

Internal Audit Plan Update Q1-Q2 2025/26

1. Introduction

- 1.1. In accordance with the Global Internal Audit Standards, Domain III (Governing the Internal Audit Function), the Internal Audit Plan Update Q1-Q2 2025/26 provides the Audit & Governance Committee with details of work undertaken by internal audit 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. In common with 2023/24, the Head of Audit Risk and Assurance's opinion as the Chief Audit Executive on the Council's framework for governance, risk management and internal control for 2024/25 was given as "limited". However, it did recognise a positive direction of travel year on year.
- 1.4. At this point in the delivery of the plan, and conscious that the areas included in the plan are different again, it is not possible to provide an indication as to the opinion for 2025/26.
- 1.5. However, it is encouraging to see that the significant improvement in the timely implementation of internal audit actions recognised in the previous year has continued into 2025/26, 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 September 2025, 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, 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 - Completed and ongoing

- 2.2. The figures detailed in **Table 1** below recognise final reports issued by 30 September 2025.
- 2.3. Details of the reports issued as final at the end of September 2025 are included in **Table 3** below, 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.

- 2.4. Details of ongoing work at the end of September 2025 is included in **Table 4** below, with an indication of the status of each review at the end of quarter 2.
- 2.5. Details of planned work for the remainder of 2025/26 is detailed in **Table 5** below, with an indication of the intended scope of each review.

Table 1: Reports to date by assurance level

Assurance Level	2025/26 (to 30/09/2025)	2024/25 Full Year	2023/24 Full Year
Good	1	8	4
Satisfactory	0	6	6
Limited	2	7	13
No Assurance	0	0	1
Total	3	21	24

- 2.6. In addition to the reports detailed above, the following 5 draft reports that were included in the 2024/25 Annual Opinion, were progressed and issued in final:
 - Officer Decision Records
 - Accounts Payable
 - General Ledger
 - Payments to Foster Carers
 - SEN Tribunal Process
- 2.7. A summary comparison of coverage of the 2025/26 Audit Plan with actuals for the year is shown in **Table 2**, with comments on variances.
- 2.8. A review of the work undertaken alongside that planned for second half of 2025/26 has identified no significant variances that need to be brought to the attention of the Committee.

Table 1: Summary Comparison of Audit Plan 2025/26 and Actuals to date

Area of Plan		Original Plan		Original Plan – pro-rata to 30/09/25	Actuals – to 30/09/2025		Comments on coverage
		Days	%		Days	%	
Chargeable Days		1163		582	573		Broadly on target
Less: Corporate Work		116		58	48		Broadly on target
Available Audit Days:		1047	100%	524	525	100%	
Corporate Governance and Risk		105	10%	53	43	8%	Broadly on target
Anti-Fraud and Corruption	Proactive Work	31	3%	16	19	3%	On target
	Reactive Investigations	31	3%	16	0	0%	No investigations
Resources		346	33%	173	208	40%	Weighted to Q1/2
Adults, Health & Integration		115	11%	57	75	14%	Weighted to Q1/2
Children's Services		115	11%	57	74	14%	Weighted to Q1/2
Place		105	10%	52	42	8%	Broadly on target
Providing Assurance to External Organisations		31	3%	16	15	3%	Broadly on target
Advice & Guidance		42	4%	21	15	3%	Broadly on target
Other Chargeable Work		126	12%	63	34	7%	Demand varies throughout the year
	Total Audit Days	1047	100%	524	525	100%	

Table 3: Summary of Final Assurance Reports 2025/26 to 30 September 2025

Audit Report	Reason for and scope of Review	Audit Assurance Opinion	Comments	Summary of Findings – (Limited /No Assurance Reports Only)
ICT Gemini Programme Phase 2	Identified via Audit Plan The review sought assurance that good governance arrangements identified in the review of Phase 1 were continuing.	Good	Controls operating effectively	
SEND Self Evaluation Framework (SEF)	Identified via Audit Plan. The review covered the effectiveness of the processes and controls in place to ensure that the development and review of the SEF is being managed effectively	Limited	All actions agreed with management and a revised SEF is being prepared.	The review identified issues in relation to: • Lack of formal procedure notes to ensure continuity, supporting knowledge retention within the service, and consistency in data across future versions of the SEF. • Lack of a comprehensive evidence pack to support the SEF.
Leavers – equipment and system accesses	To review the processes for ensuring that equipment is returned and system accesses are removed in a timely manner.	Limited	All actions agreed with management.	The review identified issues in relation to: • Inconsistency in the submission of requests to close ICT access. • There is no central log of equipment issued to individual officers.

Audit Report	Reason for and scope of Review	Audit Assurance Opinion	Comments	Summary of Findings – (Limited /No Assurance Reports Only)
				Inconsistencies in applying the 'Leavers Checklist' leading to instances where equipment was not returned.

2.9. The following audits, as listed in Table 4, were ongoing at 30 September 2025 with work continuing during quarter 3.

Table 4: Ongoing Internal Audit Assignments at 30 September 2025

Audit	Scope of Review	Status
LGO Complaints - Adults	To review the effectiveness of the processes in place to ensure appropriate learning form LGO findings	Fieldwork being completed
Commercial Properties	To review the effectiveness of the management and administration arrangements for rental of the Council's commercial property portfolio	Fieldwork underway
Capital Budget Monitoring	To review the effectiveness of the processes in place for monitoring capital budgets	Fieldwork underway
Payroll	To seek assurance that effective and robust systems and processes are in place to manage the payroll through the Unit 4 system	Fieldwork underway
Accounts Receivable	To seek assurance that effective systems and processes are in place for raising invoices through the Unit 4	Terms of reference being agreed

	accounts receivable system and are operating consistently across the council.	
Adult Social Care Charging Policy	Post implementation review of the new ASC Charging Policy to ensure that the operation of the new procedures and processes are delivering in line with policy expectations	Report being drafted
Schools Consolidated Report	Report to summarise the findings from the wider school programme for wider distribution	Report being drafted

2.10. The following audits, as listed in **Table 5**, will be undertaken during the remainder of 2025/26.

Table 5: Planned Work for remainder of 2025/26

Audit	Scope of Review	Status
Direct Payments	To review the effectiveness of the controls in place to manage the allocation, monitoring, and review of direct payments within Adults, Health and Integration	Scope of work at planning stage
Highways	To review the governance arrangements, and controls in place to manage the Highways contract	Scope of work at planning stage
Schools Programme	To complete the 2025/26 schools audit programme and production of the consolidated schools report for wider distribution	Scope of work at planning stage
Section 106 Follow Up	To seek assurance that the implementation of actions arising from the previous internal audit review have achieved the expected improvements	Scope of work at planning stage
Compliance with Procurement Act	To seek assurance that procurement activity is conducted in accordance with the requirements of the Procurement Act	Awaiting allocation

Council Tax/NDR Billing Reconciliations	To confirm the accuracy of the annual billing reconciliations	Awaiting allocation
Digital Transformation	To seek assurance on the progress, governance and control environment of the digital transformation projects to date and to evaluate the extent to which legacy systems, processes, policies and working practices have been effectively integrated to support the implementation of new digital capabilities.	Awaiting allocation
ICT Security	Scope to be determined following completion of work to finalise assurance map. It is likely that specialist resource will be required to undertake this work	Update of assurance map is underway
Performance Management - data quality	To provide assurance on the availability, suitability and accuracy of the data sets which are used in the Council's performance management framework	Not yet started
Transformation Programme	To provide assurance around the progress made to date and the effectiveness of the programme in achieving the desired outcomes	Not yet started

- 2.11. 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).
- 2.12. 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.
- 2.13. 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.
- 2.14. 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.
- 2.15. 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.
- 2.16. The issues arising from the reports and the implementation of associated recommendations will be considered as part of the Annual Governance Statement process.
- 2.17. 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 2025/26.

Schools

- 2.18. 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.

- 2.19. The School's Audit Programme for 2025/26 will be agreed by both the Executive Director of Resources Section 151 Officer and the Interim Director for Education, Strong Start and Integration and, is intended to be a review of income, expenditure and budget monitoring.
- 2.20. This year's programme is the second year of a rolling programme of school audits that ensures all schools are subject to audit at least every 5 years.
- 2.21. The work will be completed during quarter 4 of the current year and quarter 1 of 2026/27. This is timed to provide assurance to the Section 151 Officer and facilitate the signing of the Annual Assurance Statement.
- 2.22. 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.
- 2.23. Consolidated findings and recommended actions and improvements will be shared with all maintained schools through the "Schools Bulletin" and the "Director's Report".
- 2.24. Findings from all areas inform a consolidated schools report which provides assurance to the Interim Executive Director Resources (s151) and the Interim Director of Education, Strong Start and Integration.

Supporting Corporate Governance

- 2.25. 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).
- 2.26. During the year, and as previously reported in the 2024/25 Internal Audit Annual Report, Internal Audit has coordinated, on behalf of Management, the production of the Council's AGS for 2024/25.
- 2.27. The draft AGS 2024/25 was presented to Audit & Governance Committee in July 2025, and the final AGS 2023/24 was approved by Audit & Governance Committee in September 2025.
- 2.28. The final AGS 2024/25 will be presented to Audit & Governance Committee at their February 2026 meeting to align with the backstop deadlines for the approval of the 2024/25 Financial Statements.

- 2.29. In May 2025, CIPFA and SOLACE issued an addendum to the 2016 Delivering Good Governance Framework, applying from 2025/26 onwards which will require changes in the format of the AGS. It is intended to adapt the final 2024/25 AGS to meet these requirements.

Consultancy and Advice

- 2.30. 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.
- 2.31. 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)
- 2.32. By providing this service, internal audit can ensure that processes are supported by appropriate controls to mitigate identified risks associated with the activity at the outset of change or development, providing far more valuable input to the service and wider control environment overall.

Grant Certifications

- 2.33. 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.
- 2.34. During 2025/26, this has included work on the following grants, which were successfully signed off and submitted to the appropriate funding body:

Table 6: Grants Certified during 2025/26 as at 30 September 2025

Grant Certified	Funding Body	Amount
Multiply	DfE	£513,314.86
Growth Hub Grant (ECW)	DBT	£261,000.00
Skills Bootcamp Grant (ECW)	DfE	£2,190,747.70
Bus Subsidy Revenue Grant	DfT	£347,856.00
Homes Upgrade Phase 2	BEIS-DENSZ	£2,879,154.00

Local Transport Capital Block Funding (Pothole Fund)	DfT	£5,799,000.00
Local Transport Capital Block Funding (Integrated Transport and Highway Maintenance)	DfT	£9,252,000.00
Local Transport Network North Re-allocated HS2 Capital Funding 2024/25 Financial Year	DfT	£1,658,000.00
Total		£22,901,072.56

- 2.35. 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.
- 2.36. 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

- 2.37. 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.
- 2.38. 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.
- 2.39. The work was completed, and a report issued during June 2025.

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 several 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. The follow up process requires auditors to contact action owners monthly 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.

Table 7: Implementation of Agreed Audit Actions – 30 September 2025

Department	Outstanding Actions	Overdue	Not Yet Due
Adults, Health and Integration	1	0	1
Chief Executive’s Office	18	1	17
Children’s Services	13	4	9
Place	0	0	0
Resources	10	0	10
Total	42	5	37

- 3.4. The table above demonstrates that at the end of September 2025 only 12% of outstanding actions were overdue for implementation. Each of these actions has been raised with the appropriate Executive Director, and progress made in ensuring their timely implementation.
- 3.5. Members of CLT receive 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 8: Performance Indicators to date

Performance Indicator	2025/26 Actual to date	2025/26 Target	2024/25 Actual	Comments on 2024/25 Actuals
% of Audits completed to user's satisfaction	100%	95%	100%	Above target
% of significant recommendations agreed	100%	95%	100%	Above target
Chargeable Time (Assurance Work)	84%	85%	86%	Broadly on target
Draft report produced promptly (per Client Satisfaction Form)	100%	95%	100%	Above target

5. Global Internal Audit Standards (GIAS)

- 5.1. 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.
- 5.2. 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 form the basis of UK public sector internal audit effective from 1 April 2025.
- 5.3. 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.
- 5.4. Members of the Committee have recently received a briefing on the implications of the change in standards and the new Code, and the internal

audit team are currently working on the changes required prior to completing a self-assessment against the GIAS in the new year.

- 5.5. Further information will be provided to the Committee as the new standards are embedded within the work of the team.