

# CHESHIRE EAST COUNCIL

## REPORT TO: Audit and Governance Committee

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**Date of meeting:** 10 December 2015  
**Report of:** Corporate Manager Governance and Audit  
**Title:** Internal Audit Interim Report 2015/16 & Internal Audit Charter  
**Portfolio Holder:** Councillor Peter Groves

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### **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 2015/16, revisions to the plan and to summarise work during the first half of 2015/16 (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 2015/16 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 2016.

3.2 The Internal Audit Charter is reviewed periodically (as a minimum annually) by the Corporate Manager Governance and Audit and presented to the Management Group 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 flows from 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 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.

10.4 The Internal Audit Charter was first approved by the Committee in November 2013. This has now been reviewed and updated for the following:

- Changes in reporting arrangements following the departure of the Head of Corporate Resources and Stewardship:

*Para 5.1* “The Corporate Manager Governance and Audit will report functionally to the Audit and Governance Committee and administratively (i.e. day to day operations) to the Corporate Manager - Professional and Commercial Services on an interim basis. This administrative reporting line will be subject to review following the appointment of the Director of Resources.”

- Confirmation that the Corporate Manager Governance and Audit has unrestricted access to both the Chair of the Audit and Governance Committee and the Chief Executive:

*Para 5.2* “The Corporate Manager Governance and Audit will communicate and interact directly with the Chair of the Audit and Governance Committee as appropriate and will also have free and unfettered access to the Chief Executive.”

- Inclusion of work for other bodies in examples of non assurance work that may be carried out:

*Para 7.4* Internal Audit may also undertake non-assurance work including fraud related and consultancy work, at the request of the organisation, and work for other bodies, subject to there being no impact on the core assurance work and the availability of skills and resources

- Latest review date i.e. November 2015.

## **11.0 Access to information**

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

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