

**Annual Internal Audit Report & Opinion 2018/19**

<b>Final Decision-Maker</b>	Audit, Governance & Standards Committee
<b>Lead Head of Service</b>	Rich Clarke – Head of Audit Partnership
<b>Lead Officer and Report Author</b>	Rich Clarke – Head of Audit Partnership
<b>Classification</b>	Public
<b>Wards affected</b>	All

**Executive Summary**

The report provides the opinion of the Head of Internal Audit for the year ended 31 March 2019, concluding the Council has sound internal control, risk management and governance arrangements.

**Purpose of Report**

Noting

**This report makes the following recommendations to this Committee:**

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.
3. The Committee **notes** progress so far towards completing the 2019/20 audit and assurance plan.

**Timetable**

<b>Meeting</b>	<b>Date</b>
Audit, Governance & Standards Committee	30 July 2019

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## 1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
<b>Impact on Corporate Priorities</b>	We do not expect the recommendations will by themselves materially affect achievement of corporate priorities. However, they will support the Council's overall achievement of its aims by helping to achieve good governance.	Rich Clarke Head of Audit Partnership  18 July 2019
<b>Cross Cutting Objectives</b>	The report recommendations support the achievement of cross cutting objectives through promotion of good governance.	
<b>Risk Management</b>	The recommendations pose no new risks to the Council nor modify any existing risks.	
<b>Financial</b>	The proposals set out in the recommendations are all within already approved budgetary headings and so need no new funding for implementation.	
<b>Staffing</b>	We will deliver the recommendations with our current staffing.	
<b>Legal</b>	Accepting the recommendations will help fulfil the Council's duties under the Accounts and Audit Regulations 2015 to deliver an effective internal audit service.	
<b>Privacy and Data Protection</b>	The recommendations have no new implications for privacy and data protection.	
<b>Equalities</b>	The recommendations do not propose a change in service therefore will not require an equalities impact assessment	
<b>Public Health</b>	We recognise that the recommendations will not negatively impact on population health or that of individuals.	
<b>Crime and Disorder</b>	The recommendations have no new implications for crime and disorder.	
<b>Procurement</b>	The recommendations require no new procurement to deliver.	

## 2. INTRODUCTION AND BACKGROUND

2.1 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.

2.2 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

2.3 A statement on conformance with PSIAS. 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 in account public sector internal auditing standards and guidance.*

2.4 As those charged with overseeing Governance, the Terms of Reference for this Committee require it to:

*...consider the Head of Audit Partnership's annual report and opinion, and a summary of audit activity (actual and proposed) and the level of assurance it can give over the council's governance arrangements, and any report from Internal Audit on agreed recommendations not implemented within a reasonable timescale.*

2.5 The overall scope of the Council's audit service – which is delivered as part of a four way partnership with Swale, Ashford and Tunbridge Wells – is set out in the Audit Charter and Annual Plan. The Plan for 2018/19 was agreed by this Committee in March 2018. This Committee also received an interim update on progress to date in November 2018.

2.6 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.

2.7 We also include, at Annex C within the substantive report, a summary on progress so far with the 2019/20 audit and assurance plan.

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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 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 Committee to note these opinions.
- 3.2 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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### **4. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK**

- 4.1 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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### **5. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION**

- 5.1 The Head of Internal Audit opinion is incorporated within the Annual Governance Statement.
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### **6. REPORT APPENDICES**

- *Appendix 1: Annual Internal Audit Report & Opinion 2018/19*
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### **7. BACKGROUND PAPERS**

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