

<b>Audit Committee Meeting</b>	
<b>Meeting Date</b>	30 July 2018
<b>Report Title</b>	Annual Internal Audit Report & Opinion 2017/18
<b>Cabinet Member</b>	Cllr Duncan Dewar-Whalley - Cabinet Member for Finance & Performance
<b>SMT Lead</b>	Nick Vickers – Chief Financial Officer
<b>Head of Service</b>	Rich Clarke – Head of Audit Partnership
<b>Lead Officer</b>	Rich Clarke – Head of Audit Partnership
<b>Key Decision</b>	No
<b>Classification</b>	Open
<b>Recommendations</b>	<ol style="list-style-type: none"> <li>1. The Committee <b>notes</b> 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 2017/18.</li> <li>2. The Committee <b>notes</b> 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.</li> </ol>

## **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 2017/18.
- 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 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 in account public sector internal auditing standards and guidance.*

- 2.2 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.*

- 2.3 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 Plan for 2017/18 was agreed by this Committee in March 2017. This Committee also received an interim update on progress to date in November 2017.

- 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 2018/19.

## **3 Proposals**

- 3.1 The Head of Audit Partnership is satisfied the Council can place assurance on the system of control in operation during 2017/18. 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 2017/18 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**

<b>Issue</b>	<b>Implications</b>
<b>Corporate Plan</b>	We present the report for information rather than decision and so these sections are not applicable.
<b>Financial, Resource and Property</b>	
<b>Legal and Statutory</b>	
<b>Crime and Disorder</b>	
<b>Environmental Sustainability</b>	
<b>Health and Wellbeing</b>	
<b>Risk Management and Health and Safety</b>	
<b>Equality and Diversity</b>	
<b>Privacy and Data Protection</b>	

## **7 Appendices**

- 7.1 The following documents are to be published with this report:
- Appendix I: Annual Internal Audit Report & Opinion 2017/18

## **8 Background Papers**

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