

# TONBRIDGE & MALLING BOROUGH COUNCIL

## AUDIT COMMITTEE

18 June 2012

### Report of Management Team

#### Part 1- Public

#### Delegated

### 1 INTERNAL AUDIT EFFECTIVENESS 2011/12

#### Summary

This report informs Members of the Management Team consideration of the effectiveness of Internal Audit during the previous year. Members are asked to endorse the Management Team conclusion that the Internal Audit function was Good

#### 1.1 Introduction

1.1.1 The Accounts and Audit Regulations 2011 require that a relevant body carry out an annual review of the effectiveness of the Council's Internal Audit function.

1.1.2 There has been no prescriptive guidance issued to specify how the effectiveness of internal audit should be measured. Members will be aware that the Internal Audit function is in partnership with Gravesham Borough Council and the partners have tried to standardise an approach based upon best practice from both authorities. To this end, the Council has adopted the Gravesham definition for effectiveness to be used in the review. For Members' information, this definition is as follows: -

- ***The extent to which these arrangements put in place by the Council provide assurance of the adequacy of the control environment as a contribution to the achievement of its objectives.***

#### 1.2 Review of Effectiveness 2011/12

1.2.1 The Chief Internal Auditor has carried out conducted the review of effectiveness and a summary of the findings of this review can be found at **[Annex 1]** to this report.

1.2.2 It is important to note that the review is about effectiveness, not process. The focus of the review should be on the delivery of the internal audit function to the standard required by the Council in order for the Council to place reliance on its outputs, not what the system of internal audit is reporting.

- 1.2.3 The annual audit plan focuses on a risk based approach and Members are given a regular summary of outcomes. This summary indicates to Members how the audit plan has progressed and gives the result of the auditors' findings. The latest summary of work carried out in the year 2011/12 is set out in a report from the Chief Internal Auditor elsewhere on the agenda.
- 1.2.4 Management Team were asked to consider the supporting evidence to the effectiveness of the Internal Audit function at their meeting of 29 June 2012. From the evidence supplied Management Team were asked to use the following table to agree an opinion on the effectiveness of Internal Audit.

Opinion	Definition
Good	The arrangements put in place by the Council provide substantial assurance of the adequacy of the control environment as a contribution to the achievement of its objectives.
Satisfactory	The arrangements put in place by the Council provide reasonable assurance of the adequacy of the control environment as a contribution to the achievement of its objectives.
Adequate	The arrangements put in place by the Council provide limited assurance of the adequacy of the control environment as a contribution to the achievement of its objectives.
Unsatisfactory	The arrangements put in place by the Council provide <b>no</b> assurance of the adequacy of the control environment as a contribution to the achievement of its objectives.

- 1.2.5 It was concluded by Management Team that the opinion of the effectiveness of the Internal Audit function in place during 2011/12 was **Good**.

### 1.3 Legal Implications

- 1.3.1 As stated in the introduction the Accounts and Audit Regulations 2011 require a relevant body to undertake an annual review of the effectiveness of the Council's Internal Audit function.

## **1.4 Financial and Value for Money Considerations**

- 1.4.1 There are no direct financial considerations arising from this report. However, if the Audit Committee concluded that there was not an effective internal control environment there would be costs associated in resolving this.

## **1.5 Risk Assessment**

- 1.5.1 The opinion on the effectiveness of the internal audit function provides a key source of assurance to the Audit Committee. It is therefore important that the Committee considers the findings of the review and satisfies itself of the opinion drawn as a contribution to the overall governance position of the Council. A failure to endorse the opinion on the effectiveness of internal audit may reduce the status of the assurances given in the Annual Governance Statement prepared by the Council for 2011-12.

## **1.6 Equality Impact Assessment**

- 1.6.1 No issues were identified

## **1.7 Recommendations**

- 1.7.1 Members are asked to consider the evidence provided in this report together with the Audit Committee reports of the previous year and to endorse the Management Team conclusion that the effectiveness of Internal Audit for 2011/12 was Good.

Background papers:

contact: Sharon Shelton

CIPFA Code of Practice for Internal Auditors in Local  
Government in the United Kingdom 2006  
Email from District Auditor

David Hughes  
Chief Executive

for Management Team

Sharon Shelton  
Director of Finance

<b>Screening for equality impacts:</b>		
<b>Question</b>	<b>Answer</b>	<b>Explanation of impacts</b>
a. Does the decision being made or recommended through this paper have potential to cause adverse impact or discriminate against different groups in the community?	No	No issues identified as this paper is requesting an assessment of the internal control environment.
b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality?	No	No issues identified
c. What steps are you taking to mitigate, reduce, avoid or minimise the impacts identified above?		

*In submitting this report, the Chief Officer doing so is confirming that they have given due regard to the equality impacts of the decision being considered, as noted in the table above.*