

Audit Committee Meeting		Agenda Item: 5
Meeting Date	21 June 2017	
Report Title	Annual Internal Audit Report & Opinion	
Cabinet Member	Cllr Duncan Dewar-Whalley, Cabinet Member for Finance & Performance	
SMT Lead	Nick Vickers: Chief Financial Officer Steve McGinnes: Mid Kent Services Director	
Head of Service	Rich Clarke: Head of Audit Partnership	
Lead Officer	Rich Clarke: Head of Audit Partnership	
Key Decision	No	
Classification	Open	
Forward Plan	Reference number:N/A	
Recommendations	<ol style="list-style-type: none"> 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 2016/17. 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. 	

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 2016/17.
- 1.2 PSIAS, in particular Standard 2450: Overall Opinions, direct that the annual report must incorporate:
 - The annual internal audit opinion (see paragraphs 6 to 15 of the appendix),

- A summary of the work completed that supports the opinion (paragraphs 16 to 113 of the appendix), and
- A statement on conformance with PSIAS (paragraphs 120 to 123 of the appendix).

2 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 Committee require it to:

...consider summaries of internal audit reports produced and review management action taken on associated recommendations. To consider and comment upon any items relevant to the internal audit function.

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 Tunbridge Wells – is set out in the Audit Charter and Annual Plan. The Charter and Plan for 2015/16 were agreed by this Committee in March 2016. This Committee also received an interim update on progress to date in November 2016.

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 2017/18.

3 Proposals

3.1 The Head of Audit Partnership is satisfied the Council can place assurance on the system of control in operation during 2016/17. 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 Committee to note these opinions.

3.2 Please see the appendix for the full Annual Report for 2016/17 which includes a summary of all work conducted to support the opinion and confirms the independence and effectiveness of the internal audit service.

4 Alternative Options

4.1 The role of the Audit Committee includes considering the Annual Report of internal audit as a required part of its purpose. We recommend no alternative course of action.

5 Consultation Undertaken or Proposed

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.

6 Implications

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

Issue	Implications
Corporate Plan	Not applicable
Financial, Resource and Property	Not applicable
Legal and Statutory	Not applicable
Crime and Disorder	Not applicable
Environmental Sustainability	Not applicable
Health and Wellbeing	Not applicable
Risk Management and Health and Safety	Not applicable
Equality and Diversity	Not applicable
Privacy and Data Protection	Not applicable

7 Appendices

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

- Appendix I: Annual Internal Audit Report & Opinion 2016/17 for Swale Borough Council

8 Background Papers

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