

Audit, Governance & Standards Committee

11 July 2016

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

Yes

Annual Internal Audit Report & Opinion 2015/16

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

This report makes the following recommendations to this Committee:

1. The Committee **notes** the Head of Audit Opinion for 2015/16 that it can place reliance on the overall adequacy of the Council's internal control, governance and risk management.
2. The Committee **notes** the work underlying the Opinion and the Head of Audit's view the service has upheld proper 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 -

The report relates to the Council's governance and so relates to each priority.

Timetable

Meeting	Date
Audit, Governance & Standards Committee	11 July 2016

Annual Internal Audit Report & Opinion 2015/16

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 This report meets the Head of Internal Audit reporting need as directed by the Public Sector Internal Audit Standards (PSIAS). The report includes the Head of Audit Partnership's Opinion on the overall adequacy of the organisation's governance, risk management and control. The Council can use this Opinion within its Annual Governance Statement for 2015/16.
- 1.2 PSIAS, in particular Standard 2450 (Overall Opinion) direct the annual report to incorporate:
- The annual audit opinion,
 - A summary of the work completed that supports the opinion, and
 - A statement on conformance with PSIAS.
- 1.3 Audit work completed during 2015/16 satisfies the Head of Audit Partnership the Council can place assurance on controls in place during the year. Also audit work provides assurance the Council's corporate governance complies in all material respects with guidance issued by CIPFA/SOLACE. Finally, audit work provides assurance the Council's risk management is effective. We ask the Audit, Governance & Standards Committee to note these opinions.
- 1.4 Please see the appendix for the full Annual Report for 2015/16. This 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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2. INTRODUCTION AND BACKGROUND

- 2.1 Internal audit is a compulsory service under Regulation 5 of the Accounts and Audit Regulations 2015. The principal objective of internal audit 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".

- 2.2 This Committee's Terms of Reference say it must:

"[provide] independent assurance of the adequacy of the financial and risk management framework and the associated control environment"

- 2.3 The Council's audit service runs as a four-way partnership with Ashford, Swale and Tunbridge Wells Borough Councils. The Audit Charter and Annual Plan agreed by the Audit Committee in March 2015 detail the service's scope aims. This Committee also received an interim update on progress so far in November 2015.

- 2.4 We have completed the work set out in the plan subject to adjustments, as described and following PSIAS. Work outstanding has made enough progress to satisfy the Head of Audit Partnership its conclusions will not materially affect the Opinion. We will report verbally the final conclusions of any work finished ahead of the meeting and include within the first interim update of 2016/17.
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3. AVAILABLE OPTIONS

- 3.1 PSIAS mandates reporting to the Board (defined in our Audit Charter as this Committee). We recommend no alternative course of action.
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4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 The Head of Audit Partnership offers the Opinion for Members to note. The report also confirms the independence and conformance of Mid Kent Audit, again for Members to note.
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5. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 5.1 We agree all findings and recommendations identified within reviews with our audit sponsor (usually the Head of Service). We also agree with management action plans to fulfil recommendations. We have discussed the report's key findings with Senior Management across the year and to the Council's policy team to help with preparing the Annual Governance Statement. We have adapted the attached report for comments received.
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6. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 6.1 The Opinion will inform the Council's Annual Governance Statement. We also communicate the opinion and results of underlying work to the Council's External Auditors who use it following their own International Standards on Auditing (UK & Ireland).
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7. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	This report is presented for noting only and has no cross cutting implications.	Rich Clarke

Risk Management	[further rows left blank, see row above]	
Financial		
Staffing		
Legal		
Equality Impact Needs Assessment		
Environmental/Sustainable Development		
Community Safety		
Human Rights Act		
Procurement		
Asset Management		

8. REPORT APPENDICES

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

- Appendix I: Annual Internal Audit Report and Opinion 2015/16 – Maidstone Borough Council

9. BACKGROUND PAPERS

The report includes summaries of internal audit reports. We are happy to provide full reports to Members on request.