

| | |
|------------------------|----------------------|
| AUDIT COMMITTEE | AGENDA ITEM No. 5 |
| 16 JULY 2018 | PUBLIC REPORT |

| | | |
|--------------------------------|---|-------------|
| Report of: | Peter Carpenter, Acting Director of Corporate Resources | |
| Cabinet Member(s) responsible: | Councillor Seaton, Cabinet Member for Resources | |
| Contact Officer(s): | Steve Crabtree, Chief Internal Auditor | Tel. 384557 |

ANNUAL INTERNAL AUDIT OPINION 2017 / 2018

| R E C O M M E N D A T I O N S | |
|--|---------------------------|
| FROM: Peter Carpenter, Acting Director of Corporate Resources | Deadline date: N/A |
| <p>The Audit Committee is asked to:</p> <ol style="list-style-type: none"> 1. Receive, consider, provide challenge to and endorse the attached Chief Internal Auditor's annual report for the year ended 31 March 2018. | |

1. ORIGIN OF REPORT

1.1 This report is submitted to the Audit Committee and provides details of the performance of Internal Audit during 2017 / 2018 and the areas of work undertaken, together with an opinion on the soundness of the control environment in place to minimise risk to the council.

2. PURPOSE AND REASON FOR REPORT

2.1 The Terms of Reference for the Audit Committee (agreed at Full Council) set out key roles of the Committee including the following 2.2.1.1

“To consider the annual report and opinion internal audit activity and the level of assurance it can give over the Council's corporate governance arrangements.”

2.2 The purpose of this report provides an overall opinion on the soundness of the control environment in place to minimise risk to the Council. It is based on the findings of completed audits and activities undertaken by the Internal Audit Team during 2017 / 2018.

3. TIMESCALES

| | | | |
|---|-----------|----------------------------------|--|
| Is this a Major Policy Item/Statutory Plan? | NO | If yes, date for Cabinet meeting | |
|---|-----------|----------------------------------|--|

4. BACKGROUND AND KEY ISSUES

4.1 The Internal Audit Opinion is based on review work undertaken during the period April 2017 to March 2018 and is set out in the attached **Appendix A**.

4.2 In preparing the opinion, the Chief Internal Auditor has reviewed all audit activities carried out

relating to 2017 / 2018. Each individual audit undertaken contains an assurance opinion on the adequacy and effectiveness of controls in place to mitigate the risks identified. Where systems have fallen below expected standards, details of these have been identified within the report as an executive summary within **Appendix B**. Furthermore, ongoing internal performance indicators are monitored and their level of achievement, or otherwise, are included for information purposes. During the year an annual survey has been undertaken regarding internal audit services provided to managers and members. The results of the survey are detailed within **Appendix C**.

- 4.3 The overall conclusion based on our work is that Peterborough City Council has a sound governance framework from which those charged with Governance can gain **reasonable assurance**. Internal Audit has made a number of recommendations to further improve the systems of control and the organisation is actively working to make improvements in these areas. Audit coverage during the year has provided sufficient evidence to conclude that the key financial control systems are sound although there are some areas where improvements are necessary. However, no system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance.

5. CONSULTATION

- 5.1 Summary committee reports are produced and discussed periodically through Audit Committee for information and challenge. All audit reports are issued to the appropriate Head(s) of Service for action, Executive Directors, Chief Executive, Leader of the Council and the Chair of Audit Committee in accordance with the agreed Audit Charter (last approved by Audit Committee March 2018).

The Annual Audit Opinion is issued to our External Auditors as part of their programme of works to review and close the accounts.

6. ANTICIPATED OUTCOMES OR IMPACT

- 6.1 That the Audit Committee is informed of the Internal Audit Opinion and the work carried out by Internal Audit to support this.

7. REASON FOR THE RECOMMENDATION

- 7.1 In accordance with the Accounts and Audit Regulations 2015, the CIPFA Code of Practice for Internal Audit in Local Government 2006 and the Public Sector Internal Audit Standards (2017), this report summarises the work of the Internal Audit section and its outcomes relating to the review of internal control for the last financial year. This is incorporated with the results of other reviews to produce the required Annual Governance Statement.

8. ALTERNATIVE OPTIONS CONSIDERED

- 8.1 Public Sector Internal Audit Standards require that an annual report reviewing the activities undertaken of Internal Audit along with the overall opinion of the organisations control environment is produced and presented to the Audit Committee. There are therefore no other options considered as appropriate.

9. IMPLICATIONS

Financial Implications

- 9.1 None

Legal Implications

- 9.2 There would be a legal implication if an Internal Audit service was not provided for, and if mechanisms were not in place to carry out a review of internal control, governance and risk

management as a basis for the Annual Governance Statement.

Equalities Implications

9.3 None

10. BACKGROUND DOCUMENTS

10.1 Internal Audit Plan 2017 / 18
Internal Audit Reports
Internal Audit Annual Survey 2018

11. APPENDICES

11.1 A – Head of Internal Audit Annual Opinion
B – Executive Summaries
C – Internal Audit Annual Survey 2018

This page is intentionally left blank