

Internal Audit Update Report April 2023 – March 2024

(2023/2024 Internal Audit Plan)

1. Introduction

- 1.1. In accordance with the Public Sector Internal Audit Standards, the Internal Audit Update Report April 2023 – March 2024 contains “emerging issues in respect of the whole range of areas to be covered in the annual report”.
- 1.2. Internal Audit is required to form an annual opinion on the overall adequacy and effectiveness of the organisation’s control environment, which includes consideration of any significant risk or governance issues, and control failures which have been identified.

2. Summary of Audit Work to Date

- 2.1. During this period, audit work was undertaken on the whole of the control environment comprising risk management, key control, and governance processes. This work comprised a mix of risk-based auditing, regularity, investigations, and the provision of advice to officers. The following sections explain the variety of audit work undertaken to support the annual audit opinion.

Assurance Work

- 2.2. A summary of the final reports issued to the end of March 24, by the audit assurance opinion given is included in **Table 1**.
- 2.3. The figures detailed in the table below recognise final reports issued by 31 March 2024. **Table 7** details audits that were being finalised at the end of the financial year with reports issued for inclusion in the Annual Internal Audit Opinion report which will be presented to Audit & Governance Committee in July 2024. The number of final reports will exceed the total number issued in 2022/23

Table 1: Reports to date by assurance level

Assurance Level	2023/24 (to 31/03/2024)	2022/23 Full Year	2021/22 Full Year
Good	4	5	2
Satisfactory	3	4	4
Limited	3	8	8
No Assurance	1	2	1
Total	11	19	15

- 2.4. A summary comparison of coverage of the 2023/24 Audit Plan with actuals for the year is shown in **Table 2**, with comments on variances.

Table 1: Summary Comparison of Audit Plan 2022/23 and Actuals

Area of Plan		Original Plan		Actuals		Comments on coverage
		Days	%	Days	%	
Chargeable Days		1476		1258		Original figure included agency staff not subsequently employed
Less: Corporate Work		177		140		
Available Audit Days:		1299	100%	1118	100%	
Corporate Governance and Risk		130	10%	96	9%	
Anti-Fraud and Corruption	Proactive Work	52	4%	21	2%	
	Reactive Investigations	52	4%	0	0%	
Corporate Services		455	35%	489	43%	Additional coverage of Unit4
Adults, Health & Integration		130	10%	108	10%	
Children's Services		130	10%	82	7%	
Place		104	8%	224	20%	Large amount of work on s106 and land transactions
Providing Assurance to External Organisations		26	2%	20	2%	
Advice & Guidance		90	7%	22	2%	
Other Chargeable Work		130	10%	56	5%	
Total Audit Days		1299	100%	1118	100%	

- 2.5. Details of the reports produced to the end of March 2024 are included in **Table 3**, which includes details of the audit assurance opinion given in each report. Where the opinion given was Limited or No Assurance, a summary of key findings and actions has been provided.

Table 3: Summary of Final Assurance Reports 2022/23 to 31 March 2024

Audit Report	Reason for Review	Audit Assurance Opinion	Comments	Summary of Findings – (Limited /No Assurance Reports Only)
Wilmslow Business Improvement District Billing Reconciliation	Request of management	Good	All controls operating effectively	
Non-Domestic Rates Discounts and Eligibility	Identified via Audit Plan	Good	All controls operating effectively	
Council Tax Billing Reconciliation 24/25	Identified via Audit Plan	Good	Controls operating effectively	
Business Rates Billing Reconciliation 24/25	Identified via Audit Plan	Good	Controls operating effectively	
Unit4 Key Financial Controls (jointly with CWAC)	Identified via Audit Plan	Reasonable	All actions agreed with management of both CEC and CWAC	
Council Tax Eligibility for Discounts	Identified via Audit Plan	Satisfactory	All actions agreed with management	
C&WLEP Local Assurance Framework	Identified via Audit Plan	Satisfactory	Controls operating effectively	
Land Transaction Concern	Concern raised by member of public at Committee	N/A	Concerns not substantiated	
Care at Home	Identified via Audit Plan	Limited	6 recommended actions were agreed. Actions are progressing	The review identified the following issues: <ul style="list-style-type: none"> The use of non-commissioned providers is not

Audit Report	Reason for Review	Audit Assurance Opinion	Comments	Summary of Findings – (Limited /No Assurance Reports Only)
			<p>within the agreed timescales.</p> <p>Previously reported in December 2023</p>	<p>comprehensively reported to senior management on a regular basis</p> <ul style="list-style-type: none"> • The selection and approval for the use of non-commissioned providers is not consistently evidenced • Provider contracts are not consistently monitored in accordance with the arrangements set out in the contract schedules
Section 106	Identified via Audit Plan	None	Reported in detail to the Committee in September 2023	<p>Significant issues were identified during the audit which have been reported to Audit & Governance, Environment and Communities and Finance Sub Committee. Progress in implementing these actions is being closely monitored.</p>
Corporate Travel Management	Identified via Audit Plan	Limited	All actions agreed with management	<p>The review identified the following issues:</p> <ul style="list-style-type: none"> • Inconsistencies in the application and authorisations of system users • Business travel request forms were

Audit Report	Reason for Review	Audit Assurance Opinion	Comments	Summary of Findings – (Limited /No Assurance Reports Only)
				not consistently completed and authorised
Schools Consolidated Report 2022/23	Identified via Audit Plan	Limited	All actions agreed with management	The report identified common issues in relation to errors in completing Unit4 HR forms, errors in the use of the procurement module on Unit 4 leading to payments, and inconsistent application of the purchase card policy

- 2.6. The assurance levels reported include a combination of opinions at a broad level for the Council as a whole (macro-level opinion) and opinions on individual business processes or activities within a single organisation, department or location (micro-level opinion).
- 2.7. Where control weaknesses are identified, recommended actions are agreed with management to ensure that the control environment is improved to an acceptable level. Through the follow up process, Internal Audit continues to obtain assurance that actions have been implemented, especially those deemed high priority.
- 2.8. It should be noted that Internal Audit’s risk-based approach includes focussing on areas where issues are known or expected to exist. Clearly this approach adds value to the organisation, but, by its nature, may also result in lower overall assurance levels.
- 2.9. Where a final report is issued with a “Limited” or “No Assurance” opinion, improvement recommendations will be made. When implemented these will address the identified weaknesses and improve the control environment.
- 2.10. All actions from these audits have been agreed with management and progress on implementation will be monitored through the follow up process. Draft reports are agreed with the appropriate managers, and final reports are shared with the relevant CLT member and the Chief Executive.
- 2.11. The issues arising from the reports and the implementation of associated recommendations will be considered as part of the Annual Governance Statement process.

- 2.12. The Audit Plan is subject to regular review to reflect the current resources available to the team. Having considered the current resources available within Internal Audit, it is concluded that the team has completed sufficient direct assurance work supported by assurances gained through other areas of internal audit work to deliver the Annual Internal Audit Opinion for 2023/24.

Schools

- 2.13. 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.
- 2.14. The School's Audit Programme for 2023/24 was agreed by both the Director of Finance and Customer Services (Section 151 Officer) and the Head of Service: Education, Participation and Pupil Support and, as with the previous year, will be a thematic review of procurement, including the use of purchase cards, and HR arrangements including payroll. This will include the use of Unit4 but not the controls built into the system as these have been subject to separate audits.
- 2.15. This year's programme ensured that all schools have received an audit review in the previous 5 years.
- 2.16. The work was completed during quarters 3 and 4 of the year and was timed to provide assurance to the Section 151 Officer and facilitate the signing of the Annual Assurance Statement in May 2024.
- 2.17. Individual reports were produced and issued to schools detailing any areas of weakness identified and any actions required to address these weaknesses and improve the control environment. School reports include an assurance opinion on the arrangements, in line with other audit reports.
- 2.18. Consolidated findings and recommended actions and improvements are shared with all maintained schools through the "Schools Bulletin" and the "Director's Report".
- 2.19. Findings from all areas inform a consolidated schools report which provides assurance to the Director of Finance and Customer Services (Section 151 Officer) and the Head of Service: Education, Participation and Pupil Support.

Supporting Corporate Governance

- 2.20. In accordance with Regulation 6 of the Accounts and Audit Regulations 2015 the Council is required, each financial year, to conduct a review of the effectiveness of the system of internal control and publish an Annual Governance Statement (AGS).
- 2.21. During the year, and as previously reported in the 2022/23 Internal Audit Annual Report, Internal Audit has coordinated, on behalf of Management, the production of the Council’s AGS for 2022/23.
- 2.22. The Draft AGS 2022/23 was presented to Audit & Governance Committee in July 2023, and the final version was approved in March 2024.

Consultancy and Advice

- 2.23. 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.
- 2.24. In the year so far, advice and guidance has been provided on:
- Design and application of controls in new/proposed systems.
 - Interpretation of Finance and Contract Procedure Rules.
- 2.25. By providing this service, internal audit can ensure that processes are supported by appropriate controls to mitigate identified risks associated with the particular activity at the outset of change or development, providing far more valuable input to the service and wider control environment overall.

Grant Certifications

- 2.26. 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.
- 2.27. During 2023/24, this included work on the following grants, which were successfully signed off and submitted to the appropriate funding body:

Table 2: Grants Certified during 2023/24 as at 31 March 2024

Grant Certified	Funding Body	Amount
Family Focus (year to date)	MHCLG	£405,600
CWLEP Growth Hub Grant	BEIS	£231,000
CWLEP Peer Network Grant	BEIS	£150,000
CWLEP Skills Bootcamp	BEIS	1,036,653

Bus Service Operators Grant	DfT	£347,865
Local Transport Capital Block Funding	DfT	£9,252,000
Energy Efficiency – Sustainable Warmth	BEIS	£3,288,960
Supplementary Substance Misuse Treatment and Recovery Funding	PHE	£346,706
Changing Places	DLUHC	£12,000
Pothole Challenge	DfT	£5,799,000
Disabled Facilities Grant	DLUHC	2,342,241
Bus Recovery/LTF	DfT	1,165,915
Total		£24,377,940

- 2.28. It should be noted that the level of work required to complete the sign off of grants is not always proportionate to the value of the grant; grant funding conditions are set by the funding body, and it is this which determines the amount of testing and validation required to inform the sign off.
- 2.29. Over recent years, the level of testing required to provide assurance that grants have been used in accordance with the grant conditions has increased. This is taking up an increasingly large amount of Internal Audit resource and to manage this demand, 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. Work is continuing in this area to ensure that the Council is aware of all requirements and deadlines associated with the many grants that it receives and administers.

Work for Other Bodies

- 2.30. 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.
- 2.31. 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.
- 2.32. The work was completed, and a report issued during June 2023.

Implementation of Audit Recommendations

- 2.33. Internal Audit continually carries out a range of follow up exercises to ensure 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.
- Formal assurance audits: recommendations are monitored in line with our follow up process.

2.34. Audits with ‘limited’ or ‘no’ assurance are subject to more detailed review. In addition, key systems (e.g., Payroll, Accounts Payable) are audited on a regular, cyclical basis with recommendations followed up as part of the work.

2.35. The Committee have previously been advised of the work undertaken by Internal Audit, supported by senior management to raise the profile of audit recommendations. This has included the agreement of “SMART” recommendations and the inclusion of performance measures in the Corporate Scorecard. Work has also been undertaken to ensure that implementation dates are realistic and achievable.

2.36. The implementation of agreed recommendations for reports issued in 2021/22, 2022/23, and the current year is detailed in the table below:

Table 5: Implementation of agreed recommendations as at 31 March 2024

On time	After the agreed date	Total implemented	In progress, or overdue	Agreed actions subsequently not implemented
2021/22				
100%	0%	95%	5%	0%
2022/23				
100%	0%	100%	0%	0%
2023/24				
100%	0%	48%	52%	0%

2.37. During the recent Section 106 review, it became apparent that previously agreed actions had not been implemented and the arrangements for undertaking follow ups had not identified this issue in a sufficiently timely manner.

2.38. In response, a detailed review of all audit actions agreed since 2021/22 has been undertaken to determine whether services have successfully implemented agreed actions. The findings of this review are detailed in Table 6 below:

Table 6: Implementation of Agreed Audit Actions - 2021/22 to 31/03/2024

Action Status	No of Actions
Total actions agreed	151
Completed actions	50
Superseded actions	11
In progress (not yet due)	48
In progress (passed agreed date)	42

- 2.39. The actions that have passed the agreed implementation date are in relation to S106 and CIL. Regular monitoring of the s106 actions has identified that progress is being made in implementing agreed actions, however, the initial timescales have passed and revised timescales are being discussed with management. It was agreed that the CIL actions would be followed up once the Section 106 actions were complete due to the interrelationship between the two areas of operation, in particular the use of the Exacom system.
- 2.40. Additional information in relation to the implementation of actions will be provided in future Internal Audit update reports as our approach to follow up work develops further.

Ongoing Work

- 2.41. The following audits were ongoing at 31 March 2024 with work continuing to finalise the reports which will be detailed in the Annual Internal Audit Opinion report in July 2024. An anticipated assurance level is provided.

Table 7: Ongoing Internal Audit Assignments as at 31 March 2024

Audit	Scope of Review	Status	Anticipated Assurance
ICT Hybrid Programme (joint work with CWAC)	To provide assurance that the Programme has robust governance arrangements and has a delivery plan that recognises the challenging timeframe it has been set.	Fieldwork complete	Substantial
Unit4 – Exception Payments	To review the use of exception payments within Unit4	Draft report for review	Satisfactory
Grant Monitoring and Administration	To review the procedures in place for monitoring and reporting on grants received that are not	Draft report for review	Satisfactory

	subject to sign off by the Head of Audit & Risk		
Treasury Management	To review the arrangements in place for the effective management of the Council's financial assets	Fieldwork complete	Satisfactory
Purchase Cards – Children's Services	To review the use of purchase cards within the directorate and compliance with policy and procedures	Draft report issued	Limited
Purchase Cards – Adults, Health & Integration	To review the use of purchase cards within the directorate and compliance with policy and procedures	Draft report for review	Limited
Purchase Cards – Corporate Services	To review the use of purchase cards within the directorate and compliance with policy and procedures	Draft report for review	Limited
Purchase Cards – Place	To review the use of purchase cards within the directorate and compliance with policy and procedures	Draft report for review	Limited
Purchase Cards – Consolidated Findings	To identify common issues and control weaknesses identified by the directorate purchase card reviews	Draft report for review	Limited
Use of Agency Workers	To review the use of agency workers across the authority and	Draft report for review	Limited
Debt Management and Recovery – Sundry Debt	To review compliance with policies and procedures and ensure that effective processes are in place for the collection of debt	Draft report for review	Limited
Debt Management and Recovery – Adult Social care	To review compliance with policies and procedures and ensure that effective processes are in place for the collection of debt	Fieldwork complete	Limited

Starters, Contractual Changes and Leavers	To review the use of Unit4 and compliance with policies and procedures	Fieldwork complete	Limited
Direct Payments – Adults	To review compliance with policy and procedures and understand the impact of proposed changes to the control environment	Fieldwork underway	Limited
Heritage Asset Responsibilities	To review the arrangements in place for the effective management and stewardship of heritage and historical assets	Fieldwork complete	Limited

Table 8: Work carried forward to 2024/25

Audit	Scope of Review
Accounts Receivable	To review the use of Unit4 and arrangements in place for the timely and accurate raising of invoices
Discretionary Housing Payments	To review the use of discretionary payments and ensure that there is appropriate approval and oversight in place
Pre-Loaded Cards	To review the use of preloaded cards across the Council and ensure appropriate controls are in place
Tribunal Process	To review the arrangements in place and ensure compliance with policies and procedures
Resource Allocation Panel	To review the governance and oversight in place to ensure that spend is subject to appropriate control and monitoring
Direct Payments – Childrens	To review compliance with policy and procedures and understand the impact of proposed changes to the control environment

3. Internal Audit Performance

3.1. Internal Audit’s performance is measured against performance indicators which are detailed in Table 9.

Table 9: Performance Indicators to date

Performance Indicator	2023/24 Actual	2023/24 Target	2021/22 Actual	Comments on 2022/23 Actuals
% of Audits completed to user's satisfaction	96%	95%	96%	Above target
% of significant recommendations agreed	100%	95%	100%	Above target
Chargeable Time (Assurance Work)	89%	85%	88%	Above target
Draft report produced promptly (per Client Satisfaction Form)	93%	95%	95%	Slightly below target