

Appendix A – Chief Audit Executive Opinion Report 2024/25

1. Summary

- 1.1. Throughout 2024/25, the level of available resource within the Internal Audit team, and the application of that resource has been carefully monitored to ensure that sufficient assurance work could be undertaken to enable an annual opinion to be formed.
- 1.2. The Council's framework of risk management, governance, and internal control is assessed as "**Limited**" for 2024/25. This assessment will be referenced in the Council's draft Annual Governance Statement for 2024/25. Whilst recognising significant progress from 2023/24, the limited opinion reflects that, whilst improvements are being implemented and progressing, they are not consistently achieving the impacts required.
- 1.3. The annual audit opinion is informed by 80 recommendations, raised across 21 assurance reports. There have been no "No Assurance" reports issued during the year. "Good" assurance report numbers, have increased, albeit issued on a number of "micro" level reports. The content of the 2025/26 Internal Audit plan will be reviewed to ensure that there is sufficient focus to give ongoing assurance on the delivery of transformation projects.
- 1.4. Engagement with, and delivery of internal audit actions has improved considerably during 2024/25, with 94% of actions due from 24/25 reports having been implemented in expected timescales, compared to 48% at the end of the previous financial year. The very significant improvement in the timely implementation of actions arising from Internal Audit's work provides a very encouraging direction of travel.
- 1.5. The Internal Audit team will continue to engage with the transformation programme and individual projects to ensure that the impact of proposals for change do not undermine the overall control environment to undesirable and unsafe levels.
- 1.6. Despite the wider challenges to the organisation, it is important to recognise that the positive and constructive engagement of the Audit and Governance Committee, our Corporate Leadership Team and Wider Leadership Community with Internal Audit. We are all grateful for this support to engage with our team, and address the issues identified through our work, particularly when colleagues are also asked to support a number of other improvement focused workstreams.

2. Introduction

- 2.1. This annual report provides members with details of the work undertaken by Internal Audit for the year ended 31 March 2025. It informs on delivery against the approved annual audit plan and includes the Head of Audit Risk and Assurance's opinion, as the Chief Audit Executive's on the

Council's internal controls, as required by the Public Sector Internal Audit Standards (PSIAS).

- 2.2. The provision of this opinion contributes to the requirement of the Accounts and Audit Regulations 2015, to have internal audit "evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance."
- 2.3. The Global Internal Audit Standards (GIAS) will become effective from 2025. They will replace the existing International Professional Practice Framework (IPPF), the mandatory elements of which are the basis for the current UK public sector internal auditing standards (the PSIAS).
- 2.4. In response to the new Global Internal Audit Standards The Chartered Institute of Public Finance and Accountancy (CIPFA) have issued an Application Note which forms the basis of UK public sector internal audit effective from 1 April 2025. The effective date aligns the new standards with requirements for annual opinions and other relevant aspects of UK public sector governance which align with the financial year. For the 2024/25 financial year, the existing PSIAS based on the old International Professional Practices Framework applied. As this report considers 2024/25 financial year, all audit work was undertaken in accordance with the PSIAS.
- 2.5. As set out in the PSIAS, the Council's Chief Audit Executive (the Council's Head of Audit, Risk and Assurance) must provide an annual report to the Audit and Governance Committee - timed to support the Annual Governance Statement. This must include:
 - an annual Internal Audit opinion on the overall adequacy and effectiveness of the organisation's governance, risk, and control framework (i.e., the control environment)
 - a summary of the audit work from which the opinion is derived (including reliance placed on work by other assurance bodies), and
 - a statement on conformance with the PSIAS and the results of the Quality Assurance and Improvement Programme (QAIP).
- 2.6. It should also include:
 - disclosure of any qualifications to that opinion, together with the reasons for the qualification
 - disclosure of any impairments ('in fact or appearance') or restriction in scope
 - a comparison of the work actually undertaken with the work that was planned and a summary of the performance of the Internal Audit function against its performance measures and target
 - any issues judged particularly relevant to the annual governance statement; and
 - progress against any improvement plans resulting from QAIP external assessment.

- 2.7. Internal Audit is required to form an annual opinion on the adequacy and effectiveness of the Council's internal control environment. This includes consideration of any significant risk or governance issues and control failures that have been identified.
- 2.8. In the context of the PSIAS, 'opinion' does not simply mean 'view', 'comment' or 'observation'. It means that Internal Audit has done sufficient, evidenced work to form a supportable conclusion about the activity that it has examined.
- 2.9. Assurances given by Internal Audit are never absolute. It is impossible to examine every activity and every transaction and, audit reviews are at a point in time. The most Internal Audit can provide is a reasonable assurance that there are no major weaknesses, or that the weaknesses identified have been highlighted, and improvement plans agreed with a timetable for implementation.
- 2.10. The 2024/25 opinion has been built around the following sources of assurance:
- 2.10.1. Internal Audit Assurance Reports completed in accordance with the risk-based audit plan. In 2024/25 we are broadly consistent with both the number and coverage of assurance reports provided in comparison to the last few years. (See Table 1).
- 2.10.2. There has been no limitation placed on the scope of Internal audit work undertaken during 2024/25, and no issues have arisen in year to impair the independence or objectivity of the work undertaken.

Table 1 - Internal Audit Assurance Reports by Year and Assurance Level

Assurance Level	2024/25	2023/24	2022/23
Good	8	4	5
Satisfactory	6	6	4
Limited	7	13	8
No Assurance	0	1	2
Total	21	24	19

- 2.10.3. Grant sign off. This includes undertaking testing of expenditure to provide the required assurances to the grant funding body on the appropriate use of funds in line with the grant award criteria. In recognition of the amount of specific grant funding which has been made available to the Council during the recent years, the number of grants which have required sign off by the Head of Audit Risk and Assurance or testing by the Internal Audit to support the sign off by the Chief Executive remains considerable.
- 2.10.4. Advice, guidance, and consultancy work. Internal Audit has continued to support various services in developing systems and procedures

ensuring that appropriate and proportionate controls are included within the solution.

2.10.5. Governance arrangements. Ensuring that the organisation has effective and proportionate arrangements for decision making across the whole organisation. Internal Audit has been represented on various groups and boards tasked with ensuring that decisions are taken in accordance with the Constitution, are in the best interests of the Council and are appropriately evidenced.

2.10.6. Other sources of assurance such as external bodies and confidence in 'first and second lines of defence' arrangements.

3. Chief Audit Executive's Opinion for 2024/25

3.1. The purpose of the Chief Audit Executive's opinion is to contribute to the assurances available to 'those tasked with governance' particularly in respect of informing the Council's Annual Governance Statement (AGS).

3.2. In preparing the Opinion, it has been necessary to consider the following matters:

3.2.1. The programme of Internal Audit reviews, including opinion-based work undertaken during the year which identified that of the 80 actions raised, 31% related to a failure to apply existing controls, with a further 36% relating to where the design of controls could be improved/strengthened and 9% identifying an absence of an expected or actual control. This demonstrates a concerning breakdown of the control environment in the areas subject to review.

3.2.2. The significant governance issues identified in the AGS, including the difficult financial position of the Council, wider issues within the Planning service, and continued vacancies and interim arrangements across the executive and wider leadership structure. Whilst plans are in place to address these issues, they nevertheless pose a significant challenge to the overall system of governance, risk and internal control, particularly in the context of an organisation needing to deliver strategic change rapidly.

3.2.3. The consistent reporting on the Council's Strategic Risk Register during the year, has highlighted a number of critically rated risks which have been present for considerable periods of time. This demonstrates the considerable resource which is required to stabilise risks that threaten the achievement of strategic objectives, and the complexity and interdependencies of factors needed to manage and mitigate risks at this level.

3.2.4. The Council's application to the Secretary of State for Levelling Up for Exceptional Financial Support in 2023/24 and 2024/25 to support reserve levels returning to approximately 5% of the net revenue budget.

- 3.2.5. In September 2024, Ernst Young were appointed as the Council's external auditors. This late appointment limited the amount of work that the external auditors were able to undertake on the financial statements for 2023/24 and coupled with the receipt of objections to the accounts, resulted in the external audit not being completed. This resulted in the external auditors providing a disclaimed audit opinion for the 2023/24 accounts and a failure to meet the backstop date for publication. As a result of this and the lack of assurance in relation to the opening balances, the 2024/25 financial statements will also be disclaimed.
- 3.2.6. The continuing progress in implementing the improvement plan agreed at full Council in July 2024 following the Ofsted inspection review in February/March 2024.
- 3.2.7. The Council's implementation and progress in the action plan established following the LGA Corporate Peer Challenge, and the non-Statutory Best Value Notice received by the Council in May 2025.
- 3.3. Having taken into account the above, the Annual Opinion for 2024/25 from the Chief Audit Executive on the Council's framework of risk management, control and governance is as follows:

Risk Management

Having considered the arrangements in place for identification, recording and reporting risk both to senior management, and Members, along with the engagement and participation with the operational level risk management system, the opinion in relation to this area is **Adequate**.

Governance

Having considered the challenges to the Council's financial resilience, the Corporate Peer Challenge action plan implementation, and the transformation programme that is underway to address and improve the way in which the Council delivers value for money and outcomes for its residents, the opinion in relation to this area is **Limited**.

Internal Control

Having considered the findings from the programme of Internal Audit reviews undertaken during the year, the analysis about the nature of these findings the opinion in relation to this area is **Limited**. However, the very significant improvement in the timely implementation of actions arising from Internal Audit's work provides a very encouraging direction of travel.

Therefore, based upon these three elements, the **overall opinion on the Council's framework of risk management, governance, and internal control is Limited**.

4. Summary of Internal Audit Work

- 4.1. Audit and Governance Committee receive regular, detailed reports on the work of Internal Audit during the year. Most recently, a full report on all work undertaken during 2024/25 to date was provided to the May 2025 meeting of the Committee, along with a comparison of work undertaken against the Annual Audit Plan (Appendix B), and a summary of key findings from individual audits
- 4.2. During 2024/25, Internal Audit produced 21 assurance reports with 7 Limited assurance opinions. The breadth of work completed involves both the “micro” and “macro”; from very succinct and narrow focused areas of work, such as billing reconciliations, through to audits of complex and large systems of the organisation, with significant interdependencies and inter-related matters.
- 4.3. Details about individual reports are provided in Appendix A, including the scope of the review, the assurance opinion provided, and for limited and no assurance opinions have been provided, a summary of the findings.
- 4.4. Ten individual school audits were completed during the year to support the completion of the annual Section 151 Officer Assurance statement to the Department of Education.
- 4.5. Internal Audit is also required to certify statutory returns and grant claims. In most cases the work required is either an audit or an assurance statement where required by the funding body of a specific programme/project. In total, and as reported in detail to the May committee, Internal Audit contributed to the certification of £38,539,484.20 of funding received via nine grants. Not every grant received by the Council requires this certification.
- 4.6. During the year Internal Audit coordinated the Council’s participation in the biennial National Fraud Initiative (NFI) data matching exercise. This ensured that the appropriate data sets were submitted in line with the September 2024 deadline and in the correct format to facilitate the production of matches.
- 4.7. Following receipt of matches in December 2024, Internal Audit continues to coordinate and support services in the investigation of matches to identify potential fraud and error, and the uploading of outcomes to the NFI website.
- 4.8. A total of 2,114 matches were received and 1,804 have been cleared to date. Of these cleared matches, no fraud was identified. However, a total of 310 errors were identified resulting in £20,510 being recovered by the Council.

- 4.9. Internal Audit has also supported services in the investigation of a small number of investigations and where appropriate the reporting of these matters to the police via the Action Fraud website.
- 4.10. Internal Audit has contributed to the production of the Council's AGS for 2024/25 by:
- Coordinating assurance exercises to inform the AGS
 - Production of the draft AGS
 - Contribution to and production of Audit & Governance Committee reports which inform the AGS.
- 4.11. Finally, Internal Audit has continued to provide consultancy and advice to management on the development of new and proposed systems and initiatives to ensure that appropriate controls are built into the design of processes.

5. Implementation of Internal Audit Recommendations

- 5.1. During 2023/24, the implementation of internal audit actions was identified as an area of concern with only 48% of agreed recommendations implemented within the agreed timescales. In response to this, and as previously reported, an improved follow up process was introduced in 2024/25 with support from CLT.
- 5.2. Table 2 provides details of implemented actions at the end of 2024/25 with comparative figures for 2023/24:

Table 2 – Implementation of Agreed Internal Audit Actions

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

- 5.3. Analysis of the figures above shows that 94% of all actions due have now been implemented compared to 48% 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.

6. Conflict of Interest

- 6.1. No conflicts of interest have arisen during 2024/25. Each audit assignment is subject to an individual declaration of interest from the auditor undertaking the assignment and the audit manager. The Internal Audit Charter sets out the arrangements for auditing areas of operation that fall under the management of the Head of Audit Risk and Assurance to avoid any conflicts of interest.

7. Compliance with the Public Sector Internal Audit Standards (PSIAS)

- 7.1. Regulation 6 of the Accounts and Audit Regulations 2015 requires relevant bodies to conduct an annual review of the effectiveness of its Internal Audit and for a committee of the body to consider the findings. This review is carried out by self-assessing compliance with the Public Sector Internal Audit Standards. The PSIAS require Internal Audit to have in place a quality assurance and improvement programme which must include both internal and external assessments.
- 7.2. The external assessment of compliance with the Standards which is required every 5 years was undertaken towards the end of 2024/25, with the report detailing the outcomes pending. Once the report has been received, the outcome of this review will also be reported back to Committee. This will be supported by our action plan to ensure that we move forward in compliance with the Global Internal Audit Standards.

8. Performance Management

- 8.1. Internal Audit's performance is measured against performance indicators which are detailed in Table 3:

Table 3 – Internal Audit Performance Indicators

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

Appendix 1 – Individual Audit Assurance Reports 2024/25 Opinion

	Audit Report	Reason for and scope of Review	Audit Assurance Opinion	Comments	Summary of Findings – (Limited /No Assurance Reports Only)
1	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	
2	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	
3	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	
4	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	
5	Crewe BID Billing Rec 2025/26	Identified via Audit Plan	Good	Controls operating effectively	

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		The review focused on the controls in place to ensure that bills for the additional Crewe BID levy have been calculated and raised correctly			
6	Multiply Grant Y3	At the request of management Internal Audit carried out a review of the systems, processes and controls in place in relation to the final year of the Multiply Grant to ensure compliance with the DfE Multiply Grant Assurance Guidance	Good	Controls operating effectively	
7	Unaccompanied Asylum-Seeking Children Grant	At the request of management To provide assurance that the funding was managed and administered correctly and in line with the conditions set by the awarding body	Good	Controls operating effectively	
8	Council Tax/NDR Refunds	Identified via Audit Plan To review the effectiveness of the controls in place for the calculation and payment of refunds in these areas	Good	Controls operating effectively	

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9	Discretionary Housing Payments	<p>Identified via Audit Plan</p> <p>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</p>	Satisfactory	Controls operating effectively	
10	Multiply Grant Y2	<p>At the request of management</p> <p>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</p>	Satisfactory	Controls operating effectively	
11	Community Grants Review	<p>Identified via Audit Plan</p> <p>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</p>	Satisfactory	Controls operating effectively	
12	Elections Review	At the request of management	Satisfactory	Controls operating effectively	

Appendix 1 – Individual Audit Assurance Reports 2024/25 Opinion

	Audit Report	Reason for and scope of Review	Audit Assurance Opinion	Comments	Summary of Findings – (Limited /No Assurance Reports Only)
		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			
13	Children's Prepaid Cards	Identified via Audit Plan To review the processes and controls in place for the administration, use and monitoring of prepaid cards	Satisfactory	Controls operating effectively	
14	Unit 4 Optimisation – Phase 1, Part 2 (joint work with CWAC)	At the request of management To provide assurance the procedures in progressing the phase were robust and comprehensive and that the stated expectations of the councils had been met	Positive	Controls operating effectively	
15	Schools Consolidated Report 2023/24	Identified via Audit Plan The report brought together the findings from the	Limited	All actions agreed with management and individual schools subject to	The report identified common issues in relation to: <ul style="list-style-type: none"> Errors in completing Unit4 HR forms.

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		programme of school audits which reviewed the arrangements in place to manage Purchasing (P2P) and HR via the Unit 4 ERP system.		review were issued with detailed reports	<ul style="list-style-type: none"> Errors in the use of the procurement module on Unit 4 leading to duplicate payments, and Inconsistent application of the purchase card policy
16	Supplementary Substance Misuse Treatment and Recovery Grant	<p>At the request of management</p> <p>Grant conditions required an internal audit review to confirm that all other conditions were complied with</p>	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
17	Officer Decision Records	<p>Identified via Audit Plan</p> <p>To provide assurance on the effectiveness of the processes in place to manage the recording of ODR's</p>	Limited	Draft Report Issued – management responses being finalised.	The review concluded there are inconsistencies in the understanding and application of the process. Recommended that the weaknesses identified are considered and addressed as part of the ongoing review of the decision-making process
18	Accounts Payable	<p>Identified via Audit Plan</p> <p>To review the processes and controls in place for this area of Unit4</p>	Limited	Draft Report Issued – management responses being finalised.	<p>The review identified the following issues:</p> <ul style="list-style-type: none"> Non-compliance with the No PO No Pay Policy resulting in duplicate payments Payment of invoices outside the payment terms

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	Audit Report	Reason for and scope of Review	Audit Assurance Opinion	Comments	Summary of Findings – (Limited /No Assurance Reports Only)
					<ul style="list-style-type: none"> Lack of regular monitoring and review of payments to highlight non-compliance with the No PO No Pay Policy & Contract Procedure Rules
19	Foster Payments	<p>Identified via Audit Plan</p> <p>To review the processes and controls in place for ensuring the accuracy and appropriateness of payments to foster carers</p>	Limited	Draft Report Issued – management responses being finalised.	<p>The review identified the following issues:</p> <ul style="list-style-type: none"> Ensuring policies and fees are periodically reviewed, updated and appropriately authorised Ensuring key foster payment processes are documented Ensuring foster carer expenses are appropriate, evidenced and processed in a timely manner
20	SEN Tribunal Process	<p>Identified via Audit Plan</p> <p>To review the effectiveness of processes and controls in place to manage SEN tribunals</p>	Limited	Draft Report Issued – management responses being finalised.	<p>The review identified the following:</p> <ul style="list-style-type: none"> Procedures need to be developed, including whether challenges to decisions have been considered Preparation of tribunals paperwork should be completed in advance to allow secondary checks Formal monitoring of tribunal decisions should be introduced
21	General Ledger	Identified via Audit Plan	Limited	Draft Report Issued – management	<p>The review identified the following:</p> <ul style="list-style-type: none"> Reconciliations are not consistently annotated and

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		To review the effectiveness of the controls in place for the management of the general ledger		responses being finalised.	<p>independently reviewed/authorised</p> <ul style="list-style-type: none"> • Ensuring all feeder systems are included in the control account reconciliation process • Ensuring managers have full visibility of budgets and staffing lists and can forecast expenditure

Appendix 2 – 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%	Slightly above plan due to additional testing on ODR's
Anti-Fraud and Corruption	Proactive Work	30	3%	23	2%	Reduced slightly to support reactive investigations
	Reactive Investigations	30	3%	44	4%	Increased slightly due to unplanned investigations
Corporate Services		330	33%	414	38%	Increased focus on key financial systems
Adults, Health & Integration		110	11%	114	11%	As per plan
Children's Services		110	11%	147	14%	Slightly above plan due to complexity of areas reviewed
Place		100	10%	80	7%	Slightly below plan due to increased work in Children's
Providing Assurance to External Organisations		35	3%	38	3%	As per plan
Advice & Guidance		40	4%	21	2%	Reduced as focus on core assurance work
Other Chargeable Work		120	12%	79	7%	Reduced as focus on core assurance work
Total Audit Days		1010	100%	1090	100%	