

Audit Committee Meeting		Agenda Item 4
Meeting Date	30 September 2020	
Report Title	Annual Internal Audit Report & Opinion 2019/20	
Cabinet Member	Cllr Roger Truelove, Leader of Swale Borough Council	
SMT Lead	Nick Vickers – Chief Finance Officer	
Head of Service	Rich Clarke – Head of Audit Partnership	
Lead Officer	Rich Clarke – Head of Audit Partnership	
Key Decision	No	
Classification	Open	
Recommendations	<ol style="list-style-type: none"> 1. The Committee notes the Head of Audit Partnership’s opinion. 2. The Committee notes the work underlying the opinion and the Head of Audit Partnership’s assurance of its completion with sufficient independence and conformance with appropriate Standards. 3. The Committee notes the conclusion of CIPFA’s External Quality Assessment of Mid Kent Audit that the Partnership <i>Fully Conforms</i> with 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 (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.
- 1.2 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.

- 1.3 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*”.
- 1.4 The report also includes the outcome of that external assessment, completed by CIPFA earlier this year. It concludes that the audit partnership **Fully Conforms** with Standards. We believe this put the Audit Partnership in the unique position of receiving perfect scores from both major professional institutes with interest in local government internal audit; maintaining the ‘fully conforms’ level from the Institute of Internal Audit’s 2015 review.

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:

“... 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 As those charged with overseeing governance, the Terms of Reference for this Audit & Governance Committee ask that it:

“... consider the [internal audit] annual report and opinion, and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the council’s corporate governance arrangements.”

- 2.3 The overall scope of the Council’s audit service – which remains delivered as part of a four way partnership with Maidstone, Swale and Ashford – is set out in the Audit Charter and Annual Plan. This Committee approved the Plan for 2019/20 in April 2019 and received an interim progress update in December 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.

3 Proposal

- 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 I 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 II 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.

4 Alternative Options

- 4.1 We present the opinion and associated work for noting rather than decision.

5 Consultation Undertaken or Proposed

- 5.1 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.
- 5.2 CIPFA issued a Member survey as part of their External Quality Assessment and the assessor also met this Committee’s Chairman. The report at Appendix II includes the results of that survey.

6 Implications

Issue	Implications
Corporate Plan	Internal Audit’s work supports all Council activities and the wider Corporate Plan in assisting the governance around its delivery.
Financial, and Property	The work programme set out was completed within agreed resources.
Legal and Statutory	The Council is required by Regulation to operate an internal audit service in accordance with proper standards. In particular, the external quality assessment maintains adherence to this obligation.
Crime & Disorder	No direct implications.
Environmental Sustainability	No direct implications.
Health/Wellbeing	No direct implications.
Risk Management and Health and Safety	The audit plan draws on the Council’s risk management in considering the areas for audit examination. In turn, audit findings will provide feedback on the identification, management and controls operating within the risk management process.

Issue	Implications
Equality/Diversity	No direct implications.
Privacy and Data Protection	We collect and store information in the course of our audit work examining areas of the Council. We use that information in accordance with our collaboration agreement which, in turn, is in accordance with applicable laws and regulations.

7 Appendices

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

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

8 Background Papers

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