



Chester-le-Street
District Council

Report to:	Full Council
Date of Meeting:	29th May 2008
Report from:	Acting Head of Internal Audit
Title of Report:	Internal Audit Annual Report 2007/08
Agenda Item Number:	

1. PURPOSE AND SUMMARY

- 1.1 The purpose of this report is to submit for information the Annual Report of the Acting Head of Internal Audit which contains the opinion on the effectiveness of the control environment for the 2007/08 financial year.

2. CONSULTATION

- 2.1 The Risk & Financial Services Manager and the Audit Committee were consulted on the draft report.

3. CORPORATE PLAN AND PRIORITIES

- 3.1 The Accounts and Audit Regulations 2003 (amended 2006) and subsequent CIPFA Code of Internal Audit Practice 2006 (the Code) requires Internal Audit to report annually to *'those charged with governance'* on their findings and conclusions and provide an overall opinion on the effectiveness of the internal control environment.

4. IMPLICATIONS

4.1 Financial Implications and Value for Money Statement

None

4.2 Local Government Review Implications

None

4.3 Legal Implications

This report is a statutory requirement of the Accounts and Audit Regulations 2003 which require Internal Audit to '*those charged with governance*' on their findings and conclusions and provide an overall opinion on the effectiveness of the internal control environment.

4.4 Personnel Implications

None

4.5 Other Services

None

4.6 Diversity

None

4.7 Risk Implications

Internal Audit is an integral part of the Council's approach to risk management because it contributes to the organisation's overall process for ensuring that an effective control environment is maintained.

4.8 Crime and Disorder Implications

None

4.9 Data Quality Implications

None

4.10 Other Implications

None

5. **BACKGROUND, POSITION STATEMENT AND OPTION APPRAISAL**

5.1 Attached as **Appendix A** is the annual report on the performance of the Internal Audit Section for 2007/08 together with the opinions on all audit assignments completed during the year. The report also includes the overall opinion on the effectiveness of the internal control environment. This Annual Report was reported to the Corporate Governance Steering Group and to the Audit Committee on 3rd April 2008 and its findings and opinion are supported by them.

5.2 The key points are that:

- In the review of effectiveness of the Internal Audit section, which is conducted annually, and which was externally verified by Head of Internal Audit at Derwentside District Council, the section was found to be compliant with nine of the 11 standards in the CIPFA code of practice.
- Based upon their last review of the section in 2006/07, the Audit Commission were able to place reliance upon the work of the section and were satisfied that appropriate constitutional and management arrangements were in place.
- Responses to customer satisfaction surveys and post-audit questionnaires were positive and indicated a confidence in the quality and professionalism of the Internal Audit section.
- During 2007/08, due to the departure of a Principal Auditor and the Head of Internal Audit, only 67% of the planned productive days were completed, however despite this the section still managed to deliver 74% of the audit plan.
- The section completed a total of 18 assignments, nine audits of systems material to the Council's financial statements, three IT audits, three investigations and three other assignments. Based upon the audit assignments carried out during 2007/08 the internal control environment is considered to be effective.

6. RECOMMENDATIONS

- 6.1 Council notes and receives the Internal Audit Annual Report 2007/08.

7. BACKGROUND PAPERS / DOCUMENTS REFERRED TO

- 7.1 Accounts and Audit Regulations 2003
CIPFA Code of Practice for Internal Audit 2006
Reports on Internal Audit assignments during 2007/08

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DATE OF REPORT : 1st May 2008
VERSION NUMBER: 1.1

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