



Internal Audit

Interim Report 2016/17

October 2016 - December 2016

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Internal Audit

First Floor, Westfields

Cheshire East Council

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1 Introduction

1.1 This report covers the programme of work delivered between October and December 2016 along with a brief outline of work planned for the remainder of the financial year.

2 Summary of Audit Work undertaken

2.1 The work carried out between October and December 2016 can be summarised as follows:

2.2 Assurance Work

- 1 audit was completed and the final report issued.
- 2 audits progressed to the draft report stage.
- 4 audits were either in progress or the terms of reference agreed with management.
- 3 audits where the terms of reference were issued to management.

2.3 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 2016/17.

2.4 School Audits

- 13 audits completed and reports issued.
- 4 further visits scheduled for quarter four.

2.5 Supporting Corporate Governance

- Continued monitoring of issues raised in the 2015/16 Annual Governance Statement (AGS), update of the associated AGS Action Plan and development of the proposed process for production of the 2016/17 AGS.
- Details of the above were provided to Members in a report to the December 2016 meeting of this Committee.
- Internal Audit has continued to attend and provide support to the Corporate Assurance Group and the Information Governance Group.

2.6 Risk Management

- Work to further develop and embed risk management, continued during the quarter. This included the review and update of corporate risks and work within departments to develop operational risk registers.
- Members should be aware that the agency staff member who was leading on Risk Management left the Council unexpectedly during October 2016. However, alternative arrangements have been made to ensure that this area of work continues to progress.
- A briefing on healthcare and funding risks will be received as a separate agenda item to this Committee.

2.7 Anti-Fraud and Corruption

- Internal Audit coordinated the Council's participation in both the biennial National Fraud Initiative (NFI) and the annual NFI Flexible Matching exercise.

- This involved liaising with a wide range of services across the Council and its ASDV's to ensure that data was extracted from key systems in the correct format, and securely uploaded to the Cabinet Office website within prescribed timescales.
- This was completed successfully and work then continued to ensure that services were prepared to commence the investigation of matches from January 2017.

2.8 Consultancy and Advice

- 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.
- Advice and guidance provided during Quarter 3 has included reviewing the decision making process at a school, suspected scams/frauds in schools and across the council, and work related to the completion and certification of grant claims.

2.9 Implementation of Recommended Actions

- Work has continued to obtain assurance from management that Internal Audit recommendations have been implemented in accordance with agreed timescales.

- 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.
- 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 2016/17. This will allow the figures to reflect those actions that are due to be implemented during quarter 4.
- As agreed at the December 2016 meeting of Audit and Governance Committee, additional detail will be provided with regards to the implementation of all actions.

2.10 Supporting the Audit and Governance Committee

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

8 December 2016

- Risk Management Policy Review.
- Annual Governance Statement (AGS) Update
- Internal Audit Interim Report 2016/17
- Review of the Code of Corporate Governance
- Outcomes from the Cardiff Check procurement testing
- Audit and Governance Committee Work Plan

The following Member/Officer Groups also met during November 2016:

- Financial Statements and Audit
- Corporate Governance and AGS
- Risk Management
- Fraud

3 Ongoing and Forthcoming Areas of Work

- 3.1 As Members will be aware, an audit review of Procurement has been on hold since the end of December 2015 when Cheshire Police commenced an investigation into related matters which required Internal Audit to pause their work in this area.
- 3.2 Following discussion at the December 2016 meeting of this Committee, it was agreed that a new piece of work should be completed to provide assurance to both the Chief Operating Officer and Members that the arrangements currently in place to manage procurement activity are appropriate and effective.
- 3.3 As such, a Terms of Reference was produced and shared with the External Auditor and the Senior Investigating Officer with TITAN, who is leading the police investigation.
- 3.4 Following confirmation that the proposed work would not impact upon the ongoing police investigation, the audit is now underway and is expected to be completed by the end of March 2017. The outcome of this work will be reported to a future meeting of this Committee.

3.5 In delivering the remainder of the 2016/17 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.
- Corporate Governance and Risk - supporting and contributing to the production of the Annual Governance Statement
- Anti-Fraud and Corruption - coordination of the investigation of National Fraud Initiative data matches
- Follow up Audits - proactive monitoring of the implementation of audit recommendations

3.6 In addition to completing the planned work relating to 2016/17, we will be preparing the Audit Plan for 2017/18.

3.7 The plan will need to carefully balance statutory responsibilities and risk with the resources available within the team.

3.8 This will involve meetings with senior managers and heads of service to discuss the risks associated with their areas of responsibility and to agree priorities for the coming year.

3.9 It will also require detailed consideration of strategic and service risk registers, other sources of assurance such as external inspection reports and issues identified during the current year.

3.10 The proposed plan will be presented to the March 2017 meeting of this Committee for consideration and approval.