

Audit & Governance Committee

Date of Meeting: 28 January 2021

Report Title: Internal Audit Update – January 2021

Senior Officer: Jane Burns, Executive Director of Corporate Services

1. Report Summary

- 1.1. The purpose of this report is for the Committee to receive an update on work undertaken by Internal Audit between April and December 2020 and how this, along with planned work for the remainder of the financial year will contribute to the Annual Internal Audit Opinion for 2020/21.
- 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 on the overall adequacy and effectiveness of the Council's governance, risk and control framework. 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. Note the changes in which the annual internal audit opinion will be developed for 2020/21 along with the ongoing challenges brought about by the Covid-19 pandemic and continued lockdown/tier restrictions and the associated impact upon internal audit.

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.

3. Reasons for Recommendations

- 3.1. The Public Sector Internal Audit Standards (PSIAS) require the Council's Chief Audit Executive (Head of Audit and Risk) to regularly report on emerging issues in respect of the whole range of areas to be covered in the annual report.
- 3.2. In order to meet this requirement the Committee receives regular reports on Internal Audit's performance to support the effectiveness of the internal audit process.

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 Committee received and approved a revised internal audit plan in September 2020 which took into account the reduced resource available as a result of staffing changes and the significant impact of the covid-19 pandemic.
- 5.3. The revised plan also refocused the work of Internal Audit to ensure that assurance was sought in relation to high risk areas and new ways of working brought about by the pandemic and the fast paced and reactive response that the Council has provided to ensure the safety of residents and provision of services.
- 5.4. As a result of the changes in working arrangements it will not be possible to undergo the normal process for forming the annual internal audit opinion and this paper sets out the way in which this will be undertaken for 2020/21 ensuring compliance with the Accounts and Audit Regulations and the PSIAS.
- 5.5. This issue is not limited to Cheshire East with internal audit teams across the country finding themselves in the same position. As such CIPFA has provided guidance on how to form an opinion under the current

circumstances and how to minimise any limitation or qualification that may otherwise need to be attached to it.

- 5.6. This guidance has been taken into account along with attendance at online briefings provided by CIPFA. In addition, the Head of Audit and Risk and the acting Audit Manager have liaised with colleagues from other authorities to ensure that a consistent and compliant approach is taken.
- 5.7. The annual internal audit opinion for 2020/21 will be built around the following sources of assurance:
 - 5.7.1. Internal Audit Assurance Reports completed in accordance with the revised risk based audit plan. This element of the opinion will be reduced in comparison to previous years due to the significant reduction in the amount of traditional audit work undertaken.
 - 5.7.2. Advice, guidance and consultancy work. This will form a greater part of the opinion than in previous years and will be based upon the support provided to services in designing systems and processes for the delivery of the Council's response to the Covid-19 pandemic. Internal Audit have supported various services in developing systems and procedures ensuring that appropriate and proportionate controls are included within the solution.
 - 5.7.3. Governance arrangements around the response to the pandemic along with established arrangements for decision making across the whole organisation. Internal Audit has been represented on various groups and board tasked with ensuring that decisions are taken in accordance with the Constitution, are in the best interests of the Council and are appropriately evidenced.
 - 5.7.4. Other sources of assurance such as external bodies and confidence in 'first and second lines of defence' arrangements.
- 5.8. By focusing on these areas of assurance in relation to the highest risk areas it is hoped that an annual opinion, albeit more streamlined than normally would be the case, can be delivered with minimal limitation attached to it.
- 5.9. However, Members should be aware that if ongoing lockdown and tiering restrictions require any further significant deflection of audit resource away from this work then it may be necessary to limit the scope of the annual internal audit opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework.

Assurance Reports

5.10. As previously reported to the Committee, Internal Audit did not undertake any assurance reviews during the first half of 2020/21. However, the following audit reviews are now ongoing or planned to be completed by March 2021:

- Procurement Controls
- Procurement – Contract Awards
- ERP Replacement (B4B)
- Purchase Cards
- People Helping People – Governance Arrangements
- Pre-loaded Cards – Covid rollout
- Discretionary Business Grants – Covid
- Infection Control Grant – PPE Payments
- Fleet Management
- Travel Management System
- Role of the Director of Adult Services
- Role of the Director of Children’s Services
- Fostering
- Local Enterprise Partnership – assurance to the Section 151 Officer

Schools

5.11. 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

5.12. To meet this requirement, a programme of school audits has commenced to facilitate sign off of the annual School’s Financial Value Standard return to

the Department for Education. This programme was agreed with the Section 151 Officer and the Director of Children's Services and will be delivered remotely for the first time. Over recent years, an increasing amount of preparation and testing has been completed off-site, so moving to a full remote audit is an extension of this, rather than a completely new approach.

Consultancy and Advice

- 5.13. Internal Audit has, and continues, to undertake consultancy and non-assurance work to support services across the Council in fulfilling their responsibilities and ensuring appropriate controls are in place to mitigate risk.
- 5.14. The provision of this advice and guidance represents a significant element of the audit work undertaken during 2020/21 particularly during the first half of the year. A detailed breakdown was provided to the Committee in September 2020 but the key areas of work can be summarised as follows:
- 5.14.1. provision of advice and guidance where new processes or ways of working are required to ensure that the Council is effective in its response to the Covid-19 pandemic whilst also ensuring that proportionate controls are in place to manage new or changing risks.
 - 5.14.2. provision of resource to support Risk Management and Business Continuity and ensure plans are updated and available.
 - 5.14.3. 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.
 - 5.14.4. 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.
 - 5.14.5. provision of support to the project team tasked with designing the criteria for and roll out of the Covid Winter Grant Scheme.

Grant Certifications

- 5.15. 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.
- 5.16. Internal Audit are working closely with France colleagues to monitor the number of Covid related grants received and distributed by the Council. This ensures that appropriate controls are in place around the receipt and

distribution of the grants and that all reporting and signoff requirements are met.

- 5.17. In 2020/21 to date, this has included work on the following non Covid related grants, which were successfully signed off and submitted to the appropriate funding body:

Grant/Return Certified	Funding Body	£
Family Focus (year to date)	MHCLG	197,600
Sydney Road Bridge	MHCLG	10,248,183
Poynton Relief Road	MHCLG	9,373,018
Crewe High Speed Heart Ready (audit is undertaken in our capacity as Accountable body)	MHCLG	3,577,590
CWLEP Growth Hub Grant	BEIS	318,702
Skills & Growth - ADAPT	BEIS	4,313
Local Transport Capital Block Funding	DfT	12,147,000
Bus Service Operators Grant	DfT	347,865
Highways - Crewe NW	DfT	4,893,900
Highways – Macclesfield Movement	DfT	857,097
NW Crewe Sustainable Transport Scheme	C&WLEP	163,870
Wilmslow Strategic Cycle & Walking Route	C&WLEP	70,063
Congleton Link Road 19/20	C&WLEP	41,977,637
Total		84,176,838

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 known 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