

OPEN

## **Audit and Governance Committee**

**27 July 2023**

### **Annual Internal Audit Opinion 2022/23**

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**Report of: David Brown, Director of Governance and Compliance**

**Report Reference No: AG/13/23-24**

**Ward(s) Affected: All**

#### **Purpose of Report**

- 1 To provide the Audit and Governance Committee with details of the work undertaken by Internal Audit during 2022/23 and how this contributes to the Annual Opinion on the Council's control environment.

#### **Executive Summary**

- 2 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 2022/23.
- 3 All principal local authorities subject to the Accounts and Audit Regulations 2015 must make provision for internal audit in accordance with the proper practices.
- 4 The Chief Audit Executive provides a written report to those charged with governance the primary purpose of which is to provide an annual opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control i.e. the control environment. This is provided at Appendix A.
- 5 The report also details work undertaken by Internal Audit during 2022/23 and a summary of the performance of the internal audit function against its performance measures and targets.

## RECOMMENDATIONS

The Audit and Governance Committee is recommended to:

1. Note and consider the contents of the Internal Audit Annual Opinion 2022/23 (Appendix A); and
2. Note the Internal Audit opinion on the Council's framework of risk management, control, and governance for 2022/23 as "Adequate".

## Background

- 6 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.
- 7 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.
- 8 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 Audit and Governance Committee.

## Consultation and Engagement

- 9 The Annual Internal Audit Opinion 2022/23 has been considered by Corporate Leadership Team.

## Reasons for Recommendations

- 10 The Public Sector Internal Audit Standards (PSIAS) require the Council's Chief Audit Executive (Head of Audit and Risk Management) to deliver an annual audit opinion and report which can be used to inform the Annual Governance Statement (AGS).

### Other Options Considered

- 11 No other options are available.

Option	Impact	Risk
Do nothing	Failure to consider the effectiveness of the Council's system of internal audit, and the Internal Audit opinion on the Council's control environment.	This could result in non-compliance with the requirements of the Accounts and Audit Regulations 2015 and a failure to meet the terms of reference of the Committee.

### Implications and Comments

#### *Monitoring Officer/Legal*

- 12 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 2015 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.

#### *Section 151 Officer/Finance*

- 13 The Internal Audit team is appropriately resourced to comply with statutory and best practice requirements. Resourcing of the Internal Audit team is regularly monitored and reported upon to the CLT and the Audit and Governance Committee.

#### *Policy*

- 14 There are no direct policy implications.

#### *Equality, Diversity and Inclusion*

- 15 There are no direct implications for Equality and Diversity.

#### *Human Resources*

- 16 There are no direct implications for Human Resources.

### *Risk Management*

- 17 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 2015.

### *Rural Communities*

- 18 There are no direct implications for rural communities.

### *Children and Young People including Cared for Children, care leavers and Children with special educational needs and disabilities (SEND)*

- 19 There are no direct implications for children and young people.

### *Public Health*

- 20 There are no direct implications for public health.

### *Climate Change*

- 21 There are no direct implications for climate change.

<b>Access to Information</b>	
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Appendices:	Appendix A: Annual Internal Audit Opinion 2022/23
Background Papers:	N/A