

## **Audit & Governance Committee**

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**Date of Meeting:** 24 September 2020

**Report Title:** Internal Audit and Counter Fraud Plan 2020/21- Progress Update

**Senior Officer:** Jane Burns, Executive Director of Corporate Services

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### **1. Report Summary**

- 1.1. The purpose of this report is for the Committee to receive and approve an updated Internal Audit Plan 2020/21 which takes into account the impact of Covid-19 upon delivery of the Plan that was agreed in March 2020.
- 1.2. The Council's Internal Audit Charter, which has been developed to ensure compliance with the Public Sector Internal Audit Standards (PSIAS), requires the preparation of a risk based internal audit plan which takes into account the need to produce an annual internal opinion. The opinion is a key source of assurance for the Annual Governance Statement.
- 1.3. The preparation and delivery of the Annual Internal Audit Plan, the annual opinion on the organisation's arrangements for governance, risk and internal control, and the assurances these provide to the Annual Governance Statement are key indicators and contributors for the Council's corporate objective of being a responsible, effective and efficient organisation.

### **2. Recommendations**

- 2.1. That the Committee:
  - 2.1.1. Approve the updated Internal Audit Plan 2020/21
  - 2.1.2. Note the areas of work which the internal audit team have undertaken during recent months, including significant proactive counter fraud actions in support of the delivery of various support grants.
  - 2.1.3. Note that the plan will continue to be developed and refined throughout the year as the response to Covid-19 progresses, to reflect the continuing impact of providing additional support on the resource available to deliver the audit plan.

### **3. Reasons for Recommendations**

- 3.1. The Council's Internal Audit Charter, developed in accordance with the Public Sector Internal Audit Standards (PSIAS), requires the production of an annual internal audit plan.
- 3.2. The authority to approve the annual internal audit plan is within the Audit and Governance Committee's Terms of Reference.

### **4. Other Options Considered**

- 4.1. Not applicable.

### **5. Background**

- 5.1. The Summary Internal Audit Plan 2020/21 was approved at the March 2020 meeting of Audit and Governance Committee on the understanding that any significant changes would be brought back to the Committee for consideration and approval.
- 5.2. The spread of Covid-19 and the associated lockdown has had a significant impact upon Cheshire East Council and the way in which it delivers services to the public. This has not only impacted upon frontline services but also support services who have had to adjust to home working and the redeployment of staff to support other services.
- 5.3. As reported to Committee in the Annual Internal Audit Report (July 2020), Internal Audit resource has been diverted to support the wider organisation in responding to Covid-19 and to ensure that Internal Audit continues to provide value and support in the achievement of the Council's objectives. This included consultancy and non-assurance work in the following areas:
  - 5.3.1. provision of advice and guidance where new processes or ways of working are required to ensure that proportionate controls are in place to manage new or changing risks.
  - 5.3.2. provision of resource to support Risk Management and Business Continuity and ensure plans are updated and available.
  - 5.3.3. provision of support to the revenues team in designing and implementing a process for the payment of Small Business Grants on behalf of the Government.
  - 5.3.4. undertaking pre payment checks to ensure that the risk of fraudulent claims for the above grants is minimised and post payment checks to identify and reclaim monies paid outside of the eligibility criteria.

- 5.4. The new processes and new ways of working referenced above included support to the People Helping People scheme with particular attention to arrangements for helpers to purchase shopping on behalf of vulnerable individuals who could not do so themselves. It was important to ensure that the arrangements minimised delays in providing what was required whilst at the same time ensuring that expenditure was appropriately controlled and recorded. This minimised the risk of loss to vulnerable individuals and also protected volunteers from allegations of wrongdoing.
- 5.5. Support and guidance was also provided to Children's Services to provide an electronic solution to issuing weekly allowances to care leavers who were no longer able to attend Council premises to collect cash. A pre-loaded card solution was rolled out which met the requirements of the service and young people whilst ensuring that risks had been identified and mitigating controls put in place.
- 5.6. Central government delegated the administration of grants to businesses to local authorities and significant resource was diverted to undertaking pre-payment checks to minimise the risk of fraudulent or illegible claims being processed. There was significant pressure to pay grants quickly and a risk based approach was adopted and implemented to minimise the risk of fraudulent applications being paid.
- 5.7. Internal Audit supported the Revenues team in undertaking due diligence of applications to ensure that they were genuine and met the eligibility criteria. This involved the use of open source material such as Companies House along with contacting applicants for clarification and submission of additional evidence in support of claims.
- 5.8. Post payment checks are now being undertaken using Spotlight which is a data matching tool developed by Cabinet Office and a new match has been included within the 2020/21 National Fraud Initiative in relation to these business grants.
- 5.9. This additional work has diverted resources away from the delivery of 'normal audit work' and has had a significant impact upon the 2020/21 Audit Plan. However, the advice, support and guidance provided by these proactive pieces of work have been received positively by the various service areas. They will also positively inform the Annual Internal Audit opinion for 2020/21, and demonstrate the proactive and proportionate approach to managing the control environment during a time of significant pressure and change.
- 5.10. We are now at a point where consideration to returning to our usual approach to work is possible, and a detailed review of the original plan for 2020/21 has been undertaken.

- 5.11. The plan for the remainder of 2020/21 has been refocused to ensure that it covers the highest risk areas and therefore those where assurance is most required; we have particularly focused on areas where there has been a significant impact during Covid-19, for example, on demand/capacity or approach to delivery, and areas where we anticipate that there will be an impact post-Covid, again, in levels of demand or delivery mechanisms. Changes of this nature often pose challenges to the effectiveness and efficiency of internal control environments, at a local service level, and therefore upon the wider Council level.
- 5.12. Refocusing the plan on these grounds will enable sufficient evidenced assurance work to be undertaken and facilitate the Head of Audit and Risk to formulate an annual opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework
- 5.13. The Internal Audit Plan 2020/21 has been updated, based on current resources, to cover the core areas of work required in order to deliver an annual audit opinion.
- 5.14. We have updated the resource calculator in Table 1 to reflect the available resource to deliver an updated plan from 1<sup>st</sup> September 2020 to the end of the 2020/21 year.

**Table 1: Available Resource compared to Original 2020/21 Plan.**

<b>Audit Year</b>	<b>2020/21 Plan Revised (Sept 2020-March 2021)</b>	<b>2020/21 Plan Approved (Full year)</b>
<b>Maximum Days</b>	968	1,798
<b>Unavailable Working Days</b> <i>Annual Leave, Bank Holidays, Estimated Sick Leave, Estimated Special Leave</i>	209	330
<b>Available Working Days</b>	759	1,468
<b>Non Chargeable Sub Total</b> <i>Training, Planning, Team Management and Service Development</i>	92	185
<b>Chargeable Days</b>	667	1,283

- 5.15. A revised plan is included as Appendix A to this report and provides a summary of the planned areas of work to be undertaken during the remainder of 2020/21. The plan will be reviewed regularly, and will be adjusted for any significant areas of concern which may emerge.

## **6. Implications of the Recommendations**

### **6.1. Legal Implications**

- 6.1.1. All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit Regulations 2015. The latter states that authorities “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.”
- 6.1.2. The guidance accompanying the Regulations recognises that with effect from 1st April 2013, the Public Sector Internal Audit Standards (PSIAS) represent “proper internal audit practices”. The PSIAS apply to all internal audit service providers within the UK public sector.

### **6.2. Finance Implications**

- 6.2.1. In accordance with the PSIAS, the Audit and Governance Committee should ensure that the function has the necessary resources and access to information to enable it to fulfil its mandate, and is equipped to perform in accordance with appropriate professional standards for internal auditors. A small contingency allocation has been included at this stage.
- 6.2.2. The Internal Audit Plan 2020/21 has been prepared, based on current resources, to cover the core areas of work required to deliver an annual audit opinion. This will be compared to resource availability as part of establishing the plan and in monitoring progress against the plan.
- 6.2.3. If an imbalance between the two arises the Committee will be informed of proposed solutions. Matters that jeopardise the delivery of the audit plan or require significant changes to it will be identified, addressed and reported to the Committee.

### **6.3. Policy Implications**

- 6.3.1. There are no direct policy implications.

### **6.4. Equality Implications**

- 6.4.1. There are no direct implications for Equality and Diversity.

## **6.5. Human Resources Implications**

6.5.1. To ensure that the Internal Audit team can continue to deliver the necessary levels of assurance to the organisation, the opportunity is being taken to reflect on the requirements of the organisation and ensure that sufficient resource is available to deliver this.

6.5.2. Internal Audit are currently operating at slightly reduced capacity due to turnover in the team; interim arrangements are being progressed to address the immediate shortfall pending a restructure.

## **6.6. Risk Management Implications**

6.6.1. Delivery of an appropriately balanced and focused Internal Audit Plan supports the Council's ability to effectively and efficiently identify and manage its risks, with the implementation of recommended actions designed to deliver improvements in governance and the control environment.

## **6.7. Rural Communities Implications**

6.7.1. There are no direct implications for rural communities.

## **6.8. Implications for Children & Young People/Cared for Children**

6.8.1. There are no direct implications for children and young people.

## **6.9. Public Health Implications**

6.9.1. There are no direct implications for public health.

## **6.10. Climate Change Implications**

6.10.1. There are no direct implications for climate change

## **7. Ward Members Affected**

7.1. The Internal Audit plan supports the operation of the entire Council. All Wards are therefore affected.

## **8. Consultation & Engagement**

8.1. In preparing the Summary Plan, there has been consultation to identify the expectations of senior management, external audit and other key stakeholders. This is covered in Appendix A.

## **9. Access to Information**

9.1. The following are links to relevant standards and regulations

9.1.1. [Public Sector Internal Audit Standards \(PSAIS\)](#)

9.1.2. [The Accounts and Audit Regulations 2015](#)

## **10. Contact Information**

10.1. Any questions relating to this report should be directed to the following officer:

Name: Josie Griffiths

Job Title: Head of Audit and Risk

Email: [josie.griffiths@cheshireeast.gov.uk](mailto:josie.griffiths@cheshireeast.gov.uk)