

Audit and Governance Committee

2 July 2019

Is the final decision on the recommendations in this report to be made at this meeting?

Yes

Annual Internal Audit Report & Opinion 2018/19

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| Final Decision-Maker | Audit and Governance Committee |
| Portfolio Holder(s) | Cllr Tom Dawlings: Portfolio Holder For Finance & Governance |
| Lead Director | Lee Colyer: Director of Finance, Policy & Development (s151 Officer) |
| Head of Service | Rich Clarke: Head of Audit Partnership |
| Lead Officer/Author | Rich Clarke: Head of Audit Partnership |
| Classification | Non-exempt |
| Wards affected | All |

This report makes the following recommendations to the final decision-maker:

1. The Committee **notes** the Head of Audit Partnership opinion. The opinion states that, in the view of internal audit, the Council's system of internal control, corporate governance and risk management arrangements have operated effectively during 2018/19.
2. The Committee **notes** the work underlying the opinion and the Head of Audit's assurance it was completed with sufficient independence and conformance with Public Sector Internal Audit Standards.

Explain how this report relates to the Corporate Priorities in the Five Year Plan:

- A Prosperous Borough
- A Green Borough
- A Confident Borough

This report is concerned with the internal control and governance of the Council. Successful controls and effective governance underpin all corporate priorities.

Timetable

| Meeting | Date |
|------------------------------|-------------|
| Audit & Governance Committee | 2 July 2019 |

Audit and Governance Committee

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 This report meets the Head of Internal Audit annual reporting requirements mandated by the Public Sector Internal Audit Standards (PSIAS). The report includes the Head of Audit Partnership's annual opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control which can be used to inform the Annual Governance Statement for 2018/19.
- 1.2 PSIAS, in particular Standard 2450: Overall Opinions, direct that the annual report must incorporate:
- The annual internal audit opinion,
 - A summary of the work completed that supports the opinion, and
 - A statement on conformance with PSIAS.

2. INTRODUCTION AND BACKGROUND

- 2.1 Internal audit is a required service under Regulation 5 of the Accounts and Audit Regulations 2015. The principle objective of internal audit, under that Regulation is to:

... undertake [audit work] to evaluate the effectiveness of [...] risk management, control and governance processes, taking in account public sector internal auditing standards and guidance.

- 2.2 As those charged with overseeing Governance, the Terms of Reference for this Audit & Governance Committee require it to:

...consider the [internal audit] annual report and opinion, and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the council's corporate governance arrangements.

- 2.3 The overall scope of the Council's audit service – which is delivered as part of a four way partnership with Maidstone, Ashford and Swale Wells – is set out in the Audit Charter and Annual Plan. The Plan for 2018/19 was agreed by this Committee in April 2018. This Committee also received an interim update on progress to date in December 2018.
- 2.4 We have completed the work set out in the plan, subject to modifications as described in accordance with PSIAS. Where there is work outstanding at the

time of writing, it is sufficiently progressed that the Head of Audit Partnership is satisfied its conclusions will not materially affect the Head of Audit Opinion. The final conclusions of any work outstanding will be reported verbally at the meeting (if available) and/or included within the first interim update of 2019/20.

3. AVAILABLE OPTIONS

- 3.1 The role of the Audit & Governance Committee includes considering the Annual Report of internal audit as a required part of its purpose. We recommend no alternative course of action.
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4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 The Head of Audit Partnership is satisfied the Council can place assurance on the system of control in operation during 2018/19. Furthermore he is satisfied that the corporate governance framework complies in all significant respects with the best practice guidance issued by CIPFA/SOLACE. Finally, he is satisfied that the Council's risk management processes are effective. We ask the Audit & Governance Committee to note these opinions.
- 4.2 Please see the appendix for the full Annual Report for 2018/19 which includes a summary of all work conducted to support the opinion and confirms the independence and effectiveness of the internal audit service.
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5. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 5.1 All findings and recommendations identified within reviews are consulted on with the appropriate Head of Service and action plans are agreed with management to implement recommendations. The headline messages within the report are as discussed with the s151 Officer across the year, and have been communicated to the s151 Officer to assist with his preparation of the Council's Annual Governance Statement. The attached report is adapted for comments received.
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6. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 6.1 Not applicable.
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7. CROSS-CUTTING ISSUES AND IMPLICATIONS

7.1 This report is provided for information rather than decision and consequently raises no new issues or implications.

| Issue | Implications | Sign-off |
|---|---------------------|---|
| Legal including Human Rights Act | Not applicable. | Rich Clarke Head of Audit Partnership 24 June 2019 |
| Finance and other resources | Not applicable. | |
| Staffing establishment | Not applicable. | |
| Risk Management | Not applicable. | |
| Data Protection | Not applicable. | |
| Environment and Sustainability | Not applicable. | |
| Community Safety | Not applicable. | |
| Health and Safety | Not applicable. | |
| Health and Wellbeing | Not applicable. | |
| Equalities | Not applicable. | |

8. REPORT APPENDICES

The following documents are to be published with and form part of the report:

- Appendix A: Annual Internal Audit Report & Opinion 2018/19 for Tunbridge Wells Borough Council

9. BACKGROUND PAPERS

Full reports which inform the audit projects summarised within this annual report are available on request.