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# Internal Audit

## Interim Report 2017/18

### October 2017 - December 2017

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**1 Introduction**

- 1.1 This report covers the programme of work delivered between October and December 2017 along with a brief outline of work planned for the remainder of the financial year.
- 1.2 During this quarter, in addition to planned activity, considerable amounts of time have been spent undertaking specific and focused reviews of historic land transactions and supporting (unrelated) investigations into financial irregularities in other parts of the organisation.
- 1.3 Additional resource has been used to support the work on land transactions, and a number of part time officers are currently working increased hours. This temporary increase in resource, along with a re-assessment of the 2017/18 plan and subsequent prioritisation of engagements for delivery in the remainder of 2017/18 will ensure that sufficient work will have been undertaken to deliver the Annual Audit Opinion for 2017/18.

**2 Summary of Audit Work undertaken**

- 2.1 The work carried out between October and December 2017 can be summarised as follows:

**Assurance Work**

- 2 audits were completed and the final report issued.
- 2 audits progressed to the draft report stage.
- 5 audits were either in progress or had the terms of reference agreed with management.

- 2.2 In accordance with normal practice, once the outstanding reports have been finalised, further detail will be provided to the Committee on any of these audits with 'Limited' or 'No' assurance in the Internal Audit Annual Report 2017/18.

**School Audits**

- 2.3 14 audits completed and final reports issued. 4 further visits were completed and draft reports issued.
- 2.4 The SFVS programme for 2017/18 had originally included a review of the Schools Governance Programme. In agreement with the Interim Executive Director of Corporate Services and the Director of Education and Skills, this work will be undertaken in 2018/19, and visits to an additional 3 schools will now take place before the end of 2017/18.

**Grant Certifications**

- 2.5 Family Focus grant claims were audited for claims made in October and December.

**Supporting Corporate Governance**

- 2.6 Internal Audit supported continued monitoring of issues raised in the 2016/17 Annual Governance Statement (AGS), completed an update of the AGS Action Plan and the proposed process for production of the 2017/18 AGS. Details of the above were provided to Members in a report to the December 2017 meeting of this Committee.
- 2.7 Internal Audit has also continued to attend and provide support to the Information Governance Group. This provides assurance on the Council's arrangements for information governance and data management.

**Anti-Fraud and Corruption**

- 2.8 Internal Audit coordinates the Council's participation in both the biennial National Fraud Initiative (NFI) and the annual NFI Flexible Matching exercise.
- 2.9 During Quarter 3, Internal Audit has coordinated the extract and upload of data for the flexible matching exercise for Council Tax and Electoral Role. The matches from this exercise will be received and investigations commenced during January 2018.
- 2.10 Work has also been carried out to understand the new requirements that the forthcoming General Data Protection Regulations and their impact upon NFI. This is particularly important with regards to the issue of Fair Processing Notices.
- 2.11 Two investigations into financial irregularities have been undertaken during the period. Disciplinary hearings have been held in early 2018, with two officers being dismissed. These cases have been passed to the Police for consideration and as such it would not be appropriate to divulge further details with regard to these cases.

**Consultancy and Advice**

- 2.12 Internal Audit has continued to support management with the provision of advice - at the specific request of management. The nature and scope of these engagements are generally aimed at improving governance, risk management and control and contribute to the overall audit opinion as well as building good relationships across the Council.

- 2.13 Advice and guidance provided during Quarter 3 has included the provision of support to the development of processes for the administration and management of the Carers Living Well Fund, to ensure proportionate controls are in place to manage awards made from the fund.
- 2.14 Internal Audit has also been involved on the Project Board for the development of the new Constitution.

**Implementation of Recommended Actions**

- 2.15 Work has continued to obtain assurance from management that Internal Audit recommendations have been implemented in accordance with agreed timescales.
- 2.16 The approach taken is dependent upon the level of assurance provided by the initial audit review. Those with Limited or No Assurance are subject to a more detailed review process.
- 2.17 In accordance with normal practice, detailed performance figures relating to the implementation of recommended actions within agreed timescales will be reported in the Annual Report 2017/18. This will allow the figures to reflect those actions that are due to be implemented during quarter 4.

**Supporting the Audit and Governance Committee**

- 2.18 Internal Audit prepared or contributed towards the following reports to this Committee during the quarter:

28 September 2017

- Final Annual Governance Statement 2016/17

- Audit & Governance Committee Annual Report
- Internal Audit External Assessment
- Update on Air Quality Data
- Audit and Governance Committee Work Plan

#### 7 December 2017

- Annual Governance Statement (AGS) Update
- Internal Audit Interim Report 2016/17
- Audit and Governance Committee Work Plan

### **Quality Assurance and Improvement**

- 2.19 Preparation for the peer review of Internal Audit to assess compliance with the PSIAS, as reported to the September 2017 meeting of this Committee continued during the period. This involved the completion of a self assessment against the standards and the production of a detailed evidence pack in readiness for the onsite review.
- 2.20 The assessment took place at the end of January 2018 and a full report on the outcome and the associated action plan will be brought to the May 2018 meeting of the Committee.

### **3 Ongoing and Forthcoming Areas of Work**

- 3.1 As Members will be aware, Internal Audit has undertaken a number of reviews into historic land transactions, and this work continues into the final quarter of 2017/18, with draft reports produced towards the end of December 2017 and into 2018. Consideration of these draft reports and any

appropriate actions will be completed during the final quarter.

- 3.2 Capacity to undertake this work was supplemented by external resource as reported to the December meeting of the Audit and Governance Committee to ensure that there was not a detrimental impact upon delivery of the Audit Plan as a result of unplanned work.
- 3.3 A re-alignment and re-assessment of the plan has been undertaken to prioritise the delivery of sufficient work to deliver an Annual Internal Audit Opinion for 2017/18. As the 17/18 plan was designed to respond to the changing risks of the Authority, a risk assessment of the plan was undertaken
- 3.4 The risk assessment of the plan considered;
- Continuing alignment of areas of the audit universe (service delivery area or cross cutting theme) to the Council's objectives and corporate risks
  - Impact and risk of a delay in undertaking the audit
  - Other sources of assurance and previous audit work in the area
  - Knowledge of local circumstances; changes in staffing, processes and systems.
- 3.5 On the basis of this risk assessment, and following discussions with relevant officers, the Principal Auditors determined that the following areas could be deferred from the current year's plan without impacting on their ability to provide an informed opinion on the Council's systems of internal control:

- Community Equipment Service
- Telecare
- Homelessness Duty
- Deprivation of Liberty Safeguards
- Members – Disclosure of Interests

3.6 In delivering the remainder of the 2017/18 Audit Plan, priority will be given to those pieces of work which inform the annual audit opinion, such as:

- Key Financial Systems - assurance that the expected controls are in place and operating effectively
- GDPR Preparedness – a review of the arrangements and planned actions to ensure compliance with the forthcoming change in regulations.
- Corporate Governance and Risk - supporting and contributing to the production of the Annual Governance Statement
- CyberSecurity – a review of the arrangements the Council has in place against national standards of best practice.
- Follow up Audits - proactive monitoring of the implementation of audit recommendations

3.7 In addition to completing the planned work relating to 2017/18, we will be preparing the Audit Plan for 2018/19. The plan will need to carefully balance statutory responsibilities and risk with the resources available within the team. The proposed plan will be presented to the March 2018 meeting of this Committee for consideration and approval.