

INTERNAL AUDIT SERVICE ANNUAL REPORT 2017-18

1.0 INTRODUCTION

- 1.1 The Council is required by the Accounts and Audit Regulations 2015 to undertake an effective internal audit of its risk management, control and governance processes, taking into account public sector auditing standards or guidance.
- 1.2 For 2017/18 those standards were defined in the Public Sector Internal Audit Standards (PSIAS).
- 1.3 The PSIAS require the Audit Manager to deliver an annual internal audit opinion that can be used to inform the Council's Annual Governance Statement.
- 1.4 The work streams set out in the Internal Audit Plan approved by this Committee are the primary source of assurance upon which that opinion is based.
- 1.5 This report summarises any matters relevant to the Annual Governance Statement identified during internal audit activity in 2017-18 and presents the annual internal audit opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.

2.0 CONFORMANCE WITH PUBLIC SECTOR INTERNAL AUDIT STANDARDS

- 2.1 A report was brought to this Committee setting out the requirements of the Public Sector Internal Audit Standards (PSIAS) adopted from April 2013.
- 2.2 Since the introduction of the PSIAS internal audit has kept its systems and procedures under review to ensure that it operates in accordance with the standards.
- 2.3 Our own internal assessment of compliance with the standards based on the "Checklist for Assessing Conformance with the PSIAS and the Local Government Application Note" published by the Chartered Institute of Public Finance and Accountancy (CIPFA) did not identify any areas of non-conformance.
- 2.4 In 2017/18 the section underwent an external review of our conformance with the PSIAS but the results of this are yet to be confirmed.

3.0 INTERNAL AUDIT ACTIVITY 2017-18

- 3.1 The 2017-18 Internal Audit Plan was prepared using a risk based approach taking into account the Council's objectives and considering known local and national influences on risks to their achievement. It was approved by this Committee in March 2017.
- 3.2 The 2017/18 Internal Audit Plan set out 24 work-streams. Performance against the plan, summaries of internal audit activity and the level of assurance it provides are reported to this Committee in detail on a quarterly basis.
- 3.3 The 2017/18 financial year has seen the implementation of a new structure for the section which resulted in savings. A full complement of staff in accordance with the new establishment has been in place from June 2017 onwards.
- 3.4 Progress against the annual risk based Internal Audit Plan is reported quarterly to this committee and those reports set out the work undertaken during the year to support the opinion in this report.
- 3.5 Sufficient audit coverage has been achieved in the year to enable me to provide an opinion on the control environment.
- 3.6 Assurance work undertaken in the year confirmed that the Council has appropriate controls in place to manage significant risks to its operations as reflected in the substantial assurance ratings given in the majority of the areas examined.
- 3.7 Non-assurance work is activity undertaken by internal audit not primarily designed to provide assurance. An example is the National Fraud Initiative which the Council is required to participate in. Such work may still provide useful evidence of the effectiveness of controls in operation and work completed in these areas during the year did not disclose any evidence of significant areas of weakness in controls.
- 3.8 In addition to planned activity, internal audit have a role in investigation of potential fraud and irregularity, responding to items referred to it in accordance with established procedures. No referrals during the year disclosed evidence of significant areas of weakness in controls.

4.0 MANAGEMENT RESPONSES TO INTERNAL AUDIT REPORTS

- 4.1 During the year improvements to controls in various systems have been agreed between internal audit and management.
- 4.2 Responses from auditees have been satisfactory and recommendations have been implemented as agreed in reasonable timescales.

- 4.3 Two issues have been specifically raised with this Committee by the Audit Manager during the year, electronic management of records and the process for the engagement, management and monitoring of a contractor in property services. Management have agreed action plans which adequately address both of these issues and until such time as these are implemented completely progress against them will be reported regularly to this committee.

5.0 ANNUAL GOVERNANCE STATEMENT

- 5.1 Internal audit work supports the production of the Annual Governance Statement presented elsewhere on this agenda. There were no issues arising from Internal Audit's work in 2017/18 which require disclosure in the Annual Governance Statement in addition to those already contained in it.

6.0 OVERALL OPINION

- 6.1 The Internal Audit Plan was prepared without any limitations on scope. No issues were identified during the course of the audit work in 2017/18 that would be likely to have a material effect on the Council's Financial Statements.
- 6.2 Based on the work which internal audit have carried out and taking into account other sources of assurance available, such as the Council's external auditor's Annual Audit Letter it is my opinion that West Lancashire Borough Council has in place a sound overall framework of governance and effective risk management and control systems.

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West Lancashire Borough Council