

# TONBRIDGE & MALLING BOROUGH COUNCIL

## AUDIT COMMITTEE

29 July 2019

### Report of the Chief Audit Executive

#### Part 1- Public

#### Delegated

### 1 REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT

**This report informs Members of the findings of the annual review of the effectiveness of the Internal Audit function for the year 2018/19.**

#### 1.1 Introduction

- 1.1.1 It is a requirement of the Public Sector Internal Audit Standards (PSIAS) that periodic self-assessments are conducted to evaluate conformance with the PSIAS Code of Ethics and Standards. To ensure compliance with this element of PSIAS an annual internal review of the effectiveness of the Internal Audit function is undertaken. The Chief Audit Executive has conducted the review of effectiveness for the year 2018/19 and a summary of the findings of this review is attached at **[Annex 1]**.
- 1.1.2 It is important to note that the review is about effectiveness, not process. As well as conformance with professional standards the focus of the review should be on the delivery of internal audit to the standard required by the Council in order for the Council to be able to place reliance on its work.
- 1.1.3 The findings of the review of effectiveness are reported to Management Team. Management Team, following consideration of the outcome of the review, then agree an opinion as to whether the review demonstrates that the Internal Audit function in place for the year 2018/19 was effective, using the opinion definitions set out below.

| Opinion        | Definition   |
|----------------|--|
| Good           | The arrangements put in place by the Council provide <b>substantial</b> 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 <b>reasonable</b> 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 <b>limited</b> 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.          |

1.1.4 It was concluded by Management Team that the opinion on the effectiveness of the Internal Audit function in place for the year 2018/19 was Satisfactory.

## 1.2 Legal Implications

1.2.1 The Accounts and Audit Regulations place a statutory requirement on authorities to undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control. Proper practice is defined as that contained within the Public Sector Internal Audit Standards (PSIAS) and CIPFA's Local Government Application Note to the PSIAS.

1.2.2 The Regulations also require the Council to conduct, at least once a year, a review of the effectiveness of its Internal Audit function. The review conducted gives due consideration to proper practice.

## 1.3 Financial and Value for Money Considerations

1.3.1 An adequate and effective Internal Audit function provides the Council with assurance on the proper, economic, efficient and effective use of Council resources in delivery of services, as well as helping to identify fraud and error that could have an adverse effect on the finances of the Council.

## **1.4 Risk Assessment**

- 1.4.1 The review of effectiveness provides assurance of the proper operation of the Internal Audit function and the findings of the review should, therefore, be considered as part of the Council's overall governance arrangements.

## **1.5 Equality Impact Assessment**

- 1.5.1 The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

## **1.6 Recommendations**

- 1.6.1 Members are asked to consider the findings of the review and endorse the opinion that the effectiveness of the Internal Audit function for the year 2018/19 was Satisfactory.

Background papers:

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Nil

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