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## **REVIEW OF THE EFFECTIVENESS OF THE COUNCIL'S INTERNAL AUDIT ARRANGEMENTS 2012/13**

To: **Governance and Audit Committee – 21 March 2013**

By: **Chief Executive (Section 151 Officer)**

Classification: **Unrestricted**

Ward: **All**

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**Summary: This report presents the review of the effectiveness of the council's Internal Audit arrangements for 2012/13 as required by The Accounts and Audit Regulations 2011**

### **For Decision**

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#### **1.0 Introduction and Background**

- 1.1 The Accounts and Audit Regulations 2011 impose on councils the need to undertake a regular review of their internal control arrangements; specific requirements are that:
- the findings of the review of the system of internal control are considered by a committee of the relevant body, or by members of the body meeting as a whole. [Regulation 4 refers]
  - the effectiveness of their system of internal audit are reviewed at least once a year and for the findings of the review to be considered by a committee of the body, or by the body as a whole, as part of the consideration of the system of internal control referred to in regulation 4. [Regulation 6 refers]
- 1.2 Subsequent guidance issued by the Department for Communities and Local Government indicates that the actions in paragraph 1.1 above do not require the establishment of an audit committee to undertake the exercise, although such a committee would provide an appropriate means through which to consider the findings of the review. In the case of Thanet District Council this responsibility is within the delegated powers of the Governance and Audit Committee.
- 1.3 In line with the CIPFA guidance document 'Delivering Good Governance in Local Government' the council is also obliged to publish an Annual Governance Statement (AGS) which accompanies the Annual Accounts. The draft AGS for Thanet for 2012/13 will be coming before this Committee at the June meeting, with the final document coming to the September meeting.
- 1.4 The AGS reflects the council's overall governance arrangements and the effectiveness of these, based on evidence and assurances gained from a number of different sources, which includes information from the East Kent Audit Partnership (EKAP). The review of the effectiveness of the council's internal audit arrangements is therefore very important in order to add credence to the assurances gained from the findings of the Audit Partnership.
- 1.5 It should be noted that this review is primarily about effectiveness, not process. In essence the need for the review is to ensure that the opinion in the annual report of the internal auditors may be relied upon as a key source of evidence for the Annual Governance Statement.
- 1.6 This report presents the findings of the review of the effectiveness of the internal audit arrangements for Thanet District Council for 2012/13.

## **2.0 Review of the effectiveness of the internal audit function**

- 2.1 The internal audit function is performed by the East Kent Audit Partnership (EKAP), which provides internal audit services to the councils of Dover, Shepway and Canterbury, as well as to Thanet. As a result of this collaborative approach the partnership is able to be robustly resource and provide a mechanism for promulgating best practice to the East Kent authorities that use its services.
- 2.2 The auditors are independent to the management of the council and have direct access to the Chair of the Governance and Audit Committee if required. They provide a regular update to the Committee at each of the quarterly meetings, and attend any special meetings that may be convened during the year.
- 2.3 As at 31 January 2012 the Internal Auditors completed 290.07 days of review equating to 88%, and are likely to achieve circa 95 or 96% completion by the end of March 2013 with the small amount of remaining days being delivered in April. The EKAP undertake a regular schedule of follow up audits to ensure that management have implemented the action plans arising from each audit. Members can see full details within the Internal Audit Annual report which will be presented to this Committee in June.
- 2.4 The EKAP have met as a team and considered the CIPFA Checklist for compliance with the CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006. The results of this self-assessment showed that the internal audit function is 97% compliant with the Code against a target of 97%, with no identified actions to improve the score.
- 2.5 As part of EKAP's quality monitoring arrangements Members should be aware that following the completion of each audit, a satisfaction questionnaire is completed by the managers of the service that has been audited enabling the officers involved to comment on the conduct and outcome of the audit. This information is used, in part, to inform the self assessment.
- 2.6 The EKAP Audit Manager and Head of EKAP regularly meet with the Deputy Section 151 Officer to monitor performance against the Audit Plan, but also to discuss any matters arising in relation to the performance of the Audit Partnership. Periodically these meetings are attended by External Auditors, so that they are able to gain assurances as to the effectiveness of the process. The Chief Executive (Section 151 Officer) is pleased to be able to provide Members with assurance that in her opinion the Partnership operates to high professional standards, fostering an excellent working relationship with management without fettering the independence needed to be able to take a sufficiently independent perspective.
- 2.7 In addition to which, feedback from the audits and any other matters arising from the work of the partnership are considered at regular meetings that are held between the Section 151 or Deputy Section 151 Officers of each of the partnering councils and the auditors to manage any issues arising from the process. These meetings provide an additional opportunity to assess whether the internal audit function is operating in an effective manner and is compliant with the requirements of the CIPFA code.
- 2.8 Given the consistency of evidence of a quality internal audit service and the assessment outcomes referred to above it is believed that the Council has an effective internal audit function in place providing confidence in the context of their contribution to the council's Annual Governance Statement.

## **3.0 Options**

- 3.1 That Members accept the findings of the review of the effectiveness of the council's Internal Audit arrangements.
- 3.2 That Members do not accept the findings of the review of the effectiveness of the council's Internal Audit arrangements.

## **4.0 Corporate Implications**

### **4.1 Financial**

4.1.1 There are no financial implications arising from this report.

### **4.2 Legal**

4.2.1 The Accounts and Audit Regulations 2003 (SI 2003/533) have been amended by The Accounts and Audit (Amendment) (England) Regulations 2006. Regulation 4 of the 2006 regulations requires that the findings of the review of the system of internal control shall be considered by a committee of the council, or by the members of the relevant body meeting as a whole, and following that consideration, shall approve a statement on internal control, prepared in accordance with proper practices in relation to internal control.

4.2.2 Regulation 6 requires that the council shall, at least once in each year, conduct a review of the effectiveness of its system of internal audit. The findings of the review must be considered, as part of the consideration of the system of internal control referred to in regulation 4, by the committee or meeting referred to in that paragraph

### **4.3 Corporate**

4.3.1 The council is required, at least once in each year, to conduct a review of the effectiveness of its internal audit function, and this report details the review that has been undertaken and its outcomes.

### **4.4 Equity and Equalities**

4.4.1 There are no equity or equalities issues arising from this report.

### **4.5 Risks**

4.5.1 If this review was not undertaken, there is a risk that the Financial Statement may be qualified.

## **5.0 Recommendations**

**5.1 That Governance and Audit Committee accept the findings of the review of the effectiveness of the council's Internal Audit arrangements for 2012/13.**

## **6.0 Decision Making Process**

6.1 This recommendation does not involve the making of a key decision.

6.2 This recommendation is within the Council's Budgetary and Policy Framework, and the decision may be taken by the Governance and Audit Committee.

Contact Officer:	Sue McGonigal, Chief Executive (Section 151 Officer)
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### ***Corporate Consultation Undertaken***

Monitoring Officer	Harvey Patterson, Corporate and Regulatory Services Manager
Finance	Sarah Martin, Financial Services Manager
Legal	Gary Cordes, Legal Services Manager
Communications	Justine Wingate, Corporate Information and Communications Manager