

By: The Head of Audit & Risk

To: Governance and Audit Committee
29 June 2007

Subject: **INTERNAL AUDIT ANNUAL REPORT 2006/07**

Classification: Unrestricted

Summary: The Internal Audit Annual Report shows the results of all internal audits carried out during the 2006/2007 financial year. The overall assurance on the level of control within the County Council is provided.

FOR INFORMATION

Introduction

1. Each year the nominated 'Head of Audit' produces an annual report which is distributed to all Members of the County Council, the Chief Executive, Managing Directors, Director of Finance and directorates' senior managers. A copy of the draft report is attached.
2. The report contains the overall assurance on the adequacy and effectiveness of governance arrangements, risk management and internal control within the Council. It also contains a summary of work carried out by Internal Audit during the year. The overall opinion is one of the sources of evidence for the Statement of Assurance, which is published with the Authority's annual accounts.
3. The report also includes a summary of Internal Audit's activity and progress against targets for key performance indicators. These indicators, which were agreed by members of the Audit Committee at their meeting on 3 March 2004, are incorporated into our Business Plan, and are monitored regularly to provide an overview of the Section's efficiency and effectiveness.

Audit Assurance for 2006/2007

4. Based on the internal audit review work undertaken, irregularity investigations and any other relevant information, there is *substantial* assurance as to the level of control for the management of financial risk in the Council, and *substantial* assurance that business objectives are being achieved without incurring unacceptable risk. The main areas for improvement identified during 2006/07 included the processes for recruitment of staff in schools, business continuity and disaster recovery planning. Recommendations to improve control of risks identified through internal audit activity have been discussed with, and accepted by relevant managers, and will be followed up by Internal Audit during 2007/08.

5. In relation to corporate governance and risk management, our overall opinion is that there is *substantial* assurance as to the Council's arrangements.

Effectiveness of the Internal Audit function

- 6 The Accounts & Audit Regulations 2006 require us to carry-out an annual review of the effectiveness of internal audit, the findings of which must be considered by this Committee, as part of their consideration of the system of internal control.
- 7 The review has been carried-out by self-assessment, and the outcome of this self-assessment is included at Appendix F in the attached Annual Report. For those areas where we are not fully compliant, we have put an action plan in place. Members are asked to consider the findings of this self-assessment.

Recommendation

- 8 Members are asked to note the outcome of Internal Audit's work for 2006/07 and receive the annual report, and to consider the outcome of the self-assessment of the effectiveness of the internal audit function.

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