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# Internal Audit Annual Report 2019/20

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## Cheshire East Council - Internal Audit Annual Report 2019/20

**1 Introduction**

- 1.1 Local Government Internal Audit sections must comply with the requirements of the Public Sector Internal Audit Standards (PSIAS) (2017) and the accompanying Local Government Application Note.
- 1.2 As set out in the PSIAS, the Council's Chief Audit Executive (Head of Audit and Risk) must provide an annual report to the Audit and Governance Committee - timed to support the Annual Governance Statement. This must include:
- an annual internal audit opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control framework (i.e. the control environment)
  - a summary of the audit work from which the opinion is derived (including reliance placed on work by other assurance bodies), and
  - a statement on conformance with the PSIAS and the results of the internal audit Quality Assurance and Improvement Programme (QAIP).
- 1.3 It should also include:
- disclosure of any qualifications to that opinion, together with the reasons for the qualification;
  - disclosure of any impairments ('in fact or appearance') or restriction in scope

- a comparison of the work actually undertaken with the work that was planned and a summary of the performance of the internal audit function against its performance measures and target;
- any issues judged particularly relevant to the annual governance statement; and
- progress against any improvement plans resulting from QAIP external assessment.

**2 Background and Context**

- 2.1 In common with all other public bodies, the Council continues to face increasing financial and service delivery challenges, the scale of which are illustrated within the Medium Term Financial Strategy.
- 2.2 Expected gross expenditure in 2019/20 by the Council was £646m, with a capital programme of £410m. This annual expenditure supports service delivery to over 375,000 residents, in line with our six strategic outcomes for residents.
- 2.3 During 2019/20 the Council continued to develop innovative solutions for service delivery to provide the best possible outcomes for the residents of Cheshire East at a competitive price.
- 2.4 The Council's 2019/20 audit plan reflected this through the areas selected for review and the

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changes made during the year to ensure resources were focussed in the right areas.

2.5 In preparing, reviewing and updating the plan during the year, the following were taken into account:

- Adequacy and outcomes of the Authority's risk management, performance management and other assurance processes.
- Internal Audit's own risk assessment.
- Cheshire East Council's Corporate Plan 2017-2020.
- Consultation with key stakeholders e.g. Corporate Leadership Team (CLT), Senior Management including Strategic Risk Owners/Managers, External Audit, Internal Audit staff, Cheshire West and Chester Internal Audit.
- The impact of unplanned investigation work undertaken during the year.

2.6 Staffing resource for Internal Audit has again been limited during 2019/20.

2.7 The appointment of the Head of Audit and Risk in July 2019 has ensured that the responsibilities placed upon the 'Chief Audit Executive' by the PSIAS have been fulfilled.

2.8 The remaining management roles within the team have been filled via acting up arrangements and the resource available has been carefully managed to carry out audit assignments and review and quality assure work undertaken.

2.9 Despite this limited audit resource, the team has delivered sufficient coverage, to the appropriate standard, to enable an informed opinion to be provided on the control environment. Development of the Internal Audit resource is being addressed during 2020/21.

### 3 Opinion on the Control Environment

3.1 Internal Audit is required to form an annual opinion on the adequacy and effectiveness of the Council's internal control environment. This includes consideration of any significant risk or governance issues and control failures that have been identified.

3.2 In the context of the PSIAS, 'opinion' does not simply mean 'view', 'comment' or 'observation'. It means that internal audit have done sufficient, evidenced work to form a supportable conclusion about the activity that it has examined.

3.3 Assurances given by Internal Audit are never absolute. It is impossible to examine every activity and every transaction and, audit reviews are at a

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point in time. The most Internal Audit can provide is a reasonable assurance that there are no major weaknesses, or that the weaknesses identified have been highlighted, and improvement plans agreed with a timetable for implementation.

- 3.4 Our work has confirmed that adequate management arrangements are in place to ensure that services are being delivered and agreed savings proposals are being realised. Findings are delivered through formal audit reports and action plans and this is complemented by regular meetings with departmental management teams to provide updates on audit, internal control, risk and governance issues as well as a programme of follow ups of audit recommendations.
- 3.5 In arriving at the 2019/20 Opinion, it was recognised that Internal Audit has continued its work in relation to a number of reviews of land transactions, at the request of the then Acting Chief Executive and the Executive Director Place, which have resulted in referrals to the police. It was also recognised, however, that these reviews were concerned with historic transactions and as such have not impacted upon our Opinion of the current control environment.
- 3.6 In response to these reviews, a consolidated findings report was produced and an action plan agreed to ensure that control weaknesses identified

across these reviews were captured and addressed. A review of current arrangements, and follow up on the implementation of agreed actions in this area, was undertaken as part of the 2019/20 Internal Audit Plan.

- 3.7 Under normal circumstances work in March and April is focussed on producing reports to management for work completed during quarters 3 and 4. Unfortunately, the Covid-19 pandemic and change in organisational priorities to manage the situation has impacted upon Internal Audit's ability to agree and issue several reports.
- 3.8 However, for each of these reports, the fieldwork and testing elements of the audit reviews was completed and used to inform the individual assurance levels.
- 3.9 As such reports referred to as draft throughout this report will not have been finalised with management at the time of writing and it is possible that the individual assurance levels may improve following this process. It would, however, be extremely unusual for an assurance level to be reduced following this process.

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**Internal Audit Opinion on the Council's control environment**

**The Council's framework of risk management, control and governance is assessed as Adequate for 2019/20.**

The Internal Audit work carried out this year provides reasonable assurance that the Council has in place a satisfactory framework of governance and internal control designed to meet the Council's objectives and that key controls are generally being applied consistently.

Where weaknesses in the design and inconsistent application of controls have been identified it is pleasing to note the positive engagement with Management in agreeing recommendations. Action plans are in place to address all weaknesses identified during the year.

This opinion is based upon:

- the programme of internal audit reviews - including opinion-based work undertaken during the year;
- Management's response to advice and recommendations
- the process of producing the Council's annual governance statement; and
- periodic reports to Audit and Governance Committee on the Council's Risk Management Arrangements

3.10 There are no standard ratings for the annual opinion and the assessment of Adequate reflects the fact that the arrangements in place are deemed

to be satisfactory, proportionate and fit for purpose. This is supported by the work undertaken by Internal Audit, responses and engagement with management and that there were no issues that required inclusion within the Annual Governance Statement.

**4 Summary of Audit Work 2019/20**

- 4.1 The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal Audit plays a vital part in advising the organisation that these arrangements are in place and operating properly.
- 4.2 The provision of assurance is, therefore, the primary role for Internal Audit. This role requires the Chief Audit Executive to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control.
- 4.3 A risk based Internal Audit plan is produced each year to ensure that:
- the scale and breadth of audit activity is sufficient to allow Internal Audit to provide an independent and objective opinion to the Council on the control environment; and

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- audit activity focuses on areas where assurance is most needed i.e. risk based coverage.
- 4.4 In preparing the risk-based plan for 2019/20 Internal Audit consulted with CLT and the Audit and Governance Committee. They also considered:
- the adequacy and outcomes of the Council's risk management, performance management and other assurance processes;
  - their own risk assessment;
  - the Council's Corporate Plan 2017-2020; and
  - discussion with key stakeholders including external audit, the internal audit team and also the Cheshire West and Chester internal audit team in relation to shared services.
- 4.5 The plan was broadly split into two main areas:
- those audits that deliver an opinion report on the risks and controls of the area under review and will inform the Annual Internal Audit Opinion; and
  - work that will not deliver an opinion report but will help inform the Annual Internal Audit Opinion.
- 4.6 The plan was reviewed and adjusted, as necessary, in response to changes in the Council's business, risks, operations, programmes, systems, and controls. Any significant changes were communicated to both CLT and the Audit and Governance Committee.
- 4.7 Interim reports on progress against the Internal Audit Plan and work carried out by the team were presented to Audit and Governance Committee in September 2019, December 2019 and March 2020.
- 4.8 A summary comparison of the 2019/20 Audit Plan with actuals for the year is shown in Table 1.
- 4.9 A summary of the audit work carried out in support of the Annual Internal Audit Opinion is shown in Table 2.
- 4.10 In line with the approach outlined in the Internal Audit plan, our work focuses on areas of higher risk, or where concerns/issues have previously been identified. This naturally results in there being a higher proportion of "Limited" or "No Assurance" reports. The recognition of these issues and management's role in implementing the agreed action plans demonstrates the value added and improvements in the control environment achieved by Internal Audit's role.

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Table 1: Summary Comparison of Audit Plan 2019/20 and Actuals

Area of Plan		Original Plan		Revised Plan		Actuals (to 31/03/2020)		Comments on coverage
		Days	%	Days	%	Days	%	
<b>Chargeable Days</b>		<b>1317</b>		<b>1126</b>		<b>1135</b>		
Less: Corporate Work		160		125		129		
<b>Available Audit Days:</b>		<b>1157</b>	<b>100%</b>	<b>1001</b>	<b>100%</b>	<b>1006</b>	<b>100%</b>	
Corporate Governance and Risk		136	12%	120	12%	51	5%	Governance around land transactions charged against Place
Anti-Fraud and Corruption	Proactive Work	45	4%	40	4%	45	5%	
	Reactive Investigations	60	5%	50	5%	86	9%	Additional support to police investigations
Corporate Services		443	38%	380	38%	400	40%	
People		175	15%	150	15%	154	15%	
Place		98	8%	80	8%	139	14%	As above
Providing Assurance to External Organisations		25	2%	20	2%	35	3%	
Advice & Guidance		30	3%	30	3%	38	3%	
Other Chargeable Work		145	13%	131	13%	58	6%	Focus on core assurance work
<b>Total Audit Days</b>		<b>1157</b>	<b>100%</b>	<b>1001</b>	<b>100%</b>	<b>1006</b>	<b>100%</b>	

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**Summary of Audit Work to support the overall opinion**

Area	Description of Audit Work	Output
Assurance Work	Audits with formal assurance level.	Audit Reports
Schools	Assessment against Schools Financial Value Standard and completion of thematic reviews.	Audit Reports
Supporting Corporate Governance	Support and contribution to production of the Annual Governance Statement, including assurance statements from Heads of Service.	Annual Governance Statement, and supporting evidence
	Support and contribution to update reports from the Corporate Governance Group.	Reports to Management Group Board
	Support and contribution to AGS Action Plan, Compliance with Contract Procedure Rules reports etc.	Report to Audit & Governance Committee
Counter Fraud	Review of Anti-Fraud and Corruption arrangements.	Report to Audit & Governance Committee
	National Fraud Initiative – co-ordination of matches and investigation work.	Results published on Cabinet Office website/update reports to Corporate Assurance Group/Investigation Reports.
	Investigations	Investigation Reports
Consultancy & Advice	Ad-hoc consultancy and advice provided to services.	Various – reports etc.
Statutory Returns/Grant Claims	Audit/assurance work on programme/project and subsequent report to statutory/funding body.	Return/Claim sign off
Implementation of Recommendations	Targeted follow up of audit recommendations based on audit opinion/recommendation.	Follow up reports/action plans/Key Corporate Indicator

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Table 2: Summary of Final Assurance Reports 2019/20 to 31<sup>st</sup> March 2020

Audit Report	Reason for Review	Audit Assurance Opinion	Report Status	Summary of Findings – (Limited /No Assurance Reports Only)
School Governance Team	Identified via Planning Process	Good	Final	
Homelessness Duty - Governance	Identified via Planning Process	Satisfactory	Final	
Gateway Review C&WLEP Growth Hub Project	Identified via Planning Process	Satisfactory	Final	
Homelessness Duty – Emergency Provision	Identified via Planning Process	Satisfactory	Final	
Land Transactions	Identified via Planning Process	Satisfactory	Draft	
Key Financial Systems Control Review	Identified via Planning Process	Satisfactory	Draft	
Statutory Officers – Director of Public Health	Identified via Planning Process	Satisfactory	Draft	
Information Governance – Public Health	Identified via Planning Process	Satisfactory	Draft	
Regular Car User Allowance	Identified via Planning Process	Limited	Final	<p><b><i>Previously reported in December 2019</i></b></p> <p>The review identified inconsistencies in the application of the Regular Car User Policy including:</p> <ul style="list-style-type: none"> <li>• Initial assessment of eligibility not completed in all cases</li> <li>• Some officers have been awarded the allowance despite not meeting the required criteria with no evidence to support the decision</li> <li>• Annual reviews of eligibility not completed in all</li> </ul>

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Audit Report	Reason for Review	Audit Assurance Opinion	Report Status	Summary of Findings – (Limited /No Assurance Reports Only)
				cases
ASDV Review – Statutory Responsibilities	Identified via Planning Process	Limited	Final	<p><b>Previously reported in December 2019</b>            Whilst the review identified no evidence that statutory responsibilities were not being fulfilled, opportunities were identified to improve the arrangements for evidencing that this was the case</p>
Parking Services – Consolidated Parking Order	Request of Management	Limited	Final	<p><b>Previously reported in December 2019</b>            The review was requested following a question at Council in December 2018 in relation to the issue of Parking Charge Notices on free car parks within the Borough.            It identified that the content of the Consolidated Parking Order in place at the time had not been adequately communicated to all staff within the service.            The review also identified opportunities to improve the decision making process around Traffic Penalty Tribunal cases.</p>
Dedicated Schools Grant	Identified via Planning Process	Limited	Final	<p><b>Previously reported in March 2020</b>            The review identified that:</p> <ul style="list-style-type: none"> <li>• Although the Dedicated Schools Grant (DSG) budget was apportioned in accordance with the grant conditions, the budget in the general ledger had not been updated to reflect budget amendments in July 2018;</li> <li>• The DSG has a complex coding structure and a high level of journal transfers across centre codes. It was recommended that this should be simplified in the new accounting system to improve transparency and reduce the administrative burden;</li> </ul>

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Audit Report	Reason for Review	Audit Assurance Opinion	Report Status	Summary of Findings – (Limited /No Assurance Reports Only)
				<ul style="list-style-type: none"> <li>A high level review had been undertaken demonstrating management oversight but not a detailed analysis and it was recommended that detailed review process be undertaken on a rolling basis.</li> </ul>
Constitution Review	Identified via Planning Process	Limited	Draft	<p>The review sought assurance around process to ensure compliance with new requirements following the major updates to the Constitution in 2018 and in relation to the process for Officer Decision Records.</p> <p>It was concluded that the Constitution review was a success in relation to member engagement, and improvements in terms of navigating the Constitution.</p> <p>However, it had not successfully delivered a clear, succinct Constitution which is accessible, user-focused, provides helpful instruction and ensures good governance across all elements of service delivery.</p> <p>The review identified learning points that can be used to ensure an effective implementation of the new Constitution to reflect the change to the Committee system.</p> <p>Issues were also identified in relation to the ODR process which have resulted in new monitoring and recording arrangements being implemented to improve the transparency and robustness off the decision-making process.</p>

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Audit Report	Reason for Review	Audit Assurance Opinion	Report Status	Summary of Findings – (Limited /No Assurance Reports Only)
Supply Chain Management	Identified via Planning Process	Limited	Draft	<p>The review sought assurance around the processes in place for pre contract checks and post contract monitoring arrangements. It was concluded that although there were areas of good practice, there were areas where improvement could be made such as:</p> <ul style="list-style-type: none"> <li>• Although financial checks are undertaken as part of the process for awarding contracts, there is no policy or guidance setting out the various checks that are available, the circumstances under which each should be undertaken, including ongoing checks on existing contractors, and what action should be taken in response to negative results.</li> <li>• The Modern Slavery Statement had not been approved and published on the website and the intended process not fully implemented.</li> </ul>
New Homes Bonus	Identified via Planning Process	Limited	Draft	<p>The review identified inconsistencies in the application of the policy in relation to:</p> <ul style="list-style-type: none"> <li>• Interpretation of the award criteria across the geographical groups including the introduction of additional local criteria</li> <li>• Completion and evidencing of checks undertaken to confirm the validity of applicants</li> <li>• Minuting of decisions and the retention of documents in support of applications</li> </ul>
Events Management	Identified via Planning Process	Limited	Draft	<p>The review sought assurance around the effectiveness of arrangements for the planning, administering and organising of events by third parties on Council land. It concluded that there were some inconsistencies</p>

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Audit Report	Reason for Review	Audit Assurance Opinion	Report Status	Summary of Findings – (Limited /No Assurance Reports Only)
				<p>and areas for improvement in both the design and application of the controls in place.</p> <p>The lack of an approved policy and documented procedures meant that there was an over reliance on the knowledge and experience of current staff which appeared to be compensating for the lack of sufficient control and ownership of the process.</p>
Absence Management	Identified via Planning Process	Limited	Draft	<p>The review identified inconsistencies in the application of the absence management process and adherence to the policy at a local level, with managers being responsible for identifying trigger points and escalating absence as appropriate.</p>
Starters Movers and Leavers	Identified via Planning Process	Limited	Draft	<p>The review identified areas of improvement in relation to the following:</p> <ul style="list-style-type: none"> <li>• Evidencing of pre employment checks being carried out</li> <li>• Guidance for managers in relation to transferring staff between services is limited, and contains no reference to areas such as the treatment of ICT accesses and responsibilities</li> <li>• Availability of management information identifying where officers have moved between services</li> <li>• Clarity and consistency around the requirements of the exit interview process and associated exit checklist</li> </ul>
Schools Consolidated Report	Identified via Planning Process	Limited	Draft	<p>The report summarises common issues arising from our school audit programme. Areas which require improvement included:</p> <ul style="list-style-type: none"> <li>• Ensuring asset registers are complete, up to date and checked</li> </ul>

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Audit Report	Reason for Review	Audit Assurance Opinion	Report Status	Summary of Findings – (Limited /No Assurance Reports Only)
				<ul style="list-style-type: none"> <li>• Ensuring School Development Plans are fully costed and formally approved by the Governing Board and evidenced as such in the minutes.</li> <li>• Business Continuity/Critical Incident Plans should be in place, up to date, include interim arrangements for the delivery of education in the event that school premises are unavailable.</li> <li>• Ensuring Head Teachers carry out and evidence regular independent checks on financial reconciliations (purchase cards and school fund).</li> <li>• Ensuring purchase cards are held securely by all cardholders, tat all transactions are supported by an appropriate invoice/receipt, and cards are not to purchase any items that are not deemed to be for the educational advancement of the pupils.</li> </ul>

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**Assurance Work**

- 4.11 In accordance with best practice, Internal Audit's focus is on higher risk areas and areas where issues were known or expected to exist, for example through manager self-assessment. Clearly this approach adds value to the organisation, but, by its nature, may also result in lower overall assurance levels.
- 4.12 The exception to this approach is the cyclical review of the Council's key financial systems which, despite being deemed to be low risk, are subject to regular review due to the volume of transactions processed.

**Table 3: Summary of reports by assurance level**

Assurance Level	Audit Reports 2019/20	Audit Reports 2018/19	Audit Reports 2017/18
Good	1	6	8
Satisfactory	7	4	10
Limited	11	11	7
None	0	2	1
Total	19	23	26

- 4.13 These assurance levels reported include a combination of opinions at a broad level for the Council as a whole and opinions on individual business processes or activities within a single department or location.
- 4.14 Management has responsibility for ensuring that the agreed actions for improvement are implemented. All

actions from these audits have been agreed with management and progress on implementation will be monitored through agreed processes.

- 4.15 The issues arising from audit activity and the implementation of associated recommended actions have been considered as part of the 2019/20 Annual Governance Statement process.

**Limited and No Assurance Reports**

- 4.16 A summary of the audit reports that relate to work undertaken during 2019/20 is shown above, including further detail on the limited and no assurance reports.
- 4.17 It should be noted that this is a complete list of assurance reports issued during 2019/20 and, as such, includes reports previously included in updates to the Committee.
- 4.18 In all cases a number of recommendations have been made and agreed with management. These are being progressed and when implemented will address the identified weaknesses and improve the control environment.
- 4.19 All recommendations are subject to follow up in accordance with normal Internal Audit practice and should this identify any concerns relating to the implementation of recommended actions this will be escalated.

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**Schools**

- 4.20 The Department for Education requires the Council's Section 151 Officer to sign off an Annual Assurance Statement. That statement confirms:
- the number of School's Financial Value Standard (SFVS) self-assessment returns received; and
  - that an appropriate audit programme is in place to provide adequate assurance over the standard of financial management, and the regularity and propriety of spending in schools.
- 4.21 The School's Audit Programme for 2019/20 was been agreed by both the Director of Finance and Customer Services and the Director of Education & 14-19 Skills. For 2019/20, the programme focussed on 2 elements of the SFVS; Setting the Budget and Protecting Public Money.
- 4.22 Twenty four schools were selected for audit this year to undertake a review of their completed 2018/19 SFVS returns. Since selecting the schools, two subsequently converted to an academy and therefore, were not audited
- 4.23 Internal Audit has also committed to ensuring all maintained schools will be audited at least once during the next three years (2019/20 to 2021/22). However, this commitment may need to be revisited in light of the impact of Covid-19 on schools. Members will be kept informed on any developments via the regular interim update reports.
- 4.24 Individual reports are produced and issued to the Headteacher and Chair of Governors at each school, detailing any areas of weakness identified along with any actions required to address these weaknesses and improve the control environment. We also include an assurance opinion on the arrangements, in line with other audit reports issued.
- 4.25 A consolidated report drawing together the common findings from the thematic review of the 2018/19 Schools Financial Standard (SFVS) returns was produced and a limited opinion given. This was due to a significant number of areas in schools where improvements are required to ensure controls are applied and operating effectively. Areas identified as requiring improvement included ensuring asset registers are in place and kept up to date, school development plans are formally approved and evidenced by the governing boards and that business continuity plans are in place, up to date, periodically tested and include arrangements for the delivery of education in the event that school premises are unavailable.
- 4.26 The work undertaken by Internal Audit provided assurance that the majority of controls relating to the risk areas subject to review are operating effectively. While the individual issues identified were not considered to be significant, the range and number of common issues were such that a limited assurance on the wider control environment was given. They have

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been reported to the relevant schools and also shared with all schools using our established network.

- 4.27 In addition to the completion of the School's Audit Programme as detailed above, Internal Audit are represented on the Schools Forum. This facilitates the early identification of risks and issues that require input or consideration for inclusion in future years audit programmes.

### Supporting Corporate Governance

- 4.28 In accordance with the Accounts and Audit Regulations the Council is required to conduct a review at least once a year of the effectiveness of its governance arrangements and publish an Annual Governance Statement (AGS).
- 4.29 The Statement explains how the Council makes decisions, manages its resources and promotes its values and high standards of conduct and behaviour. This is an opportunity to reflect clearly and openly on where the Council has, and in some cases, hasn't reached the standards it sets for itself.
- 4.30 Any significant issues that are assessed as falling short of the Council's expected high standards are reported in the AGS. No new areas for inclusion within the AGS have arisen from the work of Internal Audit during 2019/20

- 4.31 Issues recognised in the Annual Governance Statements are monitored by the appropriate responsible officers and escalated, as necessary, to the Corporate Leadership Team, Audit and Governance Committee and/or Cabinet. Internal Audit actively supports the monitoring of actions to ensure that effective improvements and mitigating actions are implemented.

- 4.32 Internal Audit has assisted Management in the production of the Council's AGS for 2019/20 by:

- Coordinating assurance exercises to inform the AGS
- Co-production of the draft AGS;
- Contribution to and production of Audit & Governance Committee reports which inform the AGS
- Representation on and contribution to the Information Governance Group, in order to advise on control and governance issues in relation to information governance and data handling.

- 4.33 Audit and Governance Committee approved the Final Annual Governance Statement 2018/19 at their July 2019 meeting, in line with statutory deadlines. A progress update on issues recognised in the AGS 2018/19 was presented at the Committee's December meeting. This paper also outlined the proposed production process for the 2019/20 AGS.

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- 4.34 The 2019/20 Statement will be considered and approved by the Audit and Governance Committee at its November 2020 meeting.

### Risk Management

- 4.35 From July 2019, responsibility for Risk Management transferred to the Head of Audit and Risk, reporting to the Director of Governance and Compliance Services. This had previously sat with the former Executive Director of Corporate Services and the Council's risk management arrangements were subject to a review by Internal Audit during 2018/19.
- 4.36 To maintain the independence of the Head of Audit and Risk Management, future assurance arrangements for reviewing risk management will have to be undertaken via alternative means. This could include peer reviews using other organisations or Internal Audit reviews reporting directly to the Director of Governance and Compliance Services. These arrangements have been detailed in the Internal Audit Charter and apply to other areas of business for which the Head of Audit and Risk has operational responsibility.
- 4.37 Additional assurance with regards to the effectiveness of Risk Management is provided by regular reports to Audit and Governance Committee.

### Counter Fraud and Investigations

- 4.38 A detailed update on Counter Fraud activity both locally and nationally was provided to the September 2019 meeting of the Committee.
- 4.39 During the period, a detailed piece of work was undertaken at the request of Cheshire Police in support of an upcoming prosecution that was heard in Chester Crown Court at the end of April 2020.
- 4.40 The outcome of the case was that a former Member pleaded guilty to two charges of fraud in relation to expense claims submitted between 2010 and 2015. Two further counts to which a not guilty plea was submitted will remain on file.
- 4.41 He was sentenced to 8 months imprisonment suspended for 12 months along with a curfew order during this period. He was also ordered to pay £500 costs to the court., no monies were awarded to the Council.
- 4.42 Work continued to investigate the data matches detailed on the NFI website. All reports are either completed and closed, or are scheduled for completion by the end of March 2020.
- 4.43 Liaison between Internal Audit and the services reviewing the matches is ongoing, and progress is monitored on a regular basis to ensure that matches are being dealt with appropriately.

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- 4.44 Work on the annual NFI Council Tax to Electoral Roll exercise was also undertaken during this period, with match results released in March 2020.
- 4.45 In addition, preparatory work commenced on the next NFI exercise which is due to take place in October 2020. The Internal Audit team has already begun liaising with key services with regards to this exercise, including ensuring that any system changes are able to facilitate the data submissions.
- 4.46 Options for the development of a dedicated Counter Fraud resource are being explored following the appointment of the Head of Audit and Risk, Director of Governance and Compliance and the Executive Director Corporate Services with the expectation of consultation taking place in 2020/21. Further updates will be provided to future meetings of Audit and Governance Committee
- 4.47 During times of crisis fraudulent activity increases as criminals seek to take advantage of vulnerable people. In response to this increased risk, Internal Audit prepared a briefing for members and officers on the most common types of fraud associated with coronavirus and coordinated an awareness raising campaign for the public via the Council's various social media platforms.

### Consultancy and Advice

- 4.48 During the year, 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.
- 4.49 This year advice was given on matters such as the application of Finance and Contract Procedure Rules, suspected scams/frauds in schools and across the council, and the readiness for go live of the Business World system.
- 4.50 A range of advice guidance and support has been provided to services as part of the Council's emergency response to Covid-19. Details are provided in "Other developments" later in this report.

### Statutory Returns/Grant Claims

- 4.51 Internal Audit is often required to certify statutory returns and grant claims. This may be related to funding provisos or similar. In most cases the work required is either an audit or an assurance statement on a specific programme/project.
- 4.52 During 2019/20 this has included work on the following grants which were signed off and submitted to the appropriate central government department:

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Grant	Funding Body	Amount
Family Focus	MHCLG	£560,800
Crewe Green Roundabout	MHCLG	£2,182,000
Sydney Road Bridge	MHCLG	£2,205,174
Crewe High Speed Heart Ready 2018	MHCLG	£2,290,688
CWLEP Growth Hub Grant 18/19	BEIS	£287,000
Skills and Growth – ADAPT	BEIS	£55,742
Bus Service Operators Grant	DfT	£347,865
Highways - Crewe NW & Macclesfield	DfT	£1,969,548
Highways - Additional Capital	DfT	£4,636,704
Poynton Relief Road 2018/19	DfT	£6,641,910
Poynton Relief Road 2019/20	DfT	£2,731,108
Blue Badge New Criteria Implementation	DfT	£14,870
Congleton Link Road	DfT	£41,977,637
<b>Total</b>		<b>£65,901,046</b>

4.53 It should be noted that the level of work required to complete the sign-off is not always proportionate to the value of the grant.

#### Implementation of Audit Recommendations

4.54 Throughout 2019/20, Internal Audit has continued to carry out a range of follow up exercises to ensure that agreed recommendations are implemented. This work is done in a number of different ways:

- Major pieces of audit work, such as the AGS have detailed action plans which are monitored and reported separately to the Committee;

- Investigations – follow up work is usually dependent on both the nature of the investigation and any recommendations made e.g. a follow up audit may be done at the request of management; and
- Formal assurance audits – whilst management are responsible for ensuring that their agreed actions are implemented, they are asked to confirm that this is the case for medium level actions and evidence is sought for high level ones. Follow up audits may be completed at the request of management or where the nature of the actions requires additional assurance that they have been implemented.

#### Implementation of Agreed Recommendations

On time	After the agreed date	Total implemented	In progress, or overdue	Agreed actions subsequently not implemented
2017/18				
73%	24%	<b>97%</b>	3%	0%
2018/19				
80%	17%	<b>97%</b>	3%	0%
2019/20				
75%	25%	<b>100%</b>	0%	0%

4.55 It should be noted that the figures for 2017/18 and 2018/19 have been updated to take into account actions implemented in subsequent years and may therefore differ to the figures previously reported.

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- 4.56 These high implementation figures have been achieved as a result of significant effort by the Internal Audit team in carrying out follow ups with managers along with support from senior managers in raising the profile of audit actions.
- 4.57 In agreeing implementation dates, managers are encouraged to be realistic with regards to when actions can be completed whilst ensuring that issues are addressed in a timely manner.
- 4.58 Whilst Internal Audit support the implementation of actions by undertaking a follow up process, management are ultimately responsible for implementing the actions assigned to them within the deadlines that they have agreed.
- 4.59 It is therefore pleasing to report that during 2019/20 senior management have supported Internal Audit by challenging their service managers around implementation of actions.
- 4.60 The timely implementation of audit recommendations is a good indicator of both the effectiveness of Internal Audit in securing action and the Council's commitment and capacity to improve.

### Reliance placed on the work of other assurance bodies

- 4.61 Internal Audit place assurance on the work of the Council's external auditors, OFSTED and other external bodies, where appropriate.

### 5 Internal Audit Performance

- 5.1 The Internal Audit team performance is summarised below and is generally above target. The slight underperformance relating to the prompt production of draft reports is as a result of delays in the quality assurance process due to principal auditor vacancies. This has been recognised and steps taken to address this matter for 2020/21.

Performance Indicator	2019/20 Actual	2019/20 Target	2018/19 Actual
Percentage of Audits completed to user satisfaction	97%	92%	96%
Percentage of significant recommendations agreed	99%	90%	99%
Chargeable Time (Assurance Work)	80%	80%	81%
Draft report produced promptly (per Client Satisfaction Questionnaire)	91%	95%	96%

### 6 Compliance with the Public Sector Internal Audit Standards (PSIAS)

- 6.1 Regulation 6 of the Accounts and Audit Regulations 2015 requires relevant bodies to conduct an annual

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review of the effectiveness of its internal audit and for a committee of the body to consider the findings. This review is carried out by self-assessing compliance with the Public Sector Internal Audit Standards (PSIAS) The PSIAS require Internal Audit to have in place a quality assurance and improvement programme which must include both internal and external assessments.

6.2 As reported to the Committee in September 2018, the external assessment of the Internal Audit function against the Public Sector Internal Audit Standards concluded partial compliance with the Standards. detailed Action Plan was agreed with the assessors as part of the review and work has continued to implement these recommended actions.

6.3 Given the significant impact that the Covid-19 pandemic has had on the operations of the Council and the way in which all services, including Internal Audit, operate a further self assessment against the Standards is to be undertaken during Q2 of 2020/21.

6.4 This will ensure that Internal Audit complies fully with the Standards and details of this review will be reported to a future meeting of the Committee.

### 7 Other Developments

7.1 Whilst the impact of Covid-19 and the associated lockdown has impacted upon completion of the 2019/20 Audit Plan with regards to the agreement of draft reports with services, it did not impact upon the

scope or manner in which internal audit assignments were undertaken during 2019/20.

7.2 However, this is not the case for 2020/21 and indeed there has already been a significant impact upon the delivery of the Internal Audit Plan that was agreed at the March 2020 meeting of Audit and Governance Committee.

7.3 Internal Audit has had to react to new ways of working to ensure that it continues to add value to the organisation, identifies controls to mitigate the risks presented by this unprecedented situation and the new ways of working that have been adopted in response.

7.4 Internal Audit is therefore is working to support the organisation through the following:

- provision of advice and guidance where new processes or ways of working are required to ensure that proportionate controls are in place
- provision of resource to support Business Continuity and ensure plans are uploaded and effective
- provision of resource to support Risk Management and ensure that risk assessments are updated and effective
- provision of support to the revenues various services in designing and implementing processes for the payment of grants on behalf of the Government

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- undertaking pre/post payment checks to ensure that the risk of fraudulent claims for the above grants are minimised

7.5 This additional work in addition to the difficulties in undertaking 'normal audit work' has impacted upon the 2020/21 Audit Plan. As such, is it important to undertake a review of the planned work for 2020/21 to ensure that it covers the areas with the highest risk to the Council and that are therefore those where assurance is most required.

7.6 This review is ongoing and a report will be brought to the next meeting of this Committee to provide Members with details of work undertaken and the revised plan for the remainder of 2020/21.