

CHESHIRE EAST COUNCIL

Governance and Constitution Committee

Date of meeting: 30 September 2009
Report of: Head of Internal Audit and Compliance
Title: Internal Audit Strategy

1.0 Purpose of Report

- 1.1 The purpose of this report is to present the Internal Audit strategy to the Committee. The strategy is attached as Appendix A.

2.0 Background

- 2.1 The CIPFA Code of Practice for Internal Audit in Local Government suggests that it is good practice to have a Terms of Reference for Internal Audit as well as an Internal Audit Strategy document. The Terms of Reference were approved at the June meeting of this Committee.
- 2.2 Internal Audit is a function required under Section 151 of the Local Governance Act 1972 and the Accounts and Audit Regulations 2003. It is an integral part of the governance framework of the Council and supports continuous improvement and the maximising of efficiency.
- 2.3 The strategy sets out the specific way that the statutory requirement to have an internal audit of the authority will be provided in Cheshire East and covers; scope and authority; status; delivery; contribution to corporate governance, risk management and internal control; relationships and linkages; culture and working practices.

3.0 Recommendations

- 3.1 That the Internal Audit Strategy be endorsed.

4.0 Financial Implications for Transition Costs

- 4.1 None.

5.0 Financial Implications 2009/10 and beyond

- 5.1 The audit team must be appropriately staffed and resourced to comply with statutory and best practice requirements. The budget for the internal audit function currently provides for sufficient staffing levels to fulfil this function. There are, however, a number of budget issues still to be resolved, not least the area of training where the section currently has no budget. There are also a number of skills gaps which need to be addressed during the recruitment and matching process.

6.0 Legal Implications

- 6.1 The existence of internal audit derives from a number of statutes as identified earlier in the report.

7.0 Risk Assessment

- 7.1 Internal Audit is part of the overall risk management of the authority. Lack of appropriate controls could damage the reputation of the Council, lead to inefficiency and increases the risk of fraudulent activity.
- 7.2 A risk based approach to audit will be taken, linking the audit plan to corporate risks and to the fraud risk register.

8.0 Training

- 8.1 There are a number of areas of training required to assist continuous professional development of qualified staff, professionally qualify existing staff and to upskill staff as audit practices develop. Officers investigating allegations of fraud and corruption must possess good knowledge of relevant legislation such as the Fraud Act 2006, Theft Act 1968, Theft Act 1978, PACE 1984, Employment Law, DPA 1998, RIPA 2000 and the Council's investigation procedure.
- 8.2 A programme of internal audit staff training is being developed the first three areas are risk based auditing, ethical standards and "lean thinking." A programme of wider staff and member training in ethical standards, anti-fraud and corruption and standards of conduct will be part of the Corporate Training programme

9.0 Reasons for Recommendations

- 9.1 To ensure that the Council establishes an effective internal audit function with appropriate authority, status and working practices.

For further information:

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Background Documents:

Local Government Act 1972

Accounts and Audit Regulations (2003 and updated 2006)

CIPFA Internal Audit Code of Practice