

**REPORT FROM: AUDIT MANAGER**

**TO: ACCOUNTS & AUDIT COMMITTEE**

**DATE: 26th JULY 2018**

**Report Author: Farhan Khaliq**  
**Tel. No: (01282) 661875**  
**E-mail: farhan.khaliq@pendle.gov.uk**

**ANNUAL REPORT – INTERNAL AUDIT OPINION**

1. The Annual Internal Audit Opinion Report for 2017/18 is enclosed for attention at [Appendix1](#). Its purpose is to provide Accounts & Audit Committee with information on the work carried by Internal Audit Unit during the year to 31<sup>st</sup> March 2018.

**RECOMMENDATIONS**

2. That the annual internal audit opinion report is considered and accepted.

**REASONS FOR RECOMMENDATION**

3. To ensure that Accounts & Audit Committee are aware of the activities of the Internal Audit Unit during the 2017/18 financial year.
4. To meet requirements contained in the Public Sector Internal Audit Standards and CIPFA's Local Government Application Note.

**Background**

5. The Public Sector Internal Audit Standards (PSIAS) 2013 require the Head of Internal Audit (Internal Audit Manager) to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control (i.e. the system of internal control).
6. The Standards under the Audit Strategy and Planning Standard require that an annual risk based internal audit plan is produced, in agreement with Management and Committee.
7. In March 2017, the Accounts and Audit Committee approved the Internal Audit Plan for 2017/18. The Plan outlined the work that will be undertaken in the following financial year, the priorities for Internal Audit and the estimated resources required to deliver the

plan. The Annual Internal Audit Opinion 2017/18 provides a summary of the actual work undertaken within the year.

8. Members will appreciate that the planned audit days for each audit assignment is an estimate based on the anticipated scope of the audit work required. Given the nature of any plan, there is at times a need to redirect resources during the year subject to events that may arise. The detailed scope and objective of each assignment, and the exact dates of fieldwork, are normally agreed with the relevant Service Manager prior to the commencement of each audit.
9. The annual internal audit opinion contributes to the completion of the Annual Governance Statement (AGS). Therefore Internal Audit has a professional duty to provide an unbiased and objective view of the Council's internal control environment. Internal Audit is independent of the processes that it evaluates and reports directly to Management Team and Accounts and Audit Committee.
10. No system of internal control can provide absolute assurance against material loss or misstatement, nor can Internal Audit give absolute assurance.
11. Where recommendations have been made for improvement in controls there is a follow up process to seek assurance regarding their implementation. Progress towards implementation is reported to the Accounts and Audit Committee
12. Based on our work undertaken during the year the Audit Manager's opinion is:  
  
*"Internal Audit reports on both Corporate Governance and Internal Control arrangements. The Internal Audit Manager was satisfied through the review of internal control during 2017/18 that internal control in the Council is good, although it is not possible to provide absolute assurance about the overall system of internal control"*
13. There were no "limited assurance" or "none assurance" audit opinions reported or significant issues arising which given the extent of change the Council continues to face and the reduction in resources should be seen as a positive.
14. We would like to acknowledge our thanks to all Service Managers and their staff for the assistance and co-operation provided during the audit activity and to the Accounts and Audit Committee for providing the oversight.

## IMPLICATIONS

**Policy:** There are no policy implications arising directly from the contents of this report

**Financial:** There are no financial implications arising directly from this report.

**Legal:** The Accounts and Audit Regulations 2015 require the Council to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

**Risk Management:** The Internal Audit Plan 2017/18 was produced using a risk based approach. This approach takes into account a range of risks to the Council's internal control system that supports the achievement of the Council's objectives.

**Health and Safety:** There are no health and safety implications arising directly from this report.

**Climate Change:** There are no climate change implications arising directly from this report.

**Community Safety:** There are no Community Safety implications arising directly from this report.

**Equality and Diversity:** There are no equality and diversity implications arising directly from this report.

## **APPENDICES**

**Appendix 1** – Annual Internal Audit Opinion Report 2017/18