

Internal Audit Annual Report 2020/21

OFFICIAL

1. Executive Summary

Internal Audit Opinion on the Council's control environment

The Council's framework of risk management, control and governance is assessed as Adequate for 2020/21.

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
- assurance derived from the significant consultancy work undertaken throughout the year
- Management's response to advice and recommendations
- the process of reviewing the Council's annual governance statement
- and periodic reports to Audit and Governance Committee on the Council's Risk Management Arrangements

2. Background to the 2020/21 Annual Audit Opinion

- 2.1. The impact of the Covid-19 pandemic and the associated response has had a significant impact on the public sector as a whole. Local authorities are at the forefront of the response and this required significant reassignment of internal audit resources to meet new demands and areas of operation.
- 2.2. Throughout 2020/21, we have carefully monitored and reviewed the impact on the Internal Audit team resource to ensure sufficient assurance work could be undertaken to enable the annual opinion to be formed.
- 2.3. During 2020, CIPFA recognised the considerable challenges facing local government and the difficult decisions being made on how best to use their staff and financial resources to meet critical needs. However, despite this there were no changes to the professional and regulatory expectations on local government internal audit arrangements to conform to the Public Sector Internal Audit Standards (PSIAS).

- 2.4. Therefore, during December 2020, CIPFA published sector specific guidance for local government internal auditors in the UK. This set out detailed 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.
- 2.5. This guidance was taken into account and a report was presented to the January 2021 meeting of the Audit and Governance Committee which set out how, by focusing on assurance in relation to the highest risk areas, it would be possible to obtain sufficient assurance to support the annual opinion for 2020/21. This is the approach that has been followed in providing an annual audit opinion for 2020/21.
- 2.6. 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, and the impact of the pandemic upon these challenges has been illustrated through regular reporting to Cabinet and the Audit and Governance Committee on the Council's Covid-19 response.
- 2.7. The Council's 2020/21 audit plan, originally approved by Committee in March 2020, reflected the challenges through the areas selected for review and the changes made during the year to ensure resources were focused in the right areas.
- 2.8. 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 and subsequently the Corporate Plan 2021-2025
 - 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.
- 2.9. Staffing resource for Internal Audit has again been limited during 2020/21 as a result of vacancies arising during the year, due to retirement, maternity leave and staff leaving the service during the year.
- 2.10. These vacancies, including the Internal Audit Manager role, have been filled via acting up arrangements and a new permanent appointment and

the resource available has been carefully managed to carry out audit assignments and review and quality assure work undertaken.

- 2.11. As previously reported, the internal audit resource was further impacted by the Covid-19 pandemic which required resources to be allocated across the Council into other areas of support. For the majority of staff, this was only for the first 6 months of the year, whilst additional resource has been provided to Risk Management throughout the year.
- 2.12. Despite this, the team has delivered sufficient coverage against the revised plan, and to the appropriate standard, to enable an informed opinion to be provided on the control environment.
- 2.13. Development of the Internal Audit resource is being addressed during 2021/22, in the first instance with temporary appointments due to start over the summer.

3. Context – Legislative Requirements and Standards

- 3.1. 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.
- 3.2. 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 Quality Assurance and Improvement Programme (QAIP).
- 3.3. 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.

4. Opinion on the Control Environment

- 4.1. 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.
- 4.2. In the context of the PSIAS, 'opinion' does not simply mean 'view', 'comment' or 'observation'. It means that internal audit has done sufficient, evidenced work to form a supportable conclusion about the activity that it has examined.
- 4.3. Assurances given by Internal Audit are never absolute. It is impossible to examine every activity and every transaction and, audit reviews are at a 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.
- 4.4. As reported to the Audit and Governance Committee in January 2021, the opinion has been built around the following sources of assurance:
- Internal Audit Assurance Reports completed in accordance with the revised risk-based audit plan. This element of the opinion has been reduced in comparison to previous years due to the significant reduction in the amount of resource available during the first half of the year.
 - Advice, guidance, and consultancy work. This has formed a greater part of the opinion than in previous years and is 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 has supported various services in developing systems and procedures ensuring that appropriate and proportionate controls are included within the solution.
 - 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 boards tasked with ensuring that decisions are taken in accordance with the Constitution, are in the best interests of the Council and are appropriately evidenced.

- Other sources of assurance such as external bodies and confidence in 'first and second lines of defence' arrangements.

4.5. Although there have been changes to the traditional way in which the annual opinion is arrived for the 2020/21 year, we are satisfied that there has been appropriate engagement for Internal Audit across the organisation, through assurance work, consultancy and advice, and our understanding of the assurance we can take from other sources to assess the framework of risk management, control and governance as Adequate for 2020/21.

4.6. 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.

4.7. This is supported by the work undertaken by Internal Audit, responses and engagement with management and that there were no issues arising from the 2020/21 that will require inclusion in the Annual Governance Statement.

5. Summary of Audit Work 2020/21

5.1. 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.

5.2. 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.

5.3. 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
- audit activity focuses on areas where assurance is most needed i.e. risk based coverage.

5.4. In preparing the risk-based plan for 2020/21 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 the Cheshire West and Chester internal audit team in relation to shared services.
- 5.5. 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.
- 5.6. Under normal circumstances, the plan is reviewed and adjusted, as necessary, in response to changes in the Council’s business, risks, operations, programmes, systems, and controls. Any significant changes are communicated to both CLT and the Audit and Governance Committee. However, as previously stated, the response to the Covid-19 pandemic had a significant impact upon internal audit and as such, a revised plan was presented to the Audit and Governance Committee in September 2020.
- 5.7. A further report was also provided to the January 2021 meeting of the Audit and Governance Committee which set out how the annual internal audit opinion would 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.
- 5.8. In line with the approach outlined in the Internal Audit plan and our revised approach, our work focuses on areas of higher risk, or where concerns/issues have previously been identified. 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.
- 5.9. A summary comparison of the 2020/21 Audit Plan with actuals for the year is shown in Table 1 and a summary of the assurance work carried out in support of the Annual Internal Audit Opinion is shown in Table 2.
- 5.10. Table 3 provides updates and explanations on the audit work referenced in the January 2021 report to the Committee which has not been completed as final assurance reports as originally intended.

Table 1: Summary comparison of Audit Plan 2020/21 and actuals

Area of Plan		Original Plan		Revised Plan		Actuals (to 31/03/2021)		Comments on coverage
		Days	%	Days	%	Days	%	
Chargeable Days		1317		667		672		
Less: Corporate Work		160		80		87		
Available Audit Days:		1157	100%	587	100%	585	100%	Significant reduction in days due to Covid-19 pandemic reported as Revised Plan in September 2020.
Corporate Governance and Risk		136	12%	70	12%	80	13%	Broadly in line with plan
Anti-Fraud and Corruption	Proactive Work	45	4%	24	4%	20	4%	Broadly in line with plan
	Reactive Investigations	60	5%	29	5%	26	4%	Support provided to ongoing police investigations
Corporate Services		445	38%	223	38%	252	44%	Additional work on ERP assurance
People		175	15%	88	15%	55	9%	Work carried forward into 2021/22
Place		98	8%	47	8%	55	9%	Broadly in line with plan
Assurance to External Organisations		25	2%	12	2%	10	2%	Broadly in line with plan
Advice & Guidance		30	3%	18	3%	23	4%	Broadly in line with plan
Other Chargeable Work		145	13%	76	13%	64	11%	Broadly in line with plan
Total Audit Days		1157	100%	587	100%	585	100%	

Table 2: Summary of Assurance Reports 2020/21

Audit Report	Reason for Review	Audit Assurance Opinion	Report Status	Purpose of Review and Summary of Findings – (Limited /No Assurance Reports Only)
PPE Reimbursement Claims 20/21	Identified via Planning Process	Good	Final	To seek assurance that the scheme had been implemented in accordance with the grant conditions and was subject to appropriate governance and controls.
Council Tax Billing Reconciliation 2021/22	Identified via Planning Process	Good	Final	To provide assurance on the effectiveness of the reconciliation process.
NDR Billing Reconciliation 2021/22	Identified via Planning Process	Good	Final	To provide assurance on the effectiveness of the reconciliation process.
Council Tax Billing Reconciliation 2020/21	Identified via Planning Process	Good	Final	To provide assurance on the effectiveness of the reconciliation process.
NDR Billing Reconciliation 2020/21	Identified via Planning Process	Good	Final	To provide assurance on the effectiveness of the reconciliation process.
Air Quality	Requested by Management	Good	Final	Follow up of previous action plans in this area to provide assurance that the updated processes and controls in place have been consistently applied and are in support of revoking identified AQMAs.
C&WLEP Local Assurance Framework (assurance to s151 Officer)	Identified via Planning Process	Satisfactory	Final	Assurance to Head of Finance & Performance and C&WLEP management that the framework and procedures are robust and in accordance with national guidance.
Procurement Controls	Requested by Chief Executive	Satisfactory	Final	Undertaken in response to CPS decision in relation to historic contract award. The aim was to provide

Audit Report	Reason for Review	Audit Assurance Opinion	Report Status	Purpose of Review and Summary of Findings – (Limited /No Assurance Reports Only)
				assurance that controls are now in place to prevent a re-occurrence of the issues that led to the police investigation.
Procurement Evaluation and Contract Award	Requested by Chief Executive	Satisfactory	Final	Undertaken in support of the wider Procurement Controls report to provide additional assurance in relation to this specific element of the procurement lifecycle.
B4B Programme Phase 3 (revised) UAT/Control Environment	Identified via Planning Process	Reasonable	Final	Issued to inform the go-live decision. This was a joint review with CWAC and issued using their report template.
B4B Programme Phase 3 (revised) UAT/Control Environment	Identified via Planning Process	Limited	Interim	Issued as an interim report to inform go-live decision by Programme Board. Decision was taken to delay go-live and a final report (detailed above) was issued following additional testing.
Covid-19 response - Prepaid Cards	Identified via Planning Process	Limited	Final	<p>To seek assurance that the use of prepaid cards which was introduced at pace to support the covid-19 response was subject to appropriate controls.</p> <p>The review identified a lack of documented procedures which led to some inconsistencies in operating the scheme.</p> <p>In addition, additional controls were required to ensure that accounts were subject to regular and effective reconciliations.</p> <p>All actions were agreed with management.</p>

Audit Report	Reason for Review	Audit Assurance Opinion	Report Status	Purpose of Review and Summary of Findings – (Limited /No Assurance Reports Only)
Covid-19 response – Discretionary Grants	Identified via Planning Process	Limited	Final	<p>To seek assurance that the scheme had been implemented in accordance with the grant conditions and was subject to appropriate governance and controls.</p> <p>Although the scheme had been implemented at pace and was generally well managed, a lack of documented procedures led to some inconsistencies in its application and the storage of documentation.</p> <p>All actions were agreed with management.</p>

Table 3: Update on other reports referenced in January 2021 update to Audit and Governance Committee

Audit review	Update
Purchase Cards	<p>Support has been provided to the development of an updated Purchase Card policy and procedure to ensure that appropriate controls are included and communicated to card holders and approvers.</p> <p>A piece of audit work will be undertaken during 2021/22 to seek assurance around the effectiveness of the new arrangements.</p>
People Helping People – Governance Arrangements	The audit review of this area has been carried forward into 2021/22 and is currently in progress.
Fleet Management	This audit review was deferred until 2021/22 at the request of the operational service and will be undertaken later in the year.

Travel Management System	This review was carried forward into 2021/22 and the field work has been completed.
Role of the Director of Adult Services	This review has been paused due to structural changes within the People Directorate.
Role of the Director of Children's Services	This review has been paused due to structural changes within the People Directorate.
Fostering	The audit review of this area has been carried forward into 2021/22 and will be undertaken later in the year.

Table 4: Summary of reports by assurance level

Assurance Level	Audit Reports 2020/21	Audit Reports 2019/20	Audit Reports 2018/19
Good	6	1	6
Satisfactory	4	7	4
Limited	3	11	11
None	0	0	2
Total	13	19	23

- 5.11. 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.
- 5.12. 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.
- 5.13. The issues arising from audit activity and the implementation of associated recommended actions are considered as part of the Annual Governance Statement process; there are no items arising from 2020/21 audit reports which warrant inclusion as new items in the Annual Governance Statement.
- 5.14. 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.
- 5.15. 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.

6. Consultancy and Advice

- 6.1. 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.
- 6.2. As previously referenced, internal audit has an important role in supporting the Council's response to the covid-19 pandemic. A major element of this support has come through the provision of consultancy and advice during the design and implementation of new processes and ways of working.

- 6.3. Whilst this has mainly been in relation to covid-19 activities, advice has also been provided to services to ensure that the control environment has not been impacted negatively by the requirement for home working.
- 6.4. By providing this service, internal audit can ensure that processes are supported by appropriate controls to mitigate identified risks associated with the particular activity.
- 6.5. Examples of the areas where internal audit provided advice and guidance are as follows:

People Helping People Scheme

Advice was provided in relation to:

- volunteers shopping on behalf of vulnerable individuals who were required to shield. This included the purchase and distribution of supermarket gift cards.
- distribution of food parcels
- recording and coding of transactions and retention of evidence to support purchases

Covid-19 Winter Grant

This grant was issued to local authorities to address food and fuel poverty during school holiday periods.

Internal Audit sat on the project board and supported the design of the scheme in accordance with grant conditions, record retention and successful completion of returns to central government. This has also involved subsequent extensions of the scheme and the roll out of the Holiday Activity Fund.

Infection Control Grant

The primary purpose of this fund was to support adult social care providers, including those with whom the local authority does not have a contract, to reduce the rate of COVID-19 transmission in and between care homes and support wider workforce resilience.

Internal audit provided support to the development of a set of standard operating procedures to provide guidance to Care Homes on the allocation, usage and reimbursement of the Infection Control Grant supplied to Local Authorities by the Department of Health and Social Care.

Decision Making

The nature of the Council's response to the Covid-19 pandemic required decisions to be taken quickly. As such, internal audit provided support to work undertaken to ensure that these decisions were subject to the appropriate authorisation, for example ODR's and that evidence was retained in support of these decisions.

Business Continuity

Internal audit provided resource to support the review and amendment of business continuity plans which were essential in ensuring continuity of service across the Council.

Risk Management

Internal audit also provided resource to support the Council's risk management process and ensure that risk assessments are updated and effective

CEMART

Significant assurance has been provided by the inclusion and attendance of the Head of Audit and Risk at the regular meetings of the Council Emergency Management and Response Team (CEMART). This has provided invaluable insight, assurance on the escalation of matters undertaken, and provided the opportunity for advice and guidance to be given by the Head of Audit and Risk.

- 6.6. Finally, a detailed piece of consultancy work was completed at the request of management in the form of a Transport Service Solutions (TSS) budget review. This covered both the budget setting process and the ongoing budget management within both the Council and TSS.

7. Schools

- 7.1. 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.
- 7.2. The School's Audit Programme for 2020/21 was agreed by both the Director of Finance and Customer Services and the Director of Education

& 14-19 Skills. For 2020/21, the programme focussed on 2 elements of the SFVS: Procurement and Purchase Cards.

- 7.3. As a result of the Covid-19 pandemic and subsequent lockdown restrictions it was not possible to visit schools to complete the audits in the usual manner. It was therefore necessary to undertake remote audits by utilising Microsoft Teams for video calls and via desktop review of records and documentation.
- 7.4. 12 school audits were carried out and despite the change in approach it is felt that the programme was undertaken successfully with positive feedback received from schools, and there are elements of this approach which we will look to continue with in future.
- 7.5. 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.

Table 5: Summary of reports by assurance level

Assurance Level	School Audit Reports 2020/21
Good	1
Satisfactory	2
Limited	8
None	1
Total	12

- 7.6. The new arrangements and reduced internal audit resource delayed the production of the consolidated report which draws together the common findings from the thematic review of the 2020/21 Schools Financial Standard (SFVS) returns. This has been produced and issued during 2021/22.
- 7.7. However, some common findings relating to the operation of Purchase Cards became apparent during the course of the programme, and in response, an article was produced and issued via the School Bulletin to highlight these issues in a timely manner.
- 7.8. 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 been reported to the relevant schools and also shared with all schools using our established network.

- 7.9. To seek assurance that actions raised have been implemented by individual schools, follow up testing will be undertaken during 2021/22.
- 7.10. In addition to the completion of the School's Audit Programme as detailed above, Internal Audit provide input to the Vulnerable Schools Group which is responsible for categorising all Cheshire East schools at the start of each academic year to identify the type and level of support required from the Council during the forthcoming year. the group meets regularly to review progress and address any emerging issues.
- 7.11. Involvement with this group facilitates the early identification of risks and issues that require input or consideration for inclusion in future years audit programmes.

8. Other work undertaken by Internal Audit

- 8.1. Since 2013, Cheshire East Council has been the host authority for the PATROL (Parking and Traffic Regulations Outside London) Adjudication Joint Committee and Bus Lane Adjudication Joint Committee, and as part of this, we provide an Internal Audit service.
- 8.2. This service was provided remotely during 2020/21. The outcome of the internal audit work is reported to the PATROL Committees directly and does not inform the annual internal audit opinion for Cheshire East Council.

9. Supporting Corporate Governance

- 9.1. 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).
- 9.2. 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.
- 9.3. 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 2020/21.

- 9.4. 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.
- 9.5. 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.
- 9.6. Audit and Governance Committee approved the Final Annual Governance Statement 2019/20 at their November 2020 meeting, in line with statutory deadlines. A progress update on issues recognised in the AGS 2019/20 was presented at the Committee's March 2021 meeting. This paper also outlined the proposed production process for the 2020/21 AGS.
- 9.7. The 2020/21 Statement will be considered and approved by the Audit and Governance Committee at its November 2021 meeting.

10. Risk Management

- 10.1. Elsewhere on the agenda, the Committee will receive the Annual Risk Management Report 2020/21, the Committee have received updates on the Council's Risk Management arrangements through the year.
- 10.2. The Annual Risk Management report advises the Committee on the effectiveness of arrangements during 2020/21 and recognises the exceptional year and the focus on managing the risks presented to the Council by the pandemic.
- 10.3. During the pandemic response in 2020/21 Internal Audit resource provided support and assistance to the Council's Risk and Business Continuity Manager, and the CEMART workstream leads to ensure Business

Continuity plans and risk registers were being updated to reflect the key activities undertaken during the pandemic response.

- 10.4. To maintain the independence of the Head of Audit and Risk Management, assurance arrangements for reviewing risk management will have to be undertaken via alternative means. 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.

11. Counter Fraud and Investigations

- 11.1. Internal audit undertook significant pro-active counter fraud work during the first half of 2020/21 in relation to various grants administered on behalf of central government.
- 11.2. This focused mainly on the Small Business Grant and the Retail, Hospitality and Leisure Grant. Internal audit provided support and input into the design of the application process, the evidence that was required to be submitted in support of the grant applications and in ensuring that sufficient management information was retained to facilitate the completion of regular government returns.
- 11.3. In addition to this, two members of the internal audit team undertook extensive pre and post payment counter fraud checks to provide assurance that monies were only provided to those who qualified under the terms of the grants. This was particularly important as both schemes have been targeted national by fraudsters.
- 11.4. The Committee will receive a briefing on the detail of the counter fraud activity undertaken in respect of grant administration and distribution during 2021/22.
- 11.5. During the year, Internal Audit successfully coordinated the Council's participation in the 2020/21 National Fraud Initiative (NFI) exercise as well as ensuring that the appropriate services were prepared for the annual flexible matching exercise that took place during December 2020.
- 11.6. 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.
- 11.7. Work is now underway across the Council to ensure that identified matches, which were released in January 2021, are subject to investigation and the

NFI website updated accordingly. The deadline for completion is March 2022 and progress is monitored regularly to ensure that this deadline will be met.

- 11.8. In response to the Covid-19 pandemic, NFI introduced two new datasets, business rates and business grant recipients. These will be used for post payment assurance matching.
- 11.9. Internal audit has also liaised with services throughout the year to ensure that any system changes do not impact upon the Council's ability to meet its responsibilities in relation to NFI.
- 11.10. Options for the development of a dedicated Counter Fraud resource are currently being explored as part of a wider review of the structure of internal audit but have been paused to prioritise other work during the Covid-19 response. It is planned to revisit this during the second half of 2021/22 and further updates will be provided to the Audit and Governance Committee in due course.
- 11.11. During times of crisis fraudulent activity increases as criminals seek to take advantage of vulnerable people. In response to this increased risk, Internal Audit has continued to keep abreast of the latest threats, particularly in relation Covid-19 related scams, and where appropriate coordinated awareness raising via the Council's social media streams.

12. Statutory Returns/Grant Claims

- 12.1. 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.
- 12.2. During 2020/21 this has included work on the following grants which were signed off and submitted to the appropriate central government department:

Table 6: Grant certifications during 2020/21

Grant	Funding Body	Amount
Family Focus	MHCLG	£254,300
Sydney Road Bridge	MHCLG	£10,248,183
Crewe High Speed Heart Ready 2018	MHCLG	£3,577,590
CWLEP Growth Hub Grant 18/19	BEIS	£318,702
Skills and Growth – ADAPT	BEIS	£4,313
Bus Service Operators Grant	DfT	£347,865
Highways - Crewe NW & Macclesfield	DfT	£5,750,997
Local Transport Capital Block Funding	DfT	£12,147,000

NW Crewe Sustainable Transport Scheme	C&WLEP	£163,870
Wilmslow Strategic Cycle & Walking Route	C&WLEP	£70,063
Total		£32,882,883

- 12.3. 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.
- 12.4. In addition to the grants detailed above, work has also been undertaken in relation to Covid-19 related grants received during 2020/21. Internal Audit has coordinated a grant register that details the nature of each grant and any reporting and sign off details. Lead officers have been identified for each of the grants and work undertaken to ensure that all returns have been completed within deadlines.

13. Implementation of Audit Recommendations

- 13.1. Throughout 2020/21, Internal Audit has continued to carry out a range of follow up exercises to ensure that agreed recommendations are implemented. It should be noted, however, that in order to ensure sufficient assurance work was completed during 2020/21, less time was allocated to undertaking the follow up of actions. This will be addressed during 2021/21 through additional follow ups where appropriate.
- 13.2. Follow up activity 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.
- 13.3. However, 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.

Table 7: Implementation of Agreed Recommendations

On time	After the agreed date	Total implemented	In progress, or overdue	Agreed actions subsequently not implemented
2018/19				
80%	20%	100%	0%	0%
2019/20				
75%	25%	100%	0%	0%
2020/21				
100%	0%	100%	0%	0%

- 13.4. The figures for 2018/19 and 2019/20 have been updated to take into account actions implemented in subsequent years and may therefore be different to the figures previously reported.
- 13.5. These high implementation figures over several years 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.
- 13.6. 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.
- 13.7. It is therefore pleasing to report that during 2020/21 senior management have continued to support Internal Audit by challenging their service managers around implementation of actions.
- 13.8. 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.

14. Reliance placed on the work of other assurance bodies

- 14.1. Internal Audit place assurance on the work of the Council's external auditors, OFSTED and other external bodies, where appropriate.
- 14.2. Although internal audit has continued to work closely with external audit colleagues, reliance on other external bodies has been limited when forming the annual opinion for 2020/21.

15. Quality Assurance and Improvement Programme (QAIP)

15.1. The purpose of Internal Audit's QAIP is to define the practical arrangements in place to provide reasonable assurance to stakeholders that the activity of the Internal Audit section:

- Performs its work in accordance with its Charter, which is consistent with the Public Sector Internal Audit Standards' (PSIAS) definition of Internal Auditing and Code of Ethics
- Operates in an effective and efficient manner
- Is perceived by stakeholders as adding value and improving Internal Audit's operations.

15.2. Performance against the QAIP is undertaken through ongoing and periodic reviews and includes a series of performance indicators which are detailed below.

Table 8: Performance Indicators

Performance Indicator	2020/21 Actual	2020/21 Target	2019/20 Actual
Percentage of Audits completed to user satisfaction	100%	92%	97%
Percentage of significant recommendations agreed	100%	90%	99%
Chargeable Time (Assurance Work)	84%	80%	81%
Draft report produced promptly (per Client Satisfaction Questionnaire)	100%	95%	91%

15.3. The periodic review of performance for 2020/21 has confirmed that internal audit continues to operate in compliance with the QAIP.

15.4. In undertaking the review, the following two areas were identified as requiring further work during 2021/22 to ensure continued compliance:

- Audit Manual – although reviewed and updated to ensure compliance with the PSIAS, a further update will be required following the implementation of the upgrade to the audit management system.
- Internal Audit Charter – this was last updated and approved by Audit and Governance Committee in March 2019. A review will be completed to ensure that the Charter continues to ensure compliance with PSIAS, and any changes will be brought back to Committee for approval.

16. Compliance with the Public Sector Internal Audit Standards (PSIAS)

- 16.1. Regulation 6 of the Accounts and Audit Regulations 2015 requires relevant bodies to conduct an annual 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.
- 16.2. 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 of 2021/22.
- 16.3. 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.