

Agenda Item No:

Report To: Audit Committee

Date: 29 September 2020

Report Title: Annual Internal Audit Report & Opinion 2019/20

Report Author: Rich Clarke – Head of Audit Partnership



Summary: The annual opinion of the Head of Internal Audit on the effectiveness of the Council's internal control, corporate governance and risk management. Report also includes updates to 2020/21 Audit plan and results from CIPFA's External Quality Assessment of Mid Kent Audit

Key Decision: NO

Affected Wards: All

- Recommendations:**
1. The Committee **notes** the Head of Audit Partnership opinion. The opinion states that, in the view of internal audit, the Council's internal controls, corporate governance and risk management arrangements have worked effectively during 2019/20.
 2. The Committee **notes** the work underlying the opinion and the Head of Audit's assurance is independent and in conformance with Public Sector Internal Audit Standards.
 3. The Committee **approves** the updated 2020/21 Internal Audit & Assurance Plan (at Appendix 1) and **notes** the assurance it was prepared with sufficient independence and objectivity.
 4. The Committee **notes** the conclusion on CIPFA's External Quality Assessment of Mid Kent Audit that the Partnership *Fully Conforms* with Standards.

Policy Overview: N/A

Finance: N/A

Risk Assessment N/A

EIA N/A

Other Matters: N/A

**Exemption
Clauses:**

N/A

**Background
Papers:**

Annual Internal Audit Report & Opinion 2019/20

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Purpose of the Report

1. This report is the Head of Internal Audit annual reporting 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 Council's internal controls and governance. The Council uses the opinion in producing its Annual Governance Statement for 2018/19.
2. The Standards, in particular Standard 2450: Overall Opinions, direct what the annual report must include.
3. We also include as an appendix an update to the Audit Plan originally approved by Members in March this year. The Council, like every other organisation, has undergone significant changes to its risks and priorities during the Covid-19 pandemic. This appendix sets out some specific changes we wish to make to the plan as a result, along with outlining an approach to keeping the plan flexible and agile for the remainder of the year.
4. 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*".
5. This report 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 puts 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' mark from the Institute of Internal Audit's 2015 assessment.

Background

6. Regulation 5 of the Accounts and Audit Regulations 2015 set out the need for an internal audit service. The Regulation describes the principal objective of internal audit as:

[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.

7. The Audit Committee's terms of reference direct it to:

Consider/monitor or advise the Council as appropriate upon:

- *the Head of Internal Audit's 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.*
 - *The summary of internal audit reports issued in the previous period.*
 - *Reports on the management and performance of the Audit Partnership Agreement.*
 - *Reports from the Head of Internal Audit on agreed recommendations not implemented within a reasonable timescale.*
8. The Annual Plan sets out the Council's audit service's work. The Committee agreed the Plan for 2019/20 in March 2019. This Committee also received an interim update on progress so far in December 2019.
9. We have completed the work set out in the plan, subject to adjustments as described by the Standards. We will report verbally at the meeting the conclusions of any work outstanding (if available) and include within the first interim update of 2020/21.

Risk Assessment

10. N/A

Equalities Impact Assessment

11. N/A

Other Options Considered

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

Consultation

13. We consult on all findings and recommendations identified within reviews with the relevant Head of Service. We have discussed the headline messages within the report with the s151 Officer across the year to help with preparing the Council's Annual Governance Statement.
14. We have adapted the attached report for comments received.

Implications Assessment

15. N/A

Handling

16. N/A

Conclusion

17. The overall opinion of the Head of Internal Audit is the council's internal controls, corporate governance and risk management worked effectively during 2019/20.
18. In their External Quality Assessment of the Audit Partnership, CIPFA conclude that the Partnership **Fully Conforms** to appropriate Standards.

Portfolio Holder's Views

19. N/A.

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