

Audit & Governance Committee

21 July 2020

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

Yes

Annual Internal Audit Report & Opinion 2019/20

Final Decision-Maker	Audit & 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's opinion.
2. The Committee **notes** the work underlying the opinion and the Head of Audit Partnership's assurance of its completion with sufficient independence and conformance with Public Sector Internal Audit Standards.
3. The Committee **notes** the conclusion of CIPFA's External Quality Assessment of Mid Kent Audit that the Audit Partnership *Fully Conforms* with applicable Standards.

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

- This report concerns internal control and governance at the Council. Successful controls and effective governance underpin all corporate priorities.

Timetable

Meeting	Date
Audit & Governance Committee	21 July 2020

Annual Internal Audit Report & Opinion 2019/20

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 (the “Standards”). 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. This opinion informs the Annual Governance Statement for 2019/20.
- 1.2 The Standards, in particular Standard 2450: Overall Opinions, direct that the annual report must include:
- The annual internal audit opinion,
 - A summary of work completed that supports the opinion, and
 - A statement on conformance with Standards.
- 1.3 2019/20 also marks five years since the audit partnership last received an External Quality Assessment. Standard 1312 directs that “*external assessments must be conducted at least once every five years by a qualified, independent assessor*”.
- 1.4 The report also includes the outcome of that external assessment, completed by CIPFA in early 2020. It concludes that the audit partnership **Fully Conforms** with Standards. We believe this puts the Audit Partnership in the unique position of receiving perfect scores from both major professional institutes with oversight of internal audit; maintaining the ‘fully conforms’ level from the Institute of Internal Audit’s 2015 review.
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2. INTRODUCTION AND BACKGROUND

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

“... undertake [audit work] to evaluate the effectiveness of [...] risk management, control and governance processes, taking into 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 ask that it:

“... 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 remains delivered as part of a four way partnership with Maidstone, Swale and Ashford – is set out in the Audit Charter and Annual Plan. This Committee approved the Plan for 2019/20 in April 2019 and received an interim progress update in December 2019.
- 2.4 We have completed the work set out in the plan, subject to the modifications as noted in the report, in full conformance with the Standards. We have also been able to operate with sufficient independence, free from any undue influence of either officers or Members.
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3. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 3.1 The Head of Audit Partnership is satisfied the Council can place assurance on the system of control in operation during 2019/20. Further, he is satisfied the corporate governance framework complies in all significant respects with the best practice guidance issued by CIPFA/SOLACE. Finally, he is satisfied the Council's risk management processes are effective. We ask the Committee to note these opinions.
- 3.2 Please see appendix A for the full Annual Report for 2019/20. This report includes a summary of all work conducted to support the opinion and confirms the independence and effectiveness of the internal audit service.
- 3.3 As Appendix B we include the full report of CIPFA's external quality assessment. CIPFA conducted the assessment in line with the overall parameters discussed and agreed with this Committee in the 2019/20 Annual Plan and Interim Update.
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4. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 4.1 We consult on and agree with relevant Heads of Service before finalising all findings and recommendations arising from individual audit engagements. The headline messages in our report are as discussed with the s151 Officer across the year and have been communicated to help preparation of the Annual Governance Statement.
- 4.2 CIPFA issued a Member survey as part of their External Quality Assessment and the assessor also met this Committee's Chairman. The report at Appendix B includes the results of that survey.
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5. CROSS-CUTTING ISSUES AND IMPLICATIONS

5.1 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 10 July 2020
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	

6. REPORT APPENDICES

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

- Appendix A: Annual Internal Audit Report and Opinion 2019/20
- Appendix B: CIPFA: External Quality Assessment of Conformance to the Public Sector Internal Audit Standards – Mid Kent Audit Partnership (Final Report)

7. BACKGROUND PAPERS

Full reports which inform the audit engagements summarised in this annual report are available on request.