Scope, Responsibilities and Assurance

Approach

C.1   The Internal Audit Service operates in accordance with Public Sector Internal Audit Standards, 2017. The scope of internal audit work encompasses all of the council's operations, resources and services including where they are provided by other organisations on its behalf.

Responsibilities of management and internal auditors

C.2   It is management's responsibility to maintain systems of risk management, internal control and governance. Internal audit is an element of the internal control framework assisting management in the effective discharge of its responsibilities and functions by examining and evaluating controls. Internal auditors cannot therefore be held responsible for internal control failures.

C.3   However, we have planned our work so that we have a reasonable expectation of detecting significant control weaknesses. We have reported all such weaknesses to management as they have become known to us, without undue delay, and have worked with management to develop proposals for remedial action.

C.4   Internal audit procedures alone do not guarantee that fraud will be detected. Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud or other irregularities which may exist, unless we are requested to carry out a special investigation for such activities in a particular area.

C.5   Internal audit's role includes assessing the adequacy of the risk management processes, key internal control systems and corporate governance arrangements put in place by management and performing testing to ensure those controls were operating effectively for the period under review.

Basis of our assessment

C.6   My opinion on the adequacy of control arrangements is based upon the result of internal audit work undertaken and completed during the period but, in accordance with the plans approved by the Audit, Risk and Governance Committee, this has been limited in its range during 2020/21. Sufficient, reliable and relevant evidence has been obtained from a range of sources within the organisation other than from internal audit work alone.

Limitations to the scope of our work

C.7   The scope of internal audit work has been restricted by the impact of the COVID-19 pandemic on the organisation, but this has not limited the scope of the annual opinion provided.

Limitations on the assurance that internal audit can provide

C.8   There are inherent limitations as to what can be achieved by internal control and consequently limitations to the conclusions that can be drawn from our work as internal auditors. These limitations include the possibility of faulty judgement in decision making, of breakdowns because of human error, of control activities being circumvented by the collusion of two or more people, and of management overriding controls. Further, there is no certainty that internal controls will continue

to operate effectively in future periods or that the controls will be adequate to mitigate all significant risks which may arise in future.

C.9   Decisions made in designing internal controls inevitably involve the acceptance of some degree of risk. As the outcome of the operation of internal controls cannot be predicted with absolute assurance any assessment of internal control is judgmental.

Access to this report and responsibility to third parties

C.10   This report has been prepared solely for Lancashire County Council. It forms part of a continuing dialogue between the Internal Audit Service, the Chief Executive, the Audit, Risk and Governance Committee and management of the council. It is not therefore intended to include every matter that came to our attention during the year.

C.11   This report may be made available to other parties, such as the external auditors. However no responsibility is accepted to any third party who may receive this report for any reliance that may be placed on it and, in particular, the external auditors must determine for themselves what reliance they place on the work of the Internal Audit Service.