

CHESHIRE EAST COUNCIL

REPORT TO: Audit and Governance Committee

Date of meeting: 20 November 2014
Report of: Audit Manager
Title: Internal Audit Interim Report 2014/15 & Internal Audit Charter
Portfolio Holder: Councillor Peter Raynes

1.0 Report Summary

1.1 The purpose of the report is to:

- i) update the Audit and Governance Committee on progress against the Internal Audit Plan 2014/15, revisions to the plan and to summarise work during the first half of 2014/15 (see Appendix A).
- ii) present the updated Internal Audit Charter for approval by the Committee (see Appendix B).

2.0 Recommendation

2.1 That the Committee:

- i) note the issues identified, endorse the approach to achieving adequate audit coverage in the remainder of 2014/15 and discuss future audit issues and ways of working as appropriate.
- ii) approve the updated Internal Audit Charter.

3.0 Reasons for Recommendation

3.1 This interim report addresses emerging issues in respect of the whole range of areas to be covered in the annual report, due in June 2015.

3.2 The Internal Audit Charter is reviewed periodically (as a minimum annually) by the Internal Audit Manager and presented to the Corporate Leadership Board and forwarded to the Audit and Governance Committee for approval.

4.0 Wards Affected

4.1 All wards.

5.0 Local Wards Affected

5.1 Not applicable.

6.0 Policy Implications

6.1 Not applicable.

7.0 Financial Implications (Authorised by the Chief Operating Officer)

7.1 The Internal Audit team must be appropriately resourced to comply with statutory and best practice requirements.

8.0 Legal Implications (Authorised by the Head of Legal Services)

8.1 The requirement for an internal audit function is either explicit or implied in legislation with s151 of the Local Government Act 1972 requiring Councils to “make arrangements for the proper administration of their financial affairs” and the Accounts and Audit Regulations 2011 requiring a relevant body to “undertake an adequate and effective internal audit ...”

9.0 Risk Assessment

9.1 The Authority is required to maintain an adequate and effective system of internal audit in accordance with Regulation 6 of the Accounts and Audit Regulations 2011. Failure to consider the effectiveness of its system of internal audit, and the opinion on Council’s control environment, could result in non-compliance with the requirements of the Regulations.

10.0 Background

10.1 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”.

10.2 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.

10.3 In order to provide the necessary levels of assurance to the Council with regard to internal control and compliance and support managers in delivering change and improvement; existing internal audit, risk management and compliance capacity is being co-ordinated and aligned. These separate teams have been unified under a single line of management, reporting to the new

post of Corporate Manager Audit and Governance within the Corporate Resources and Stewardship Service.

- 10.4 This has allowed the vacant position of Internal Audit Manager to be deleted along with one of the two Audit Manager posts in the current structure, releasing capacity for redeployment across the wider Corporate Resources & Stewardship service. The new Corporate Manager Audit and Governance will commence their role in December 2014.
- 10.5 The Public Sector Internal Audit Standards state that the purpose, authority and responsibility of internal audit must be formally defined in an Internal Audit Charter. The Charter establishes Internal Audit's position within the organisation, including the nature of functional and administrative reporting, authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of Internal Audit activities. Final approval of the Internal Audit Charter resides with the Audit and Governance Committee as per the Terms of Reference
- 10.6 The Internal Audit Charter was first approved by the Committee in November 2013. This has now been reviewed and updated for the following:
- § Operational responsibility for risk management, business improvement and compliance:
Para 6.2 "Any assurance activity in areas where the Corporate Manager Audit and Governance has operational responsibility will be carried out by auditors with no involvement in the process and overseen by the Head of Corporate Resources and Stewardship, thus maintaining independence and objectivity in line with the PSIAS".
 - § Changes in structure (as described in 10.3/10.4 above)
 - § Latest review date i.e. November 2014.

11.0 Access to information

The background papers relating to this report can be inspected by contacting the report writer:

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