

# Annual Internal Audit Report & Opinion 2020/21

For Audit & Governance Committee on 24 August 2021

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## Summary

**Lead Member:** Cllr Tom Dawlings, Leader Of The Council

**Lead Director:** Lee Colyer, Director of Finance, Policy & Development (s151 Officer)

**Head of Service:** Rich Clarke, Head of Audit Partnership

**Report Author:** Rich Clarke, Head of Audit Partnership

**Classification:** Public

**Wards Affected:** All

| Approval Timetable           | Date           |
|------------------------------|----------------|
| Audit & Governance Committee | 24 August 2021 |

## Recommendations

Officer recommendations:

1. That the Audit & Governance Committee **notes** the Head of Audit Partnership's opinion.
2. That the Audit & Governance Committee **notes** the work underlying the opinion and the Head of Audit Partnership's assurance of its independent completion in conformance with proper standards.

# 1. Introduction and Background

- 1.1 Internal audit is a compulsory service for authorities as set out by Regulation 5 of the Accounts and Audit Regulations 2015. The principal objective of internal audit as described in 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”.*
- 1.2 This report delivers the Head of Internal Audit annual reporting directed 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 Council’s framework of governance, risk management and control. This opinion feeds into the Annual Governance Statement for 2020/21.
- 1.3 The Standards, in particular Standard 2450 (Overall Opinions) direct the annual report to include:
- The annual audit opinion
  - A summary of work completed that supports the opinion, and
  - A statement on conformation with Standards.
- 1.4 As those charged with overseeing governance, the Audit & Governance Committee must consider the Annual Internal Audit Opinion.
- 1.5 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 2020/21 plan in March 2020 and an updated plan reflecting post-covid adjustments in September 2020. This Committee also received an interim progress update in March 2021.
- 1.6 We have completed the work set out in the plan in full conformance with the Standards. We have also worked independently, free from undue influence of either officers or Members.

# 2. Preferred Option and Reason

- 2.1 The Head of Audit Partnership is satisfied the Council can place assurance on the system of control in place during 2020/21. 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.

- 2.2 Please see the Appendix for the full Annual Report for 2020/21. This report includes a summary of all work conducted to support the opinion and affirms the independence and effectiveness of the internal audit service.
- 2.3 We present the opinion and associated report for noting and for Members to consider alongside their evaluation of associated year end reports into the Council's finance and governance. We do not seek in this report any substantive decision or action from the Council as a direct result.

### **3. Consultation**

- 3.1 We consult and agree with relevant Heads of Service before finishing all findings and recommendations arising from individual audit engagements. The headline messages in our report are as discussed with the Management Board across the year and have been shared to help prepare the Annual Governance Statement.

### **4. Appendices and Background Documents**

Appendices:

- Appendix A: Internal Audit Annual Report 2020/21

Background Papers:

- Full reports which support the audit engagements summarised in this annual report are available.

## **5. Cross Cutting Issues**

We present this report and opinion for noting and to support consideration of other year end reporting into the Council's finances and governance. It does not propose or prescribe any specific action as a result. Therefore this report has no specific impact in any of these areas but instead below is a general commentary on issues relevant to each heading.

### **A. Legal (including the Human Rights Act)**

This report helps fulfil the Council's legal obligations under the Accounts and Audit Regulations 2015 for having an internal audit service that conforms to relevant Standards.

### **B. Finance and Other Resources**

We completed the work programme within agreed resources.

### **C. Staffing**

We completed the work programme using staff employed by Maidstone Borough Council as the host authority for the shared service, supplemented with contractor support procured in accordance with Maidstone's financial regulations and overseen by audit management.

### **D. Risk Management**

The audit plan drew on the Council's risk management in considering areas for audit review. In turn, audit findings will provide feedback on identification and management of risk.

### **E. Environment and Sustainability**

No direct implications, though the Committee may wish to note that owing to the pandemic this is the first time we have completed an audit plan fully remotely.

### **F. Community Safety**

No direct implications.

## **G. Equalities**

No direct implications.

## **H. Data Protection**

We handled all information collected by the service in line with the data protection policy of our host authority (Maidstone BC).

## **I. Health and Safety**

No direct implications.

## **J. Health and Wellbeing**

No direct implications.