

**Agenda Item No:** 5  
**Report To:** Audit Committee  
**Date:** 30 June 2016  
**Report Title:** Annual Internal Audit Report and Opinion 2015/16  
**Report Author:** Rich Clarke – Head of Audit Partnership



<b>Summary:</b>	The report gives the 2015/16 Head of Audit Opinion on the Council's internal control, governance and risk management, with supporting work completed during the year.
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**Key Decision:** NO

**Affected Wards:** All

**Recommendations:**

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.

**Policy Overview:** N/A

**Finance:** N/A

**Risk Assessment** NO

**EIA** NO

**Other Matters:** N/A

**Exemption  
Clauses:** N/A

**Background  
Papers:** Annual Internal Audit Report and Opinion 2015/16

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## **Report Title: Annual Internal Audit Report and Opinion 2015/16**

### **Purpose of the Report**

1. This report meets the Head of Internal Audit reporting standards 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.
2. PSIAS, in particular Standard 2450: Overall Opinions, direct the annual report must incorporate:
  - The annual audit opinion,
  - A summary of the work completed that supports the opinion, and
  - A statement on conformance with PSIAS.

### **Issue to be Decided**

3. Audit work completed during 2015/16 satisfies the Head of Audit Partnership the Council can place assurance on controls in place during 2015/16. 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 Committee to note these opinions.
4. Please see the appendix for the full Annual Report for 2015/16 which includes a summary of all work conducted to support the opinion and confirms the independence and effectiveness of the internal audit service.

### **Background**

5. Internal audit is a compulsory service under Regulation 5 of the Accounts and Audit Regulations 2015. The principle objective of internal audit is to:

*"... undertake [audit work] to evaluation the effectiveness of [...] risk management, control and governance processes, taking into account public sector internal auditing standards and guidance."*
6. The Audit Committee's Terms of Reference say it must:

*"[review] The Head of Internal Audit's Annual Report and Opinion, and a summary of internal audit activity..."*
7. The Council's audit service runs as a four-way partnership with Maidstone, Swale and Tunbridge Wells Borough Councils. The Audit Charter and Annual Plan agreed by this Committee in March 2015 detail the service's scope and

aims. This Committee also received an interim update on progress so far in December 2015.

8. We have completed the work set out in the plan subject to adjustments, as described 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.

### **Risk Assessment**

9. N/A

### **Equalities Impact Assessment**

10. N/A

### **Other Options Considered**

11. The role of the Audit Committee includes considering the Annual Report of internal audit as a mandated part of its purpose. We recommend no alternative course of action.

### **Consultation**

12. 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 the Head of Finance 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.

### **Implications Assessment**

13. N/A

### **Handling**

14. N/A

### **Conclusion**

15. We completed work as set out in the plan following PSIAS that satisfies the Head of Audit Partnership the Council's internal control, governance and risk management runs effectively.

### **Portfolio Holder's Views**

16. N/A

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