

Audit and Governance Committee

Agenda

Date:	Monday, 24th February, 2025
Time:	10.00 am
Venue:	Capesthorne Room, Macclesfield Town Hall

The agenda is divided into 2 parts. Part 1 is taken in the presence of the public and press. Part 2 items will be considered in the absence of the public and press for the reasons indicated on the agenda and at the foot of each report.

It should be noted that Part 1 items of Cheshire East Council decision making meetings are audio recorded and the recordings will be uploaded to the Council's website

PART 1 – MATTERS TO BE CONSIDERED WITH THE PUBLIC AND PRESS PRESENT

1. **Apologies for Absence**

To note any apologies for absence from Members.

2. **Declarations of Interest**

To provide an opportunity for Members and Officers to declare any disclosable pecuniary interests, other registerable interests, and non-registerable interests in any item on the agenda.

3. **Minutes of Previous Meeting** (Pages 3 - 8)

To approve as a correct record the minutes of the meeting held on 5 December 2024.

For requests for further information

Contact: Nikki Bishop, Democratic Services Officer

Tel: 01270 686462

E-Mail: nikki.bishop@cheshireeast.gov.uk

4. **Public Speaking Time/Open Session**

In accordance with paragraphs 2.24 of the Council's Committee Procedure Rules and Appendix on Public Speaking a total period of 15 minutes is allocated for members of the public to put questions to the committee on any matter relating to this agenda. Each member of the public will be allowed up to two minutes each to speak, and the Chair will have discretion to vary this where they consider it appropriate.

Members of the public wishing to speak are required to provide notice of this at least three clear working days' in advance of the meeting and should include the question with that notice.

5. **Action Log** (Pages 9 - 10)

To receive an update on the committee action log.

6. **External Auditors - Audit of Accounts 2023-24**

Paper to follow.

7. **Annual Governance Statement 2023-24 (Verbal Update)**

To receive a verbal update on the Annual Governance Statement 2023-24.

8. **Internal Audit Plan 2024-25 - Progress Update** (Pages 11 - 30)

To receive an update on the Internal Audit Plan 2024-25.

9. **Work Programme** (Pages 31 - 32)

To consider the Work Programme.

Membership: Councillors B Drake, S Adams, M Beanland (Chair), K Edwards (Vice-Chair), A Heler, C Hilliard, G Marshall, P Redstone and J Snowball

CHESHIRE EAST COUNCIL

Minutes of a meeting of the **Audit and Governance Committee**
held on Thursday, 5th December, 2024 in The Capesthorne Room - Town
Hall, Macclesfield SK10 1EA

PRESENT

Councillor M Beanland (Chair)
Councillor K Edwards (Vice-Chair)

Councillors B Drake, S Adams, A Heler, C Hilliard, G Marshall, P Redstone
and J Snowball and Mrs J Clark.

OFFICERS IN ATTENDANCE

Janet Witkowski, Governance, Compliance and Monitoring Officer
Adele Taylor, Interim Executive Director Resources and S151 Officer
Josie Griffiths, Head of Audit, Risk and Assurance
Michael Todd, Acting Internal Audit Manager
Tom Shuttleworth, Interim Director of Environmental Services and Planning
Nikki Bishop, Democratic Services Officer

ALSO IN ATTENDANCE

Dan Spiller, External Auditor, Ernst & Young
Hassan Rohimun, External Auditor, Ernst & Young

42 APOLOGIES FOR ABSENCE

Apologies were received from Mr Ron Jones.

43 DECLARATIONS OF INTEREST

There were no declarations of interest.

44 MINUTES OF PREVIOUS MEETING

The committee noted the technical issues with the live broadcasting system experienced during the last meeting and that an officer report would be considered by the Corporate Policy Committee in February 2025, in response to a Notice of Motion relating to the broadcasting of public meetings.

RESOLVED:

That the minutes of the meeting held on 30 September 2024 be approved and signed by the Chair.

45 PUBLIC SPEAKING TIME/OPEN SESSION

There were no registered speakers.

46 ACTION LOG

The committee considered the action log. The following updates were provided:

- It was confirmed that further training would be provided for committee members alongside the finalisation of the Statement of Accounts 2023-24. Completion of the final Statement of Accounts for 2022-23 was very near, with one final outstanding issue relating to the Pension Fund, it was anticipated that this matter would be resolved imminently. All other matters raised by Mazars had been confirmed as completed/closed.
- The committee noted the statutory backstop dates introduced by Government earlier this year as a result of growing delays for local authorities across the country to finalise accounts. The backstop date for 2022-23 was nearing (13 December 2024), but it was expected that this deadline would be met. Significant work was underway to meet 2023-24 account deadlines (28 February 2025). Council officers continued to work closely with its external auditors, Ernst & Young (EY) to ensure that backstop dates would not impact the 2024-25 accounts (backstop deadline of 27 February 2026).
- A Teams Channel had been developed for the committee which would contain various helpful documents, good practice notes and guidance for the committee, as previously requested. This channel was still being developed by officers however the channel, along with guidance on how to use it, would be shared with the committee in the near future.

RESOLVED:

That the updates provided be noted.

47 UPDATE ON S106 IMPROVEMENT PLAN (VERBAL UPDATE)

The committee received a verbal update in relation to the internal audit report completed on S106 payments. This no assurance report had identified 30 actions in order to improve the control environment. Out of the 30 actions identified, only one remained outstanding which related to the quarterly reporting of S106 payments to the Environment and Communities Committee, which was anticipated to be resolved by January 2025. A further audit would be scheduled for Summer 2025, once new processes had been embedded across the service, to receive assurances that the actions undertaken had achieved the improvements needed. The Internal Audit Manager took the opportunity to thank staff within the

planning service for their engagement and positive attitude throughout the process.

S106 ward member reports were shared in October 2024, and it was anticipated that these would be issued bi-annually, alongside system access training for members. Once the initial phase of improvement work had concluded, work would progress to move forward with a publicly accessible report on S106.

Concerns were raised in relation to accessing planning applications following a change to a different ICT system. It was confirmed that the service continued to work with its supplier to address initial teething issues since the implementation of the new software. This work would continue over the coming months. It was confirmed that whilst there was a small backlog of planning applications to be published, these did continue to be processed and mitigation measures were in place to ensure that this issue was being proactively addressed. The issues experienced by members of the public related to the ability to display and filter applications. A solution to this had been developed and is undergoing testing. Members queried if there had been a reduction in planning applications since the introduction of the system – officers committed to providing a written response.

RESOLVED:

That the Audit and Governance Committee note the verbal update provided.

48 MONITORING OFFICER ANNUAL REPORT 2023-24

The committee considered the report which provided information and assurance on key aspects of the Monitoring Officer's responsibilities, both statutory and organisationally, during 2023-24.

Work was underway to refresh the Member Development Strategy which would be brought to the Audit and Governance Committee along with a revised training offer for approval, once completed. Members agreed that the committee should have oversight of member training and champion this revised training programme once approved. The committee made a number of comments, as summarised below:

- Training via teams should be recorded and made available where possible, to support current and future elected members. Members agreed that there needed to be flexibility around the scheduling of training to assist those members who had work commitments.
- Scrutiny training was a priority for service committees, and this should be factored into the refreshed strategy.
- Members noted that the revised Whistleblowing Policy would be considered by the committee in March 2025 and that a small working group would be set-up early in the New Year to commence the process.

RESOLVED:

That the Audit and Governance Committee

1. Note the content of the Annual Monitoring Officer Report for 2023-24, and the assurances this provides on the responsibilities of the statutory role.

49 AUDIT AND GOVERNANCE COMMITTEE ANNUAL REPORT 2023-24

The committee considered the report which set out the proposed Annual Report of the Audit and Governance Committee 2023-24, the final agreed version would be presented to Full Council in February 2025.

The committee welcomed the report and the detail which reflected well the work undertaken over the last year. The committee thanked officers for their support.

RESOLVED (unanimously):

That the Audit and Governance Committee

1. Approve the final version of the Annual Report of the Audit and Governance Committee which will be presented at the February 2025 meeting of Full Council.

50 ANNUAL GOVERNANCE STATEMENT 2023-24 UPDATE

The committee considered the report which provided assurance on the progress of actions originally identified within the 2023-24 draft Annual Governance Statement (AGS) in July 2024 to improve governance arrangements and to respond to emerging issues.

The report proposed that the issues relating to Health and Social Care Integration and Planning be removed from future statements, in light of the significant progress being made in these areas as set out within the report. It was confirmed that items that were proposed to be removed from the AGS would continue to be closely monitored by the appropriate senior officer to ensure effective governance and compliance in these areas.

The committee raised concerns in relation to this proposal. Members felt that the technical issues relating to the new planning software and the national pressures affecting adult's health and social care were significant and needed to remain on the AGS to ensure the committee had oversight in these areas.

It was proposed that these items remained as significant governance issues within the Annual Governance Statement. This was supported by the committee as a friendly amendment.

RESOLVED (unanimously):

That the Audit and Governance Committee

1. Approve the updates provided on the significant issues reported in the draft 2023-24 Annual Governance Statement, subject to the significant items relating to Health and Social Care Integration and Planning remaining on future statements.

51 MINUTES OF SUB COMMITTEES

The committee received the minutes of the Hearing Sub Committee held on 8 December 2024.

It was acknowledged that there had been a delay in the committee receiving the minutes of this Sub Committee however moving forward, any Hearing Sub Committee minutes would be routinely reported back to the Audit and Governance Committee in future as set out within the Constitution's Procedural Rules.

RESOLVED:

That the minutes of the Hearing Sub Committee held on 8 December 2021 be received and noted.

52 WORK PROGRAMME

The committee considered the Work Programme. The following updates were noted:

- Update on Planning System Implementation – the committee agreed it would be helpful to receive an update on the implementation of the new planning software, following initial teething issues as discussed in today's meeting. It was agreed that this should be added to the Work Programme.
- Revised Member Training Strategy / Programme – the committee welcomed the opportunity to have oversight and champion the revised strategy / programme and requested that this be added to the Work Programme for consideration at the appropriate time.
- The committee discussed the recent decision taken by the Children and Families Committee in relation to school catering and raised concerns in relation to the governance process this had followed, and its subsequent impact on the Adults and Health Committee. The Monitoring Officer confirmed that appropriate governance processes were in place and set out in the Constitution for matters that covered more than one service committees remit. The Monitoring Officer committed to investigating this specific issue and reporting back to the committee.

RESOLVED:

That the Work Programme be received and noted.

53 URGENT ITEM OF BUSINESS - EXTERNAL AUDIT PLANNING REPORT 2023-24

In accordance with Section 100B(4)(b) of the Local Government Act 1972, the Chair had agreed that this item could be considered as an item of urgent business as it could not wait until the next scheduled meeting of the Committee to ensure that the committee undertook its duty, as set out within the Constitution and Committee Terms of Reference, to consider the external auditor's annual letter and relevant reports.

The committee considered the report, which set out the proposed approach and scope for the 2023-24 external audit. A summary of the significant accounting and auditing matters were outlined, along with an overview of the external auditor's risk identification for the upcoming audit. In light of the Council's financial position and not yet having reached a balanced budget position for 25-26, the inappropriate allocation of revenue expenditure to unusable reserves was identified as a key risk.

It was noted that the planning materiality had been assessed. Due to the overall risk, proximity to S144, an increase in demand of scrutiny and interest in the council and the subsequent increase of risk to EY, the overall materiality rate had been set at 1% of the council's growth revenue expenditure. Performance materiality had been set at 50% as a default for the first audit year. The committee noted and accepted the materiality figures. The committee noted the EY would report all uncorrected misstatements greater than £5k to the Audit and Governance Committee.

The report set out the initial assessment and work undertaken to date to identify risks of significant weakness in the council's arrangements for ensuring there were proper arrangements to secure economy, efficiency and effectiveness on its use of resources. Risks of significant weakness included, financial sustainability, children's services, the corporate peer challenge and insourcing of wholly owned companies.

RESOLVED:

That the External Audit Planning Report 2023-24 be received and noted.

The meeting commenced at 10.00 am and concluded at 12.30 pm

Councillor M Beanland (Chair)

Audit and Governance Committee - Action Log

Committee Date	Action	Lead Officer	Update on Progress	Status
July 2024	Draft Pre-Audited Statement of Accounts and Outturn Update 2023-24 It was agreed that a detailed briefing would be arranged for the committee on the Statement of Accounts.	Executive Director of Resources and S151 Officer	Arranged for 18 February 2025.	COMPLETED
December 2024	S106 Update Members queried if there had been a reduction in planning applications since the introduction of the system – officers committed to providing a written response.	Interim Director of Environment and Planning		
December 2024	Work Programme items to be added <ul style="list-style-type: none"> - Planning System Software – Implementation Update - Revised Member Training Strategy / Programme 	Interim Director of Environment and Planning Governance, Compliance and Monitoring Officer		
December 2024	The committee discussed the recent decision taken by the Children and Families Committee in relation to school catering and raised concerns in relation to the governance process this had followed, and its subsequent impact on the Adults and Health Committee. The Monitoring Officer confirmed that appropriate governance processes were in place and set out in the Constitution for matters that covered more than one service committees remit. The Monitoring Officer committed to investigating this specific issue and reporting back to the committee.	Governance, Compliance and Monitoring Officer		

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OPEN

Audit and Governance Committee

24 February 2025

Internal Audit Plan Update Q1 – Q3 2024/25

Report of: Janet Witkowski, Acting Governance, Compliance and Monitoring Officer

Report Reference No: AG/33/24-25

Ward(s) Affected: All

Purpose of Report

1 The purpose of this report is for the Committee to receive an update on work undertaken by Internal Audit between April and December 2024 and how this, along with planned work for the remainder of the financial year will contribute to the Annual Internal Audit Opinion for 2024/25.

2 This report is produced in accordance with the requirements of the Constitution and the committee's terms of reference which state that:

The Audit and Governance Committee are to consider reports from the Head of Audit, Risk and Assurance on internal audit's performance during the year, including:

- a. Updates on the delivery of the audit plan, including key findings, issues of concern and monitoring the actions taken in response to internal audit recommendations.
- b. Reports on Internal Audit's effectiveness and compliance with the Quality Assurance and Improvement Programme (QAIP), including conformance with the Public Sector Internal Audit Standards (PSIAS) and the Local Government Application Note (LGAN), and the results of the external assessment review of Internal Audit when due. Consider whether non-conformance with PSIAS and LGAN is significant enough that it must be included in the AGS.

Executive Summary

- 3 The report details work undertaken by Internal Audit during quarters 1 to 3 of 2024/25 along with details of performance against the audit plan and other indicators. It also sets out work underway at the end of the period along with planned work for the remainder of the financial year.

RECOMMENDATIONS

The Audit and Governance Committee is recommended to:

1. Note and consider the contents of the Internal Audit Plan Update Q1-Q3 2024/25 (Appendix 1).

Background

- 4 The Public Sector Internal Audit Standards (PSIAS) Local Government Application Note states that, “in addition to the annual report, the Chief Audit Executive should make arrangements for interim reporting to the organisation in the course of the year. Such interim reports should address emerging issues in respect of the whole range of areas to be covered in the annual report and hence support a ‘no surprises’ approach, as well as assist management in drafting the Annual Governance Statement”.
- 5 The interim report contains the following:
- (a) a summary of the audit work carried out in Q1, Q2 and Q3 2024/25.
 - (b) comparison of the work undertaken with the work that was planned and a summary of the performance of the internal audit function against its performance measures and targets.
 - (c) a summary of work that is currently ongoing along with work planned to be undertaken by the end of the financial year.
- 6 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 Council, via the Audit and Governance Committee, that these arrangements are in place and operating properly. The annual internal audit opinion informs the Annual Governance Statement. The Council’s response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the Council’s objectives.

- 7 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.
- 8 A report summarising the work undertaken, the issues identified, and the actions required is produced for each review undertaken. The process of reviewing the report from draft to final ensures that the findings are confirmed to be factually accurate, and that the management actions will result in improvements to the control environment. Draft reports are agreed with the appropriate managers, and the Final reports are shared with the relevant Executive Director and the Chief Executive. The implementation of agreed actions is monitored through the follow up process, and performance in this area is reported regularly to the Corporate Leadership Team and the Committee.

Consultation and Engagement

- 9 The Internal Audit Plan Update Q1-Q3 2024/25 has been considered by Corporate Leadership Team.

Reasons for Recommendations

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

Other Options Considered

- 12 None applicable.

Option	Impact	Risk
Do nothing.	Failure to provide Audit and Governance Committee with an update on the performance of Internal Audit.	Failure to comply with the Public Sector Internal Audit Standards.

Implications and Comments

Monitoring Officer/Legal

- 13 All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit Regulations 2015. The latter states that authorities “must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.
- 14 The guidance accompanying the Regulations recognises that with effect from 1st April 2013, the Public Sector Internal Audit Standards (PSIAS) represent “proper internal audit practices”. The PSIAS apply to all internal audit service providers within the UK public sector.

Section 151 Officer/Finance

- 15 In accordance with the PSIAS, the Audit and Governance Committee should ensure that the function has the necessary resources and access to information to enable it to fulfil its mandate and is equipped to perform in accordance with appropriate professional standards for internal auditors.
- 16 The Internal Audit Plan 2024/25 was prepared, based on known resources, to cover the core areas of work required to deliver an annual audit opinion. Resource availability is subject to regular review as part of monitoring progress against the plan.
- 17 If an imbalance between the two arises the Committee will be informed of proposed solutions. Matters that jeopardise the delivery of the audit plan or require significant changes to it will be identified, addressed, and reported to the Committee.

Policy

- 18 There are no direct implications for policy.

An open and enabling organisation (Include which aim and priority)	A council which empowers and cares about people (Include which aim and priority)	A thriving and sustainable place (Include which aim and priority)
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Equality, Diversity and Inclusion

- 19 There are no direct implications for equality, diversity and inclusion.

Human Resources

- 20 There are no direct implications for human resources.

Risk Management

- 21 Delivery of an appropriately balanced and focused Internal Audit Plan supports the Council's ability to effectively and efficiently identify and manage its risks, with the implementation of recommended actions designed to deliver improvements in governance and the control environment.

Rural Communities

- 22 There are no direct implications for rural communities.

Children and Young People including Cared for Children, care leavers and Children with special educational needs and disabilities (SEND)

- 23 There are no direct implications.

Public Health

- 24 There are no direct implications for public health.

Climate Change

- 25 There are no direct implications for climate change.

Access to Information	
Contact Officer:	Josie Griffiths, Head of Audit, Risk and Assurance Email: josie.griffiths@cheshireeast.gov.uk
Appendices:	Appendix 1 – Internal Audit Plan Update Q1-Q3 2024/25
Background Papers:	N/A

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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 from 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 of 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.

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Audit and Governance Committee 2024-25 Work Programme

Report Reference	Audit & Governance Committee	Title	Purpose of Report	Lead Officer	Consultation	Equality Impact Assessment	Corporate Plan Priority	Part of Budget and Policy Framework	Exempt Item
AG/33/24-25	24/02/25	Internal Audit Plan 24/25 - Progress Update	This report will provide the Committee with an update on the work undertaken to date on the Internal Audit Plan 2024/25.	Head of Audit, Risk and Assurance	No	No	Open	No	No
AG/34/24-25	24/02/25	Annual Governance Statement 2023-24	This report provides the final Annual Governance Statement 2023/24 to the Audit and Governance Committee to approve.	Head of Audit, Risk and Assurance	No	No	Fair; Open; Green	No	No
AG/35/24-25	24/02/25	Audit of Accounts 2023/24	The External Auditors will provide the Committee with an update on the Audit of Accounts for 23/24.	Executive Director of Resources and S151 Officer	No	No	Open	No	Yes
AG/15/21-22	06/03/25	Whistleblowing Policy	This report seeks approval of the Whistleblowing Policy, to be recommended to Full Council.	Head of Audit, Risk and Assurance	Yes	No	Open; Fair	No	No
AG/03/25-26	06/03/25	Six Month Update on Requests for Information	To provide an update on requests for information as requested by Audit & Governance Committee on 30 September 2024. The report provides details of the numbers of FOI/EIR requests and data protection Subject Access Requests in the period	Head of Audit, Risk and Assurance	No	No	Open	No	No

Audit and Governance Committee 2024-25 Work Programme

			1 April 2024 - 30 September 2024, which is the six months following the previous report on 2023-2024 figures.						
AG/29/24-25	06/03/25	Unit 4 / B4B Health Check	Review across both CE and CWAC diagnosing issues relating to Unit 4 and the transactional shared service and how that impacts on the operation of our ERP (finance and HR system).	Executive Director of Resources and S151 Officer	No	No	Open; Fair; Green	No	No
AG/36/24-25	06/03/25	Certification of Housing Benefit Subsidy Claim 2022/23 and Teachers Pensions Return 2021/22	To present the outcome of the External Auditor's certification process for the 2023/24 Housing Benefit Subsidy claim and the 2023/24 Teachers' Pension End of Year Certificate (EOYC).	Executive Director of Resources and S151 Officer	No	No	Open	Yes	No