

# Internal Audit Update Report April 2024 – March 2025

(2024/25 Internal Audit Plan)

## 1. Introduction

- 1.1. In accordance with the Public Sector Internal Audit Standards, the Internal Audit Update Report April 2024 – March 2025 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 Risk and Assurance’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 was the first time since Cheshire East was established in 2009 that there has been a limitation on this opinion.
- 1.4. This reflected several 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 for the management 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. At 31 March 2025 several audits commenced during quarter 4 were nearing completion and the findings from this work will be considered in forming the annual opinion. However, it is encouraging to see significant improvement in the timely implementation of internal audit actions, which is covered in greater detail in section 9.

## 2. Summary of Audit Work to Date

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

explain the variety of audit work undertaken to support the annual audit opinion.

### 3. Assurance Work

- 3.1. A summary of the final reports issued to the end of March 25, by the audit assurance opinion given is included in **Table 1**.
- 3.2. The figures detailed in the table below recognise final reports issued by 31 March 2025. **Table 4** details audits that were being finalised at the end of the financial year with reports issued for inclusion in the Annual Internal Audit Opinion report which will be presented to Audit & Governance Committee in July 2025. The number of final reports will be consistent with the total number issued in 2023/24.

**Table 1: Final reports issued to date by assurance level**

Assurance Level	2024/25 (to 31/03/2025)	2023/24 Full Year	2022/23 Full Year
Good	5	4	5
Satisfactory	3	6	4
Limited	2	13	8
No Assurance	0	1	2
<b>Total</b>	<b>10</b>	<b>24</b>	<b>19</b>

- 3.3. 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 where appropriate.

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

Area of Plan		Original Plan		Actuals		Comments on coverage
		Days	%	Days	%	
Chargeable Days		1125		1185		Additional days due to auditor increasing working hours
Less: Corporate Work		115		95		
Available Audit Days:		1010	100%	1090	100%	
Corporate Governance and Risk		105	10%	130	12%	
Anti-Fraud and Corruption	Proactive Work	30	3%	23	2%	
	Reactive Investigations	30	3%	44	4%	
Corporate Services		330	33%	414	38%	
Adults, Health & Integration		110	11%	114	11%	
Children's Services		110	11%	147	14%	
Place		100	10%	80	7%	
Providing Assurance to External Organisations		35	3%	38	3%	
Advice & Guidance		40	4%	21	2%	
Other Chargeable Work		120	12%	79	7%	
Total Audit Days		1010	100%	1090	100%	

- 3.4. Details of the reports produced to the end of March 2025 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.
- 3.5. The audits detailed in **Table 4** were ongoing at 31 March 2025 with work continuing to finalise the reports which will be included in the Annual Internal Audit Opinion report in July 2025. An anticipated assurance level is provided.

Table 3: Summary of Final Assurance Reports 2024/25 to 31 March 2025

Audit Report	Reason for and scope of Review	Audit Assurance Opinion	Comments	Summary of Findings – (Limited /No Assurance Reports Only)
Council Tax Billing Rec 2025/26	Identified via Audit Plan  To ensure that the Council Tax bills for 2025/26 had been raised for the correct liability.	Good	Controls operating effectively	
NDR Billing Rec 2025/26	Identified via Audit Plan  To ensure that the Business Rates bills for 2025/26 had been raised for the correct liability.	Good	Controls operating effectively	
Wilmslow BID Billing Rec 2025/26	Identified via Audit Plan The review focused on the controls in place to ensure that bills for the additional Wilmslow BID levy have been calculated and raised correctly	Good	Controls operating effectively	
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	
Crewe BID Billing Rec 2025/26	Identified via Audit Plan The review focused on the controls in place to ensure that	Good	Controls operating effectively	

Audit Report	Reason for and scope of Review	Audit Assurance Opinion	Comments	Summary of Findings – (Limited /No Assurance Reports Only)
	bills for the additional Crewe BID levy have been calculated and raised correctly			
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	
Community Grants Review	Identified via Audit Plan. 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	

Audit Report	Reason for and scope of Review	Audit Assurance Opinion	Comments	Summary of Findings – (Limited /No Assurance Reports Only)
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"> <li>• Errors in completing Unit4 HR forms.</li> <li>• Errors in the use of the procurement module on Unit 4 leading to duplicate payments, and</li> <li>• Inconsistent application of the purchase card policy.</li> </ul>
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.

Table 4: Ongoing Internal Audit Assignments at 31 March 2025

Audit	Scope of Review	Status	Anticipated Assurance
Leavers – equipment/system access	To provide assurance on the effectiveness of the processes in place to ensure that equipment is returned, and system accesses are removed in a timely manner.	Report drafted	Limited

## APPENDIX A

Officer Decision Records	To provide assurance on the effectiveness of the processes in place to manage the recording of ODR's	Draft report issued to Monitoring Officer	Limited
Accounts Payable	To review the processes and controls in place for this area of Unit4	Report drafted	Limited
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	Not yet determined
Fostering	To review the processes and controls in place for ensuring the accuracy and appropriateness of payments to foster carers	Fieldwork complete, report being drafted	Limited
SEN Tribunal Process	To review the effectiveness of processes and controls in place to manage SEN tribunals	Fieldwork underway	Limited
General Ledger	To review the effectiveness of the controls in place for the management of the general ledger	Report drafted	Limited
Council Tax/NDR Refunds	To review the effectiveness of the controls in place for the calculation and payment of refunds in these areas	Report drafted	Good
LGO Findings	To review the effectiveness of the processes in place to ensure appropriate learning form LGO findings	Fieldwork underway	Not yet determined



**APPENDIX A**

Capital Budget Monitoring	To provide assurance on the effectiveness of the processes in place for monitoring capital budgets	Fieldwork underway	Not yet determined
Multiply Year 3	To facilitate sign off to confirm compliance with grant conditions by 30/04/2025	Fieldwork underway	Good
Unaccompanied Asylum-Seeking Children Grant	To provide assurance that the funding was managed and administered correctly and in line with the conditions set by the awarding body	Report drafted	Good
Elections Review	To provide assurance that mechanisms are in place for accurate and complete recording of time and expenses to support the claim made to the Ministry of Housing, Communities and Local Government (MHCLG), by the Elections Team on behalf of Cheshire East Council.	Report drafted	Satisfactory

- 3.6. The assurance levels reported include a combination of opinions at a broad level for the Council as a whole (macro-level opinion) and opinions on individual business processes or activities within a single organisation, department or location (micro-level opinion).
- 3.7. Where control weaknesses are identified, recommended actions are agreed with management to ensure that the control environment is improved to an acceptable level. Through the follow up process, Internal Audit continues to obtain assurance that all actions have been implemented.
- 3.8. It should be noted that Internal Audit's risk-based approach includes focussing on areas where issues are known or expected to exist. Clearly this approach adds value to the organisation, but, by its nature, may also result in lower overall assurance levels.
- 3.9. Where a final report is issued with a "Limited" or "No Assurance" opinion, improvement recommendations will be made. When implemented these will address the identified weaknesses and improve the control environment.
- 3.10. All actions from these audits have been agreed with management and progress on implementation will be monitored through the follow up process. Draft reports are agreed with the appropriate managers, and final reports are shared with the relevant CLT member, the Section 151 Officer, the Monitoring Officer, and the Chief Executive.
- 3.11. The issues arising from the reports and the implementation of associated recommendations will be considered as part of the Annual Governance Statement process.
- 3.12. The Audit Plan is subject to regular review to reflect the current resources available to the team. Having considered the current resources available within Internal Audit, it is concluded that the team has completed sufficient direct assurance work supported by assurances gained through other areas of internal audit work to deliver the Annual Internal Audit Opinion for 2024/25.

## 4. Schools

- 4.1. The Department for Education requires the Council's Section 151 Officer to sign off an Annual Assurance Statement. That statement confirms:

- the number of School's Financial Value Standard (SFVS) self-assessment returns received; and
  - that an appropriate audit programme is in place to provide adequate assurance over the standard of financial management, and the regularity and propriety of spending in schools.
- 4.2. 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, involves a review of SFVS returns submitted by schools against the actual controls in place.
- 4.3. 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.
- 4.4. The work was scheduled to be completed during quarter 4 of 2024/25 and quarter 1 of 2025/26. This is timed to provide assurance to the Section 151 Officer and facilitate the signing of the DfE Annual Assurance Statement.
- 4.5. 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.
- 4.6. Consolidated findings and recommended actions and improvements will be shared with all maintained schools through the "Schools Bulletin" and the "Director's Report".
- 4.7. 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.

## **5. Supporting Corporate Governance**

- 5.1. 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).
- 5.2. 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.
- 5.3. The draft AGS 2023/24 was presented to Audit & Governance Committee in July 2024 with updates provided to the December 2024 and February

2025 meetings of the committee. The final version will be presented to the committee for approval following the conclusion of the external auditors work on the 2023/24 financial statements.

- 5.4. The draft AGS 2024/25 will be presented to Audit & Governance Committee in July 2025 with progress updates provided throughout the year. The final AGS 2024/25 will be presented to the Committee for approval following the conclusion of the external auditors work on the 2024/25 financial statements.

## **6. Consultancy and Advice**

- 6.1. During the year, Internal Audit has continued to support management with the provision of advice - at the specific request of management. The nature and scope of these engagements are generally aimed at improving governance, risk management and control and contribute to the overall audit opinion as well as building good relationships across the Council.
- 6.2. During 2024/25, advice and guidance was 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)
- 6.3. 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.

## **7. Grant Certifications**

- 7.1. Internal Audit is often required to certify statutory returns and grant claims. This may be related to funding provisos or similar. In most cases the work required is either an audit or an assurance statement on a specific programme/project.
- 7.2. 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

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	£417,600.00
<b>Total</b>		<b>£38,539,484.20</b>

- 7.3. 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.
- 7.4. 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.

## 8. Work for Other Bodies

- 8.1. Since 2013, Cheshire East Council has been the host authority for the PATROL (Parking and Traffic Regulations Outside London) Adjudication Joint Committee and Bus Lane Adjudication Joint Committee, and as part of this, we provide an Internal Audit service.

- 8.2. 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.
- 8.3. The work was completed, and a report issued during June 2024.
- 8.4. The latest internal audit of PATROL is expected to be completed during quarter 1 of 2025/26.

## **9. Implementation of Audit Recommendations**

- 9.1. 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.
- 9.2. 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.
- 9.3. Following concerns over the implementation of actions, the Committee has previously been informed of a change in approach to follow ups.
- 9.4. 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.
- 9.5. 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 31/03/2025**

Action Status	No of Actions (31/03/2025)	No of Actions (31/03/2024)
Total actions agreed	298	151
Completed actions	262	50
Superseded actions	12	11
In progress (not yet due)	20	48
In progress (passed agreed date)	4	42

9.6. Analysis of the figures in Table 6 above shows that 94% of all actions due have now been implemented compared to 49% at the end of the previous financial year. This demonstrates a significant improvement in this area which is expected to continue due to the robust follow up process that is now in place.

9.7. Members of CLT are provided with 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. 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.

## 10. Work carried forward to 2025/26

10.1. The audits detailed in **Table 7** below, have been carried forward from 2024/25 into 2025/26:

**Table 7: Work carried forward to 2025/26**

Audit	Scope of Review
Implementation of Adults Social Care Charging Policy	To provide assurance that the policy has been implemented effectively and achieved the anticipated outcomes.
Adults Direct Payments	To provide assurance around the effectiveness of the systems and processes in place to ensure direct payments are well managed and controlled.
DSG High Needs Management Plan	To review progress made against the recovery plan and its achievability moving forward.

Procurement	To provide assurance in relation to compliance with the Procurement Act 2023
Accounts Receivable	To review the processes and controls in place to ensure the monies owed to the council are billed and received promptly and accurately

## 11. Internal Audit Performance

11.1. Internal Audit's performance is measured against performance indicators which are detailed in Table 8.

**Table 8: 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

## 12. Public Sector Internal Audit Standards (PSIAS)

12.1. 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.



- 12.2. 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'.
- 12.3. Internal Audit has completed a self-assessment of compliance against the Standards and the independent external validation process has taken place, and the report is awaited from the peer review team.
- 12.4. 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.
- 12.5. 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.
- 12.6. 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.
- 12.7. 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.
- 12.8. Members of the Committee will be provided with a briefing on the implications of the change in standards and the new Code during 2025/26.