

Internal Audit Plan Update Q1–Q3 2024/25

(2024/2025 Internal Audit Plan)

1. Introduction

- 1.1. In accordance with the Public Sector Internal Audit Standards, the Internal Audit Plan Update Q1–Q3 2024/25 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.
- 1.3. The Head of Audit and Risk Management’s opinion as the Chief Audit Executive on the Council’s framework for governance, risk management and internal control for 2023/24 was given as “limited”. This is the first time since 2009 that there has been a limitation on this opinion.
- 1.4. This reflected a number of factors, including the outcome of the 2023/24 internal audit programme, where a significant number of the overall findings related to a failure to apply existing controls, or the absence of expected or actual controls. A significant “No Assurance” report was also provided during the year in relation to the arrangements of Section 106 funds.
- 1.5. At this point in the delivery of the plan, and conscious that the areas included in the plan are different again, we have seen improvement in findings in relation to failure to apply controls. We note an increase in findings relation to either the lack of, or currency of documentation of controls, and some areas where controls have degraded and could be enhanced.
- 1.6. A substantial amount of work identified in the plan is nearing completion, underway and a number of audits to be completed in Quarter 4, and the findings from these reports could substantially change our overall analysis for the annual opinion for 2024/25. However, it is encouraging to see significant improvement in the timely implementation of internal audit actions, which is covered in greater detail in section 3.

2. Summary of Audit Work to Date

- 2.1. In the period to the end of December 2024, internal 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 in order to support the annual audit opinion.

Assurance Work - Completed and ongoing

- 2.2. A summary of the final reports issued to the end of December 2024, by the audit assurance opinion given is included in **Table 3**.
- 2.3. The figures detailed in the table below recognise final reports issued by 31 December 2024. **Table 4** details audits that were ongoing at the end of December 2024 which will inform the Annual Internal Audit Opinion report which will be presented to Audit & Governance Committee in July 2025. The number of final reports is expected to be similar to the total number issued in 2023/24.

Table 1: Reports to date by assurance level

Assurance Level	2024/25 (to 31/12/2024)	2023/24 Full Year	2022/23 Full Year
Good	1	4	5
Satisfactory	3	6	4
Limited	2	13	8
No Assurance	0	1	2
Total	6	24	19

- 2.4. A summary comparison of coverage of the 2024/25 Audit Plan with actuals for the year is shown in **Table 2**, with comments on variances.

Table 1: Summary Comparison of Audit Plan 2024/25 and Actuals to date

Area of Plan		Original Plan		Original Plan – pro rata to 31/12/24	Actuals – to 31/12/24		Comments on coverage
		Days	%		Days	%	
Chargeable Days		1125		844	856		Auditor increased hours during the year
Less: Corporate Work		115		86	80		On target
Available Audit Days:		1010	100%	758	776	100%	
Corporate Governance and Risk		105	10%	79	70	8%	On target
Anti-Fraud and Corruption	Proactive Work	30	3%	22	17	2%	On target
	Reactive Investigations	30	3%	22	14	2%	On target
Corporate Services		330	33%	248	267	35%	On target
Adults, Health & Integration		110	11%	81	91	12%	On target
Children's Services		110	11%	81	84	11%	On target
Place		100	10%	79	73	9%	On target
Providing Assurance to External Organisations		35	3%	26	36	5%	On target
Advice & Guidance		40	4%	30	32	4%	On target
Other Chargeable Work		120	12%	90	92	12%	On target
Total Audit Days		1010	100%	758	776	100%	

2.5. A review of the work undertaken alongside that planned for the remainder of 2024/25 has identified no significant variances that need to be brought to the attention of the Committee.

2.6. Details of the reports produced to the end of December 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 2024/25 to 31 December 2024

Audit Report	Reason for and scope of Review	Audit Assurance Opinion	Comments	Summary of Findings – (Limited /No Assurance Reports Only)
Crewe BID Billing Rec 2024/25	Identified via Audit Plan The review focused on the controls in place to ensure that bills for the additional Crewe BID levy have been calculated and raised correctly	Good	Controls operating effectively	
Discretionary Housing Payments	Identified via Audit Plan. The review focused on the adequacy of the systems, processes and controls in place for the application of DHP awards, compliance with regulations and the Council's DHP Policy	Satisfactory	Controls operating effectively	
Multiply Grant	At the request of management. Internal Audit carried out a review of the systems, processes and controls in place in relation to the Multiply Grant to ensure compliance with the DfE Multiply Grant Assurance Guidance	Satisfactory	Controls operating effectively	

Audit Report	Reason for and scope of Review	Audit Assurance Opinion	Comments	Summary of Findings – (Limited /No Assurance Reports Only)
Community Grants Review	This review focused on the adequacy of the systems, processes and controls in place for awarding community grants to local organisations during 2023/24 and 2024/25	Satisfactory	Controls operating effectively	
Schools Consolidated Report 2023/24	Identified via Audit Plan. The report brought together the findings from the programme of school audits which reviewed the arrangements in place to manage Purchasing (P2P) and HR via the Unit 4 ERP system.	Limited	All actions agreed with management and individual schools subject to review were issued with detailed reports	The report identified common issues in relation to: <ul style="list-style-type: none"> • Errors in completing Unit4 HR forms. • Errors in the use of the procurement module on Unit 4 leading to duplicate payments, and • Inconsistent application of the purchase card policy.
Supplementary Substance Misuse Treatment and Recovery Grant	At the request of Management. Grant conditions required an internal audit review to confirm that all other conditions were complied with	Limited	All actions agreed with management	The review concluded that improvements need to be made over the monitoring arrangements on expenditure incurred by the contractor in delivering this project.

2.7. The following audits, as listed in Table 4, were ongoing at 31 December 2024 with work continuing during quarter 4 and which will be detailed in the Annual Internal Audit Opinion report in July 2025.

Table 4: Ongoing Internal Audit Assignments at 31 December 2024

Audit	Scope of Review	Status
Leavers – equipment/system access	To review the processes for ensuring that equipment is returned and system accesses are removed in a timely manner.	Fieldwork completed, draft report being prepared
Officer Decision Records	To ensure that the controls in place to manage the recording of ODR's are effective	Fieldwork completed, draft report being prepared
Accounts Payable	To review the processes and controls in place for this area of Unit4	Fieldwork underway
Gemini Phase 2 (joint work with CWAC)	To provide assurance that the Programme has robust governance arrangements and is appropriately resourced and has a delivery plan that recognises the challenging timeframe it has been set	Fieldwork underway
Fostering	To review the processes and controls in place for ensuring the accuracy and appropriateness of payments to foster carers	Fieldwork underway
SEN Tribunal Process	To review the effectiveness of processes and controls in place to manage SEN tribunals	Fieldwork underway
General Ledger	To review the effectiveness of the controls in place for the management of the general ledger	Fieldwork underway
Council Tax/NDR Refunds	To review the effectiveness of the controls in place for the calculation and payment of refunds in these areas	Fieldwork underway
LGO Findings	To review the effectiveness of the processes in place to ensure appropriate learning form LGO findings	TOR being developed
Capital Budget Monitoring	To review the effectiveness of the processes in place for monitoring capital budgets	TOR being developed

- 2.8. 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).
- 2.9. 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.
- 2.10. 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.
- 2.11. 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.
- 2.12. 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.
- 2.13. The issues arising from the reports and the implementation of associated recommendations will be considered as part of the Annual Governance Statement process.
- 2.14. 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 will complete sufficient direct assurance work supported by assurances gained through other areas of internal audit work to deliver the Annual Internal Audit Opinion for 2024/25.

Schools

- 2.15. 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.
- 2.16. The School's Audit Programme for 2024/25 was agreed by both the Interim Executive Director of Resources, Section 151 Officer and the Director for

Education, Strong Start and Integration and, will be a review of SFVS returns submitted by schools against the actual controls in place.

- 2.17. This year's programme is the first year of a rolling programme of school audits that ensures all schools are subject to audit at least every 5 years.
- 2.18. The work will be completed during quarter 4 of the current year and quarter 1 of 2025/26. This is timed to provide assurance to the Section 151 Officer and facilitate the signing of the Annual Assurance Statement.
- 2.19. Individual reports will be 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.
- 2.20. Consolidated findings and recommended actions and improvements will be shared with all maintained schools through the "Schools Bulletin" and the "Director's Report".
- 2.21. Findings from all areas inform a consolidated schools report which provides assurance to the Interim Executive Director of Resources, Section 151 Officer and the Director for Education, Strong Start and Integration.

Supporting Corporate Governance

- 2.22. 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).
- 2.23. During the year, and as previously reported in the 2023/24 Internal Audit Annual Report, Internal Audit has coordinated, on behalf of Management, the production of the Council's AGS for 2023/24.
- 2.24. The draft AGS 2023/24 was presented to Audit & Governance Committee in July 2024, and an update was provided to the December committee, and the final version will be presented in February 2025.

Consultancy and Advice

- 2.25. 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.
- 2.26. 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.

- Membership of various programme boards such as Household Support Fund (HSF), UK Shared Prosperity Fund (UKSPF), and Transactional Shared Service (TSS)
- 2.27. 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

- 2.28. 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.
- 2.29. During 2024/25, this included work on the following grants, which were successfully signed off and submitted to the appropriate funding body:

Table 5: Grants Certified during 2024/25 as at 31 December 2024

Grant Certified	Funding Body	Amount
Contain Outbreak Management	UKHSA	£12,729,001.63
Multiply	DfE	£414,482.57
Growth Hub Grant (LEP/ECW)	DBT	£261,000.00
Skills Bootcamp Grant (LEP/ECW)	DfE	£2,794,310.00
Local Transport Capital Block Funding (Pot Hole Fund)	DfT	£9,776,600.00
Local Transport Capital Block Funding (Integrated Transport and Highway Maintenance)	DfT	£9,252,000.00
Bus Subsidy Revenue Grant	DfT	£347,865.00
Disabled Facilities Grant	MHCLG	£2,546,625.00
Family Focus	DWP	£344,000.00
Total		£38,465,884.20

- 2.30. 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.
- 2.31. 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

- 2.32. 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.
- 2.33. 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.
- 2.34. The work was completed, and a report issued during June 2024.

3. Implementation of Audit Recommendations

- 3.1. 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.
- 3.2. 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.
- 3.3. Following concerns over the implementation of actions, the Committee has previously been informed of a change in approach to follow ups.
- 3.4. Auditors contact action owners on a monthly basis to seek an update on progress in implementing all actions, including those that have yet to reach their agreed implementation date. This is then reported to Executive Directors and the Chief Executive to increase visibility of actions across senior management. This approach has been endorsed by CLT along with an agreement that any extension to agreed implementation dates will be approved by the appropriate Executive Director.

3.5. Details of implemented actions are provided below alongside the figures from the end of 2023/24:

Table 6: Implementation of Agreed Audit Actions - 2021/22 to 31/01/2025

Action Status	No of Actions (31/01/2025)	No of Actions (31/03/2024)
Total actions agreed	279	151
Completed actions	199	50
Superseded actions	11	11
In progress (not yet due)	12	48
In progress (passed agreed date)	57	42

3.6. Analysis of the figures in Table 5 above shows that 75% of all actions due have now been implemented compared to 49% at the end of the previous financial year. This demonstrates an improvement in this area which is expected to improve further as the more robust follow up process continues to become established.

3.7. It is noted, however, that the number if actions having exceeded the agreed implementation date remains high and this is an area that requires additional focus to ensure that all agreed implementation dates are achievable as well as timely. This was discussed at a recent CLT meeting where it was agreed that all implementation dates would be signed off by the appropriate Executive Director when audit reports are issued.

3.8. Members of CLT are now receiving monthly updates on the position of internal audit actions relevant to their areas, with the Audit Manager attending directorate management teams to discuss any issues with implementation. Additional information in relation to the implementation of actions will continue to be provided in future Internal Audit update reports as our approach to follow up work develops further.

4. Internal Audit Performance

4.1. Internal Audit’s performance is measured against performance indicators which are detailed in Table 7.

Table 7: Performance Indicators to date

Performance Indicator	2024/25 Actual to date	2024/25 Target	2023/24 Actual	Comments on 2024/25 Actuals
% of Audits completed to user’s satisfaction	100%	95%	96%	Above target
% of significant recommendations agreed	100%	95%	100%	Above target

Chargeable Time (Assurance Work)	86%	85%	89%	Above target
Draft report produced promptly (per Client Satisfaction Form)	100%	95%	93%	Above target

5. Public Sector Internal Audit Standards (PSIAS)

- 5.1. The PSIAS require that an external assessment of an organisation’s internal audit function is carried out once every five years by a qualified, independent assessor or assessment team from outside of the organisation. External assessments can be in the form of a full external assessment, or a self-assessment with independent external validation.
- 5.2. The North West Chief Audit Executives’ Group (NWCAE) has established a ‘peer-review’ process that is managed and operated by the constituent authorities. This process addresses the requirement of external assessment by ‘self-assessment with independent external validation’.
- 5.3. Internal Audit has completed a self-assessment of compliance against the Standards and the independent external validation process is currently taking place.
- 5.4. The external review is being undertaken by the Chief Audit Executives from Warrington and Salford Councils and Isle of Anglesey Council and the outcome will be reported to the Audit and Governance Committee following receipt of their report.
- 5.5. The new Global Internal Audit Standards (GIAS) came into effect in January 2025 with the UK Public Sector working to an April 2025 implementation date.
- 5.6. To support this transition from PSIAS to GIAS, in December 2024 CIPFA published an application note: Global Internal Audit Standards in the UK Public Sector. Taken together, the Global Internal Audit Standards and the Application Note will form the basis of UK public sector internal audit effective from 1 April 2025.
- 5.7. CIPFA published the “Code of Practice on the Governance of Internal Audit in UK local government” in early February. The Code is applicable to audit committees and senior management in local government bodies.
- 5.8. Members of the Committee will be provided with a briefing on the implications of the change in standards and the new Code prior to them coming into effect on 1 April 2025.