Offs
- 4.4 One Final Audit Report in relation to a School was issued during the period, the results of which are summarised in Table 3 below.

Table 3 – Final Reports Schools

Opinion	Quarter 1	Quarter 2	Quarter 3	Total for 2021/22	Total for 2020/21
High	0			0	3
Medium	1			1	5
Low	0			0	2
Totals	1			1	10

- 4.5 In addition to the final reports issued above, one further audit has been completed and the Draft Report 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. Eleven Post Audit Reviews have been completed during the period and a summary of those completed is presented in Table 4 below and details the number of recommendations implemented. The percentage rate of recommendations implemented is currently 84%. Internal Audit was satisfied with the reasons put forward by management where the recommendations had not yet been fully implemented and there are no significant issues outstanding to report to the

Panel. A further 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
	Made	Implemented		
	No.	No.	%	
St Stephen's CE Primary	8	8	100	
Greswell Primary	13	13	100	
Oakdale Primary	14	14	100	
Audenshaw Primary	11	11	100	
Income Management	12	12	100	
Pension Fund First Bus Asset Transfers	1	1	100	
Adults Locality Teams Care Management	23	20	87	Outstanding recommendations related to timing of reviews, service plans and review meetings.
Children's Budgetary Control and Financial Management	30	23	77	Issues to be addressed relate to budget setting, development of reports, fees, virements, training and service demand.
Liquid Logic	11	8	73	Declarations of Interest and Disaster Recover still need to be addressed.
Planning Process	18	11	61	Issues to be addressed related to Returns, Training, Reporting and system Access.
Pension Fund Creditors	11	6	55	The outstanding issues related to systems development, timing of payments and storage.
	152	127	84	

5. REVIEW OF INTERNAL AUDIT

5.1 The review of Internal Audit reported to the Audit Panel in July 2021 highlighted that the service is fully compliant with the requirements of the Public Sector Internal Audit Standards (PSIAS), however, a few areas were identified where further development would improve the Audit Service and these have been added to the Service Development Plan for 2021/22 and shaded grey in Table 5.

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 16 March 2021. The service developments listed in Table 5 below were included for 2021/22.

Table 5 – Service Developments 2021/22

Developments	Progress to Date – June 2021
PSIAS Standard 1130 Consider allocating the formal SIRO designation to a chief officer, even if the	Due to the impact of COVID-19 and capacity issues on the Risk, Insurance and Information Governance Team, the roles relating to Information Governance have not

Developments	Progress to Date – June 2021
internal audit team continues to support the SIRO function.	yet been assessed. A Work Plan is now in place and will be monitored by the Council's Information Governance Group.
To review the Post Audit Review process to ensure the process is effective, conducted in a timely manner and reported appropriately. The use of the Audit Management system 'Galileo' will be reviewed to ascertain whether it will realise any further efficiencies in the process.	The process is currently being reviewed and consultation with staff and other internal audit services is underway.
To review the audit process and the Quality Control Checklist to ensure they work efficiently in the virtual world.	Scheduled for September 2021
To review the Fraud Response Plan in light of virtual working and the Savings Recording Spreadsheet to ensure it is fit for purpose.	Scheduled for Summer 2021
To continue to work with the Assistant Director of Finance and the Deputy Chief Finance Officer (CCG) to develop a greater understanding of the Clinical Commissioning Group's services to develop an integrated service offering.	Work has been deferred awaiting the outcome of the NHS reorganisation of CCG's. Deadline December 2021
A formal assurance mapping exercise needs to be undertaken and documented. An Assurance Framework is being developed in conjunction with the North West Chief Audit Executive Group.	An Assurance Framework is being developed in conjunction with the North West Chief Audit Executive Group. Deadline March 2022
An independent review needs to be undertaken to evaluate the effectiveness of the organisation's risk management processes.	An audit has been included in the Internal Audit Plan for 2021/22 and will be undertaken in the second half of the year.
The audit process needs to be reviewed to ensure that reports are issued in a timely manner.	Scheduled to be completed by December 2021

6. ANNUAL GOVERNANCE STATEMENT

- 6.1 The Draft Annual Governance Statement for 2020/21 is on the agenda as a separate item.
- 6.2 The Final Annual Governance Statement for 2020/21 will be presented to the Audit Panel in September 2021 for approval, before being signed by the Executive Leader and the Chief Executive.

7 IRREGULARITIES/COUNTER FRAUD WORK

- 7.1 Fraud, irregularity and whistle-blowing investigations are conducted by two members of the Internal Audit Team under the direction of a Principal Auditor and the Head of Risk Management and Audit Services to ensure consistency of approach.
- 7.2 All investigations and assistance cases are reported to the Standards Panel on a regular basis for challenge and comment and where appropriate further guidance and direction is provided. Liaison with Legal Services takes place on a case by case basis.
- 7.3 Ongoing assistance cases can range from obtaining information for an investigating officer to actually undertaking some analysis work and providing evidence for the investigatory process. This work can range from analysing expenditure records, internet usage, identification of undeclared assets and assisting other organisations to progress their investigations.
- 7.4 The number of cases investigated during the period April to June 2021 is summarised below in Table 6.

Table 6 – Investigations Undertaken from April to June 2021

Detail	No. of Cases
Cases B/Forward from 2020/21	36
Current Year Referrals	17
Total	53
Cases Closed	31
Cases Still under Investigation	22
Total	53
Assistance Cases	11

- 7.5 The above investigations can be categorised by fraud type and grant type as shown in Tables 7 and 8 below.

7.6 Table 7 – Investigations by Fraud Type

Fraud Type	No. of Cases	Estimated Value £
Adult Social Care	6	16,123
COVID-19 Business Support Grants	38	258,111
Children's Social Care	3	2,176
Council Tax	1	-
Blue Badge	3	-
Pensions	1	5,644
Procurement	1	-
Total	53	282,054

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

Fraud Type	No. of Cases	Estimated Value £	Cases Still under Investigation £	Payments Stopped To Date £	Grants being Recovered via Invoice £
Business Rate	21	188,240	118,240	10,000	60,000
Discretionary	17	69,871	5,000	64,871	0
Total	38	258,111	123,240	74,871	60,000

7.8 The fraudulent claims paid totalling £60,000 are being reviewed in conjunction with the Assistant Director of Exchequer and the Head of Legal to ensure a robust and cost effective recovery process is put in place. The challenge added by referring claims to the Fraud Investigators has prevented claims being paid totalling £74,871.

7.9 The data sets for the National Fraud Initiative (NFI) 2020 Exercise were received in February 2021 and are currently being reviewed and investigated. Table 9 below provides details of the findings to date. Updates will be provided to future Panel Meetings as further investigations are conducted and data sets released by the Cabinet Office.

Table 9 – National Fraud Initiative (NFI) Findings to June 2021

NFI Data Set	NFI Report Ref.	Number of Matches	Report Match Rating	Comments		
				Processed	In Progress	No. of Error/Fraud and Value
Pensions to DWP Deceased Persons	52	936	High	36	900	29 Frauds 7 Errors £35,947
Pensions to Payroll	54 and 55	1256	High	-	1256	-
Deferred Pensions to DWP Deceased	53	158	High	152	6	-
Housing Benefits to Student Loans	2	15	High	8	7	-
Housing Benefits Claimants to DWP Deceased	49.1	32	High	32	-	-
Council Tax Reduction Scheme to Pensions	435.1 436.1 439.1	884	High	293	591	49 Errors £10,745
Council Tax Reduction Scheme to Payroll	435 436	50	High	5	45	1 Error £1,354
Council Tax Reduction Scheme to Council Tax Reduction Scheme	446	17	High	5	12	1 Error £2,338
Council Tax Reduction Scheme to DWP Deceased	482	77	High	77	-	-
Blue Badge to DWP Deceased	172.1	297	High	-	297	-
Housing Benefit Claimants to Taxi Drivers	47.1 47.2	58	High	11	47	-
Totals		3,780		619	3,161	29 Frauds 58 Errors £50,384

8 NATIONAL ANTI FRAUD NETWORK DATA AND INTELLIGENCE SERVICES

8.1 NAFN exists to support members in their protection of the public purse and acts as an Intelligence Hub providing a single point of contact for members to acquire data and intelligence in support of investigations, enforcement action and debt collection. A breakdown of the membership is provided in Table 10.

Table 10 – NAFN Membership

Member Type	Dec 2020	March 2021	June 2021	Diff
Local Authorities	356	362	360	-2
Housing Associations	63	66	68	+2
Other Public Bodies	24	27	29	+2
Totals	443	455	457	+2
Registered Users	14,100	14,199	14,089	-110

- 8.2 Membership levels continues to increase across all groups with an overall gain of two new members. This growth in 2021 is more significant considering that eight local authorities merged into two unitary councils with a consequential loss of six members. NAFN is carrying out a significant house-keeping exercise cleansing its user database. This has seen a reduction in registered users through account deletion and deactivation.
- 8.3 During 2020-21 intake was below that in previous years principally because of the COVID-19 national emergency which impacted all NAFN members in terms of their priorities and overall resources. It is very encouraging that this period of low intake appears to have ended and NAFN members are now pursuing their fraud investigations with greater vigour and using NAFN as a key resource for data and intelligence.
- 8.4 During 2021-22 Q1, the NAFN Service Team received a significant growth in intake across all request types. The most significant increases were for Investigatory Powers Act (up 157% on Q1 last year and well in excess of the forecasted intake), DVLA requests (up 76%) and Type B online requests (up 42%), (See Table 11 below).

Table 11 – NAFN Requests Received

Type of Request	2021/22 Q1	2021/22 Q2	2021/22 Q3	2021/22 Q4	Totals 2020/21	Totals 2019/20
General Data Protection	5,505				23,648	31,294
Driver and Vehicle Licensing Agency	2,993				10,082	14,044
Investigatory Powers Act – Communications Data	860				2,312	1,725
Prevention of Social Housing Fraud Act/Council Tax Reduction Scheme	2,539				10,001	11,638
Type B (Online)	43,038				150,858	174,474
Grand Total	54,935				196,901	233,175

- 8.5 New working relationships created during the Covid-19 emergency have been maintained and new opportunities for collaboration and joint-working continue to arise. For example, we have been approached by BEIS with a request to set-up a 'secure wiki space' providing a searchable contact list for all local and national regulators, HMRC and the Police. Also, we have been speaking to NHS Test and Trace about providing access to services such as bank account validation and discussions are underway with HMRC to explore data sharing opportunities.
- 8.6 NAFN continues to provide regular communications to members including monthly newsletters, service updates and intelligence alerts. The webinar training programme has

continued with good take-up and we have recently launched our e-learning and CPD platform to members with the first module focussing on the acquisition of communications data under the Investigatory Powers Act.

- 8.7 Following the NAFN Executive Board's decision to scope and deliver a wide range of service improvements, NAFN conducted an extensive consultation with members to ascertain their appetite, including a survey and a series of focus groups. Feedback was encouraging with members generally satisfied with the services provided. However, feedback clearly identified that our business processes need to be simpler, intuitive and flexible. As a consequence, NAFN will be pursuing business improvement rather than business transformation.

9 RECOMMENDATION

- 9.1 That members note the report and the performance of the Service Unit for Quarter 1 of 2021/22.