

REVIEW OF THE EFFECTIVENESS OF THE COUNCIL'S INTERNAL AUDIT ARRANGEMENTS 2016/17

Governance & Audit Committee 8th March 2017

Report Author	Tim Willis, Director of Corporate Resources
Portfolio Holder	Cllr John Townend, Cabinet Member for Financial Services & Estates
Status	For Information
Classification:	Unrestricted
Key Decision	No

Executive Summary:

The Council is required to have an adequate and effective internal audit function and this report makes recommendations based on a review of those requirements.

Recommendation(s):

That Governance and Audit Committee accept the findings of the review of the effectiveness of the council's Internal Audit arrangements for 2016/17.

CORPORATE IMPLICATIONS

Financial and Value for Money	There are no financial implications arising from this report
Legal & Corporate	<p>Regulation 4 of the Accounts and Audit (England) Regulations 2011 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.</p> <p>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.</p>
Equalities Act 2010 & Public Sector Equality Duty	Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to the aims of the Duty at the time the decision is taken. The aims of the Duty are: (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people who share a protected characteristic and people who do not share it, and (iii) foster good relations between people who share a protected characteristic and people who do not share it.

	Protected characteristics: age, gender, disability, race, sexual orientation, gender reassignment, religion or belief and pregnancy & maternity. Only aim (i) of the Duty applies to Marriage & civil partnership.	
	Please indicate which aim is relevant to the report.	
	Eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act,	
	Advance equality of opportunity between people who share a protected characteristic and people who do not share it	
	Foster good relations between people who share a protected characteristic and people who do not share it.	

CORPORATE PRIORITIES (tick those relevant)✓	
A clean and welcoming Environment	
Promoting inward investment and job creation	
Supporting neighbourhoods	

CORPORATE VALUES (tick those relevant)✓	
Delivering value for money	X
Supporting the Workforce	
Promoting open communications	

1. 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 2016/17 is presented at the June 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 2016/17.

2. 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 resourced and provides 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 2017 the Internal Auditors completed 278 days of review equating to 94% of planned completions and are likely to achieve circa 98% to 100% completion by the end of March 2017. 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 Public Sector Internal Audit Standards Checklist for compliance. The results of this self-assessment showed that internal audit is currently working towards full compliance and has agreed an action plan to achieve this.
- 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 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 Director of Corporate Resources & Section 151 Officer is pleased to be able to provide Members with assurance that in his 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. 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.

Contact Officer

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Reporting to	Madeline Homer, Chief Executive

Corporate Consultation

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Legal	Tim Howes, Director of Corporate Governance