

Audit and Governance Committee

Date of Meeting:	9 March 2023
Report Title:	Internal Audit Update Report Q3 2022/23
Report of:	David Brown, Director of Governance and Compliance
Report Reference No:	AG/11/22-23
Ward(s) Affected:	All

1. Purpose of Report

- 1.1. The purpose of this report is for the Committee to receive an update on work undertaken by Internal Audit between October and December 2022 and how this, along with planned work for the remainder of the financial year will contribute to the Annual Internal Audit Opinion for 2022/23.

2. Executive Summary

- 2.1. The report details work undertaken by Internal Audit during quarter 3 of 2022/23 and sets out work underway at the end of the period along with planned work for the remainder of the financial year.

3. Recommendations

- 3.1. That the Committee notes and considers the contents of the Internal Audit Update Report (Appendix A).

4. Reasons for Recommendations

- 4.1. 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.
- 4.2. 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.

5. Other Options Considered

5.1. Not applicable.

6. Background

6.1. 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”.

6.2. The interim report contains the following:

6.2.1. a summary of the audit work carried out in Quarter 3 2022/23

6.2.2. a summary of work that is currently ongoing along with work planned to be undertaken by the end of the financial year

6.3. 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.

6.4. 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.

6.5. 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. 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.

6.6. The Internal Audit Charter has been reviewed and updated to reflect that the Head of Audit and Risk is now also responsible for the Information Rights team, in addition to Internal Audit, Insurance, Health and Safety, and Risk Management and Business Continuity. Given these areas of operational responsibility, the Charter sets out the arrangements and safeguards in place to protect the independence and objectivity of Internal Audit.

7. Implications

7.1. Legal

7.1.1. 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”.

7.1.2. 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.

7.2. Finance

7.2.1. 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.

7.2.2. The Internal Audit Plan 2022/23 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.

7.2.3. 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.

7.3. Policy

7.3.1. There are no direct implications for policy.

7.4. Equality

7.4.1. There are no direct implications for equality.

7.5. Human Resources

7.5.1. There are no direct implications for human resources.

7.6. Risk Management

7.6.1. 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.

7.7. Rural Communities

7.7.1. There are no direct implications for rural communities.

7.8. Children and Young People/Cared for Children

7.8.1. There are no direct implications for children and young people.

7.9. Public Health

7.9.1. There are no direct implications for public health.

7.10. Climate Change

7.10.1. There are no direct implications for climate change.

Access to Information	
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Appendices:	Appendix A – Internal Audit Update Report Q3 2022/23
Background Papers:	N/A