

CHESHIRE EAST COUNCIL

REPORT TO: Audit and Governance Committee

Date of meeting: 26 June 2014
Report of: Head of Internal Audit
Title: Internal Audit Annual Report 2013/14
Portfolio Holder: Councillor Peter Raynes

1.0 Report Summary

- 1.1 This report provides the Audit and Governance Committee with the Internal Audit Managers' opinion on the overall adequacy and effectiveness of the Council's control environment for 2013/14. The Council's Audit Managers must provide an annual report to the Audit and Governance Committee - timed to support the annual governance statement.
- 1.2 It is important for this Annual Report to be placed in context. Since 2010 public services have faced unprecedented change. Like all local authorities, this Council continues to be affected by Central Government's austerity measures, as it wrestles with the size of the national debt.
- 1.3 The Council's medium term financial strategy illustrates the scale of the challenge it faces over the next few years. Alongside its ambitious major change programme the Council expects to continue to balance its budget - despite increased demands and high public expectations - by: innovation, creativity, and a hard commercial focus on costs, productivity and income generation.
- 1.4 The Council's 2013/14 audit plan reflected this context through the areas selected for review and the changes made during the year to ensure resources were focussed in the right areas. For example:
- additional work on programme and project management processes; and
 - work to review the development of the Council's new delivery vehicles.
- 1.5 The Audit Managers' opinion, set out in section 3 of the report states that:
- The Council's framework of risk management, control and governance is assessed as adequate for 2013/14.*
- This framework continues to be developed as the Council progresses through a period of rapid and unprecedented change.*

2.0 Recommendation

- 2.1 The Committee is asked to consider the Internal Auditors annual report for 2013/14.
- 2.2 The Committee is asked to note the Internal Auditors opinion for 2013/14.

3.0 Reasons for Recommendation

- 3.1 In order to comply with the Public Sector Internal Audit Standards (PSIAS), the Head of Internal Audit must provide a written annual report to those charged with governance timed to support the Annual Governance Statement (AGS).

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. Internal Audit was removed at a late stage from the recent Management Review in the light of the Council's transition to a strategic commissioning authority and the introduction of new delivery models. The arrangements will be reviewed during 2014/15.

8.0 Legal Implications (Authorised by the Head of Legal Services)

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 control

environment. The report is written by the two Audit Managers, covering the functions of the Head of Internal Audit.

11.0 Access to information

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

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