

CHESHIRE EAST COUNCIL

REPORT TO: Audit and Governance Committee

Date of meeting: 1st June 2017
Report of: Corporate Manager Governance and Audit
Title: Internal Audit Annual Report 2016/17
Portfolio Holder: Councillor Rachel Bailey

1.0 Report Summary

1.1 This report provides the Audit and Governance Committee with the Annual Internal Audit opinion on the overall adequacy and effectiveness of the Council's control environment for 2016/17. The report is timed to support the Annual Governance Statement (AGS).

2.0 Recommendation

2.1 That the Committee:

- i) Note and consider the contents of the Internal Audit Annual Report 2016/17; and
- ii) Note the Internal Audit opinion on the Council's framework of risk management, control and governance for 2016/17.

3.0 Reasons for Recommendation

3.1 The Public Sector Internal Audit Standards (PSIAS) require the Corporate Manager Governance and Audit to deliver an annual audit opinion and report which can be used to inform the Annual Governance Statement.

3.2 The Accounts and Audit Regulations 2011 require local authorities to conduct a review of the effectiveness of its internal audit at least once each year. This review is intended to provide members with a basis for determining the extent to which reliance can be placed on the internal audit opinion.

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

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

8.0 Legal Implications

- 8.1 Section 151 of the Local Government Act 1972 requires Councils to make arrangements for the proper administration of their financial affairs and the Accounts and Audit Regulations 2011 establishes a specific responsibility for the Council to conduct a review at least once a year of the effectiveness of its system of internal control.

9.0 Risk Management

- 9.1 Failure to consider the effectiveness of the Council's system of internal audit, and the Internal Audit opinion on the Council's control environment, could result in non-compliance with the requirements of the Accounts and Audit Regulations 2011.

10.0 Background

- 10.1 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 AGS. 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.
- 10.2 All principal local authorities subject to the Accounts and Audit Regulations 2011 must make provision for internal audit in accordance with the proper practices.
- 10.3 The Head of Internal Audit provides a written report to those charged with governance timed to support the Annual Governance Statement. The primary purpose of the report, which is set out in Appendix A, is to provide an opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control i.e. the control environment.

11.0 Access to information

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

Name: Michael Todd/Josie Griffiths

Designation: Principal Auditor

Tel No: 01270 686567/685860

Email: michael.todd@cheshireeast.gov.uk

josie.griffiths@cheshireeast.gov.uk