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| Subject: | Internal Audit Annual Report for year ended 31 st March 2018 | Status: | For Publication |
| Report to: | Audit and Accounts Committee | Date: | 31 st July 2018 |
| Report of: | Head of Internal Audit (Internal Audit Service) | Portfolio Holder: | Resources and Performance |
| Key Decision: | <input type="checkbox"/> Forward Plan <input type="checkbox"/> | General Exception | <input type="checkbox"/> Special Urgency <input type="checkbox"/> |
| Equality Impact Assessment: | Required: | No | Attached: No |
| Biodiversity Impact Assessment | Required: | No | Attached: No |
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| 1. | RECOMMENDATION(S) |
| 1.1 | The committee are asked to consider the internal audit annual report for the year ended 31 March 2018. |

2. PURPOSE OF REPORT

- 2.1 The Audit and Accounts Committee's terms of reference require it to advise the Council on the planned activity and results of internal audit. The Committee will, on a periodic basis, consider the head of internal audits annual opinion and report.

3. CORPORATE PRIORITIES

- 3.1 The matters discussed in this report impact directly on the following corporate priorities:
- **A clean and green Rossendale:** our priority is to keep Rossendale clean and green for all of Rossendale's residents and visitors, and to take available opportunities to recycle and use energy from renewable sources more efficiently.
 - **A connected and successful Rossendale that welcomes sustainable growth:** our priority is to ensure that we are well connected to our residents, key partners and stakeholders. We want to make the most of every pound we spend and we are always looking for new and innovative ways to make the resources we do have, work harder for us.
 - **A proud, healthy and vibrant Rossendale:** our priority is to ensure that we are creating and maintaining a healthy and vibrant place for people to live and visit.

4. RISK ASSESSMENT IMPLICATIONS

- 4.1 All the issues raised and the recommendation(s) in this report involve risk considerations as set out below:
- Failure to comply with the Public Sector Internal Audit Standards issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) would undermine the ability to provide the Council with the necessary level of assurance in relation to their governance, risk management and internal control arrangements;
 - The report enables the Leader and Chief Executive to report in the Annual Governance Statement.

5. BACKGROUND AND OPTIONS

- 5.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) is the relevant standard setter for internal audit in local government in the United Kingdom. CIPFA has published Public Sector Internal Audit Standards ('PSIAS'), which encompass the mandatory elements of the Global Institute of Internal Auditors' International Professional Practices Framework, including its Definition of Internal Auditing, Code of Ethics, and its International Standards for the Professional Practice of Internal Auditing. These documents are therefore mandatory for internal audit in local government in the United Kingdom, and they are supplemented within PSIAS by additional public sector interpretation and guidance. CIPFA has also published a Local Government Advisory Note setting out sector-specific requirements for local government within the United Kingdom.
- 5.2 The Internal Audit Service therefore operates in accordance with this mandatory definition, code, standards and advice.
- 5.3 The Annual Report of the head of internal audit meets these requirements and is attached in Appendix A.

COMMENTS FROM STATUTORY OFFICERS:

6. SECTION 151 OFFICER

- 6.1 Any financial implications arising are noted in the report.

7. MONITORING OFFICER

- 7.1 Any legal implications are commented upon in the report.

8. POLICY IMPLICATIONS AND CONSULTATION CARRIED OUT

- 8.1 Any policy implications are commented upon in the report.

9. CONCLUSION

- 9.1 The Annual Report provides an independent, objective opinion on the adequacy of design and the effectiveness of operation of the Council's systems of governance, risk management and internal control.
- 9.2 Overall, I can provide **substantial** assurance over these systems for 2017/18, based on the work undertaken by the Internal Audit Service in the year. This is an improvement on 2016/17's limited overall opinion and is informed by improvements in key corporate systems and processes which impact on corporate governance, and the Council's ability to oversee, scrutinise and challenge. Our assurance opinions for audits in these areas therefore have a significant impact on our overall assurance opinion. We gave substantial assurance this year over the delivery of actions to support implementation of the Improvement Plan, and new arrangements are being embedded into day-to-day Council operations through the 2017/21 Corporate Strategy. This is supported by improvements in risk and performance management and on our audit of decision making and oversight we raised our opinion from limited to substantial.
- 9.3 Improved internal controls continue to operate effectively over the council's business processes, and we gave substantial assurance for all the transactional systems we audited, including accounts receivable over which we gave limited assurance in 2016/17.