

Annual Internal Audit Report & Opinion 2019/20

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

Executive Summary

The report confirms an unqualified opinion from the Head of Audit Partnership on the Council's internal control, governance and risk management for the year ended 31 March 2020. The report includes, in summary, information on all work completed by the Partnership to support the opinion as well as an update on the overall work of the service. Notably, this includes the full report of CIPFA's External Quality Assessor confirming the service continues to *Fully Conform* to Public Sector Internal Audit Standards.

Purpose of Report

Noting

This report makes the following recommendations to this Committee:

1. That the Head of Audit Partnership's opinion be noted.
2. That the work underlying the opinion plus the Head of Audit Partnership's assurance of its completion with sufficient independence and in conformance with relevant Standards be noted.
3. That the conclusion of CIPFA's External Quality Assessment of Mid Kent Audit that the Partnership *Fully Conforms* with relevant Standards be noted.

Timetable

Meeting	Date
Audit, Governance & Standards Committee	29 July 2020

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1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	This report concerns internal control and governance at the Council. Successful controls and effective governance will underpin achievement on all corporate priorities and cross cutting objectives.	Rich Clarke Head of Audit Partnership 20 July 2020
Cross Cutting Objectives		
Risk Management	The report considers risk management separately (see Appendix 1)	
Financial	The report makes no new financial or staffing proposals.	
Staffing		
Legal	This report fulfils the Council's responsibility under the Accounts & Audit Regulations for maintaining an effective internal audit function.	
Privacy and Data Protection	The audit service operates in conformance with the Council's privacy, data protection and equalities policies.	
Equalities		
Public Health	No relevant impact.	
Crime and Disorder		
Procurement	All procurement undertaken by the Audit Partnership is in conformance with Maidstone BC's financial regulations, as host authority.	

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 (the "Standards"). 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. This opinion informs the Annual Governance Statement for 2019/20.

- 2.2 The Standards, in particular Standard 2450: Overall Opinions, direct that the annual report must include:
- The annual internal audit opinion,
 - A summary of work completed that supports the opinion, and
 - A statement on conformance with Standards.
- 2.3 The overall scope of the Council's audit service – which remains delivered as part of a four way partnership with Tunbridge Wells, Swale and Ashford – is set out in the Audit Charter and Annual Plan. This Committee approved the Plan for 2019/20 in March 2019 and received an interim progress update in November 2019.
- 2.4 We have completed the work set out in the plan, subject to the modifications as noted in the report, in full conformance with the Standards. We have also been able to operate with sufficient independence, free from any undue influence of either officers or Members.
- 2.5 2019/20 also marks five years since the audit partnership last received an External Quality Assessment. Standard 1312 directs that *“external assessments must be conducted at least once every five years by a qualified, independent assessor”*.
- 2.6 The report also includes the outcome of that external assessment, completed by CIPFA in early 2020. It concludes that the audit partnership **Fully Conforms** with Standards. We believe this puts the Audit Partnership in the unique position of receiving perfect scores from both major professional institutes with oversight of internal audit; maintaining the 'fully conforms' level from the Institute of Internal Audit's 2015 review.
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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 2019/20. Further, he is satisfied the corporate governance framework complies in all significant respects with the best practice guidance issued by CIPFA/SOLACE. Finally, he is satisfied the Council's risk management processes are effective. We ask the Committee to note these opinions.
- 3.2 Please see appendix 1 for the full Annual Report for 2019/20. This report includes a summary of all work conducted to support the opinion and confirms the independence and effectiveness of the internal audit service.
- 3.3 As Appendix 2 we include the full report of CIPFA's external quality assessment. CIPFA conducted the assessment in line with the overall parameters discussed and agreed with this Committee in the 2019/20 Annual Plan and Interim Update.
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4. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 4.1 We consult on and agree with relevant Heads of Service before finalising all findings and recommendations arising from individual audit engagements. The headline messages in our report are as discussed with the s151 Officer across the year and have been communicated to help preparation of the Annual Governance Statement.
- 4.2 CIPFA issued a Member survey as part of their External Quality Assessment and the assessor also met this Committee's Chair. The report at Appendix 2 includes the results of that survey.

5. REPORT APPENDICES

- Appendix 1: Annual Internal Audit Report & Opinion 2019/20
- Appendix 2: CIPFA: External Quality Assessment of Conformance to the Public Sector Internal Audit Standards – Mid Kent Audit Partnership (Final Report)

6. BACKGROUND PAPERS

Full reports which inform the audit engagements summarised in this annual report are available on request.