

CHESHIRE EAST COUNCIL

Audit and Governance Committee

Date of meeting: 30 June 2011
Report of: Head of Internal Audit and Compliance
Title: Internal Audit Annual Report 2010/11
Portfolio Holder: Councillor Wesley Fitzgerald

1.0 Report Summary

- 1.1 The purpose of the report is to provide the committee with an opinion on the overall adequacy and effectiveness of the Council's control environment for 2010/11.

2.0 Recommendation

- 2.1 To note the contents of Internal Audit's annual report for 2010/11.

3.0 Reasons for Recommendation

- 3.1 In order to comply with the Code of Practice for Internal Audit in Local Government in the United Kingdom, the Head of Internal Audit and Compliance must provide a written annual report to those charged with governance timed to support the Annual Governance Statement.

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 Borough Treasurer)

- 7.1 The internal 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.

8.0 Legal Implications

- 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 of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control”.

9.0 Risk Management

- 9.1 The Authority is required to undertake an adequate and effective internal audit of its accounting records and of its system of internal control 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 and Options

- 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 (and previously the Governance and Constitution 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.
- 10.2 All principal local authorities subject to the Accounts and Audit Regulations 2011 must make provision for internal audit in accordance with the Code of Practice for Internal Audit in Local Government in the United Kingdom.
- 10.3 In order to comply with the Code the Head of Internal Audit and Compliance must provide 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 control environment.
- 10.4 At the Audit and Governance Committee meeting on the 25 January 2011, it was agreed that Internal Audit would carry out a review of the savings achieved through redundancy. The results of this review are included as Annex A.

11.0 Access to information

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

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