

# Audit, Governance & Standards Committee

26 June 2017

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

**Yes**

## Annual Internal Audit Report & Opinion 2016/17

<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

### **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 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.

### **This report relates to the following corporate priorities:**

- Keeping Maidstone Borough an attractive place for all
- Securing a successful economy for Maidstone Borough

This report supports the effective control and governance of the Council and so relates to the achievement of both corporate priorities.

### **Timetable**

<b>Meeting</b>	<b>Date</b>
Committee (Audit, Governance & Standards)	26 June 2017

# Annual Internal Audit Report & Opinion 2016/17

## 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).

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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 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.*
- 2.1 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 Swale, 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.

- 2.2 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.
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### **3. AVAILABLE OPTIONS**

- 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, Governance & Standards 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.
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### **4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS**

- 4.1 The role of the Audit, Governance & Standards Committee includes considering the Annual Report of internal audit as a required part of its purpose. We recommend no alternative course of action.
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### **5. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK**

- 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 Head of Policy, Communications & Governance to assist with preparation of the Council's Annual Governance Statement. The attached report is adapted for comments received.
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### **6. CROSS-CUTTING ISSUES AND IMPLICATIONS**

This report is provided for information rather than decision and consequently raises no new issues or implications. Consequently, the cross cutting issues table is deleted.

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## **7. REPORT APPENDICES**

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 Maidstone Borough Council

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## **8. BACKGROUND PAPERS**

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