



**Internal Audit Progress Report
August 2023**

1. Introduction

- 1.1 The Public Sector Internal Audit Standards (the Standards) require the Audit and Governance Committee to oversee the performance of the Internal Audit Team and to satisfy itself that it is receiving appropriate assurance that the controls put in place by management address the identified risks to the Council. This report aims to provide the Committee with details on progress made in delivering planned work, the key findings of audit assignments completed since the last Committee meeting, updates on the implementation of actions arising from audit reports and an overview of the performance of the Internal Audit service.

2. Performance

- 2.1 Since the last meeting of the Audit and Governance Committee, the Internal Audit team has been progressing work on delivery of the 2023/24 audit plan.
- 2.2 A full copy of the 2023/24 audit plan is provided as Table 3, on pages 8 to 15 of this report.
- 2.3 Assignments scheduled for quarter one (April – June 2023) from the 2023/24 audit plan are either complete or in progress and a number of assignments scheduled for quarter two (July - September 2023) are also underway. At the time of reporting, 23% of the audit plan in Table 3 has been delivered to at least draft report stages and a further 30% is in fieldwork stages. This reflects that delivery is on track for this stage in the year.

3. Key findings

- 3.1 Since the last meeting of the Audit & Governance Committee, finalised reports have been issued in respect of six audit assignments. The key findings arising from those audits are summarised as follows:

Agency workers and consultants

Since vesting day, the Council has encountered challenges in terms of organisational capacity as a result of vacancies inherited from legacy Councils, including when County Council services were disaggregated. Vacancies have also existed whilst services work on designing structures that are fit for a large unitary authority rather than 5 different organisations. The use of temporary workers is not however solely used to cover permanent vacancies. In some instances, posts are only required for a fixed term (e.g. to deliver time limited work as part of grant financed projects).

With the recognition that the Council has used temporary workers to support delivery of services, it is important that the Council has appropriate systems and processes in place to support such arrangements. For the financial year 2022/23, approximately £17.7 million of payments were made in respect of agency related costs with approximately £6.7 million of that figure spent with suppliers other than the Council's main contracted supplier, OPUS.

The review found that the Council has developed well written and easy to understand policies in respect of both agency workers and consultants which clearly define expectations around such activity. Additionally, compliance testing found that:

- Despite the lack of clarity around responsibility for checking that new and extended agency placements have been approved by the relevant Assistant Director, evidence provided by Council officers in respect of new placements and by OPUS in respect of extensions to placements demonstrated good compliance with this expectation in the Agency Workers Policy.
- Good compliance was found with activity processed through OPUS around the completion of pre-employment checks.

The review has however highlighted the following areas that need to be strengthened:

- A review of current arrangements found that (a) no checks are currently undertaken to ensure appropriate authorisation has been obtained for new appointments to be actioned by OPUS, and (b) there is inconsistency in Council guidance around the process to be followed when requesting a waiver / exception to appoint agency staff outside OPUS, specifically around whether evidence has to be provided by OPUS to confirm they cannot deliver the requirement.
- The Agency Worker Policy requires that if a suitable agency worker cannot be sourced through OPUS, Council officers are required to obtain an approved waiver / exception prior to appointing an agency worker via an alternative supplier. Testing on agency spend with suppliers other than OPUS found an approved waiver / exception had only been provided covering approximately £800k of the £6.7 million spend in the 2022/23 financial year.
- The Consultants Policy states that each directorate is responsible for maintaining a record of all consultant placements within their area. Limited records of consultant activity were in place at the time of audit. and as a result, compliance testing could not be undertaken by Internal Audit on key aspects of consultant activities including IR35 compliance and pre-employment checks. It should be noted that a piece of work has subsequently been completed in response to a request from HMRC for the Council to provide information about 'off-payroll' workers engaged and their tax status, and the findings will be used to develop a 'skeleton record' of consultant activity in each directorate, which directorates will then be expected to keep up to date records going forward for audit / inspection purposes.

Based upon the fieldwork completed, the following assurance opinions have been given:

Internal Audit Assurance Opinion		
Control Environment	●	Moderate
Compliance	●	Limited
Organisational Impact	●	Medium

Customer Relationship Management (CRM) system – phase one

A new, single Customer Relationship Management (CRM) system is being rolled out across the Council to replace the separate, existing Customer Service CRM systems from the legacy councils. This will enable the Customer Services Team to use the same CRM system at all their locations, servicing all customers and allowing more customers to be dealt with at first point of contact.

The project is being delivered via an iterative approach with the minimum viable product (MVP) going live as part of phase one on 3rd April 2023, providing a CRM on the new platform for the Customer Services Team at Haylock House. This CRM system is the first system to be delivered on the low-code platform, procured from Placecube Limited.




The purpose of this audit was to provide assurance over the MVP, delivered as phase one. A separate audit will provide embedded assurance throughout the life of the project, which is due to be completed in March 2024.

The project has ensured the MVP meets service area requirements by including representatives from the Customer Services Team in the requirements gathering, testing and lessons learned activities.

A project risk log is being maintained, with evidence of regular review. An even more collaborative approach is being implemented going forward with the appointment of specialist IT roles and this should help capture any more specialised risks and support the transition to business as usual for users.

Reporting functionalities are being built into the system to enable extraction of data. For the MVP, it is noted that the data is not as easy to manipulate for reporting purposes as had originally been delivered by the previous system. To address this, going forward, testing should be undertaken and documented by the officer(s) responsible for the reporting to ensure sign-off that the outputs satisfy requirements before these are finalised.

Based upon the fieldwork completed, the following assurance opinions have been given:

Internal Audit Assurance Opinion		
Control Environment		Good
Compliance		Good
Organisational Impact		Low




Homelessness and temporary accommodation

The 2021/22 audit of homelessness and temporary accommodation provided good assurance on the design of the control environment, however only limited assurance on compliance with the control environment. The key objective of this review was therefore to review progress made in implementing the recommendations that were made in the 2021/22 report.

The audit confirmed that seven of the twelve recommendations made in the 2021/22 report had been fully implemented. New recommendations have been raised in cases where further action is required to ensure that the control environment for delivering the homelessness service is fully robust. At the time, five recommendations from the 2021/22 report remain open on the tracking system, pending further action to ensure successful implementation.

Based on the results of this follow up audit, the auditor's assurance opinion is summarised below. It should be noted that this opinion is based on work undertaken to follow up on controls that were found to not be operating effectively during the 2021/22 work. Controls that were previously found to be robust have not been re-tested as part of the 2022/23 audit.

Based upon the fieldwork completed, the following assurance opinions have been given:

Internal Audit Assurance Opinion		
Control Environment		Good
Compliance		Moderate
Organisational Impact		Medium

Main accounting system – 2022/23 year end




The Council's General Ledger is administered using the ERP Gold System. The system is operated and monitored by the Council's Finance Team which is responsible for statutory duties such as the preparation, monitoring and reporting of revenue and capital budgets and the closedown of the accounts each financial year. It should be noted that certain activity is administered by other councils on behalf of North Northamptonshire Council (NNC).

The review found that the Council has appropriate systems in place to support the following activity, (a) the accurate upload onto the general ledger of the 2022/23 Council approved budget, (b) the completeness and accuracy of data interfaced onto the general ledger from Council feeder systems, and (c) the completion of corporate bank account reconciliations by West Northamptonshire Council (WNC) on behalf of NNC.

However, the review has however highlighted the following key weaknesses in arrangements:

- In respect of changes to the chart of accounts, the current list of officers who can request such changes is out of date and the process for administering changes is limited in that (a) there is no requirement to justify the need for the change, and (b) the changes actioned by WNC on behalf of NNC are not communicated to NNC Finance so that they have awareness of all changes made.
- Whilst a clearly defined process is in place to support the processing of journals including the provision of evidence to support such activity, the majority of journals are processed either without any independent approval or finance oversight due to how journal access has been designed and applied in ERP Gold, as well as the lack of any routine checks undertaken to ensure that journals have been processed in line with agreed procedures.
- A significant number of control account reconciliations are completed by WNC or Cambridgeshire County Council (CCC) on behalf of NNC. Whilst a mechanism was developed for providing oversight of this activity, current arrangements are not operating as intended and, as a result, (a) there is a lack of assurance that all reconciliations have been completed and / or to the expected standard, and (b) no information is provided to senior officers over the effectiveness of current arrangements.

Based upon the fieldwork completed, the following assurance opinions have been given:

Internal Audit Assurance Opinion		
Control Environment		Moderate
Compliance		Moderate
Organisational Impact		Medium

Local taxation

Local taxes comprise council tax and business rates. Net collectable debts for the 2022/23 year were as follows:

- council tax - £227,959,514; and
- business rates - £145,304,069.

The collection rate target is 98% for both council tax and business rates. Given the large sums of money involved and potential impact on its financial standing, it is important that the Council has robust and effective controls to minimise the risk of non-collection, fraud and error.

The four localities that correspond to the previous legacy Councils continue to run separate local taxation systems, although East Northants, Kettering and Wellingborough use the same software (Academy). The Corby locality utilises the Northgate system. Whilst the project to introduce one system covering the whole of North Northamptonshire is progressing, legacy systems remained in use throughout the 2022/23 year.

The scope of the audit was to provide assurance that effective arrangements are in place to support the collection of council tax and business rates in respect of the following key control areas:

- accurate and prompt set up of the initial liability;
- approved and accurate discounts and exemptions;
- effective recovery and enforcement proceedings;
- approved and valid refunds & write-offs; and
- robust performance management arrangements.

Follow-up of recommendations made in the 2021/22 audit reports on council tax and business rates was also included.

In overall terms, the audit confirmed that there are appropriate processes in place for the control areas subject to review as part of the audit, although a number of recommendations have been made where further improvements are necessary. These include ensuring a Visiting Officer is in place for each of the localities and running a rolling programme of Single Person Discount reviews across all areas. The results of follow-up work confirmed that all four recommendations actions from the 2021/22 council tax audit had been implemented and that eight of the ten recommendations made in the 2021/22 business rates report had been implemented. The two outstanding recommendations relate to control areas that were included in the scope of the 2022/23 audit and an update on the current position has been established.

Based upon the fieldwork completed, the following assurance opinions have been given:

Internal Audit Assurance Opinion	
Control Environment	● Moderate
Compliance	● Moderate
Organisational Impact	● Medium

Housing benefits

The latest benefits subsidy claim available for the 2022/23 year was £51,295,834.

Given the sums of money involved and potential impact on the Council's financial standing, it is important that the Council has robust and effective controls to minimise the risk of fraud and error.

The scope of the audit was to provide assurance that the key control framework in place addresses the risks associated with the administration and payment of Housing Benefits (HB) and Council Tax Support (CTS). The audit also covered the follow-up of recommendations made in the 2021/22 report.

In overall terms, the audit confirmed that there is a robust system of control in place to process HB and CTS claims. Sample testing of 60 claims (including new HB claims, new CTS claims and change of circumstance claims) across the four localities highlighted that supporting evidence was available to confirm eligibility in all cases and that claims were processed accurately. Sample testing also confirmed that the three recommendations made in the 2021/22 report had been implemented.

Based upon the fieldwork completed, the following assurance opinions have been given:

Internal Audit Assurance Opinion		
Control Environment	●	Good
Compliance	●	Good
Organisational Impact	●	Low

4. Other audit reports received

4.1 Where financial systems are hosted by partner organisations, the internal audit coverage for 2022/23 was conducted by the host organisation and shared with all partner councils for assurance purposes. At the time of the 2022/23 Annual Internal Audit Report and Opinion, no audit reports for the year had been received in respect of Payroll, Pensions or Financial Systems Access Controls, which are hosted by West Northamptonshire Council. The audit opinion was caveated in relation to this.

4.2 The report on the 2022/23 audit of **Pensions** was received in July 2023 and the key findings reported by West Northamptonshire Council's Internal Audit team are summarised as follows:

"The scope of the audit sought to determine whether:

- Appropriate systems are in place to ensure notification of new members and other changes (including transfers in) are recorded on the pensions systems accurately and on a timely basis.
- Mechanisms exist to ensure the correct contributions are received from employer organisations in line with agreed deadlines on a timely basis.
- Appropriate action is taken upon notification that a member has left the scheme.

- Pension payments are made accurately and in accordance with regulations and agreed procedures.
- Reconciliations related to Pensions are completed on a timely basis, with prompt action taken to clear unreconciled items.
- Key Performance Indicators (KPIs) reported in Administration Performance reports are accurate.
- Appropriate procedures are in place to identify and report breaches of the law to the Pension Committee and Pension Board in the Administration Report.
- There is an up-to-date Risk Strategy and Risk Register in place which are monitored and reported on at appropriate intervals”.

“To move away from historic routine systems documentation, testing and control evaluation, a different approach was adopted to the audit review this year. The initial stage of the approach involved the undertaking of an assessment with the help of management to document and understand the following aspects in each of the areas covered within the scope of this audit:

- Significant changes in staff / IT systems / activity including transaction volumes
- Current / future risks relating to these areas
- Where and how management gets its assurance that the identified risks are being effectively managed
- Implementation of prior year recommendations
- Any areas of management concern

This evaluation and mapping approach enabled us to assess the level of assurance and risk within each aspect of the administration process with a view to then determining and agreeing with management the areas requiring further audit attention, which may involve i.e. walk-through and/or compliance testing, as deemed appropriate”.

“The review has confirmed that the current arrangements largely ensure that adequate controls are in place for achieving the eight key control objectives. Therefore, the assurance opinion given to system design is one of Substantial Assurance. This opinion takes into account areas already recognised for improvement by management which are currently being actioned, including the imminent introduction of the new workflow design for dealing with year-end queries reconciliations, the development of complementary customer journey KPIs, and the monitoring of potential breaches of the law arising from the commissioned review into this area, which will further enhance the control environment.

Overall, the review found good levels of compliance with the expected control procedures, as confirmed by our testing. Therefore, the assurance given to procedural compliance is Substantial.

The organisational impact of the findings is Minor. This reflects the fact that whilst a small number of improvements are being implemented, which are considered to have a limited impact on the operations of the Northamptonshire Pension Fund”.

5. Implementation of recommended actions

- 5.1 Where any weaknesses or opportunities for improvement are identified by audit testing, recommendations are made and an action plan agreed with management. These actions are subject to agreed timeframes and owners and implementation is followed up by Internal Audit on a monthly basis.
- 5.2 Since the last Audit and Governance committee meeting, 37 open actions have been confirmed as implemented – an overview is provided in Table 3 of this report. There were 85 recommendations overdue for implementation as at 25th July 2023.
- 5.3 To provide the Committee with further detail on high risk actions which remain overdue by more than three months, full details are provided in Table 4, with latest updates from officers. There are two such actions at this time.

Table 1: Progressing the Annual Internal Audit Plan

2023/24

Key

Current status of assignments is shown by shading

Assignment	Initial timing planned	Not started	Planning	Fieldwork underway	Fieldwork complete	Draft report	Final report / complete	Control Environment	Compliance	Org impact	Comments
Governance											
Ethical governance	Q2										
Corporate compliance with key controls and policies											
Agency staff and consultants	2022/23							Moderate	Limited	Medium	See section 3
Information governance	Q1										
Starters and leavers	Q1										
Staff recruitment	Q2										
Procurement compliance	Six monthly										
Partnerships and hosted services	Q2										
Budgetary control and savings plans	Q3										

Assignment	Initial timing planned	Not started	Planning	Fieldwork underway	Fieldwork complete	Draft report	Final report / complete	Control Environment	Compliance	Org impact	Comments
Business continuity management	Q3										
Agency workers and consultants (follow up)	Q4										
IT risks											
Cyber security	Quarterly										
IT strategy and governance	Q1										
Disaster recovery	Q3										
IT software licensing	Q4										
Corporate objective – Modern Public Services											
New Customer Relationship Management system – phase 1	Q1							Good	Good	Low	See section 3
New revenues and benefits system	All year										

Assignment	Initial timing planned	Not started	Planning	Fieldwork underway	Fieldwork complete	Draft report	Final report / complete	Control Environment	Compliance	Org impact	Comments
(embedded assurance)											
New income management solution (embedded assurance)	All year										
Hospital discharge invoicing	Q1										
Right to buy applications	Q1										
Complaints and compliments management	Q2										
Agile working	Q2										
Housing repair stores (advisory)	Q2										
Asset management – leased assets (follow up)	Q3										

Assignment	Initial timing planned	Not started	Planning	Fieldwork underway	Fieldwork complete	Draft report	Final report / complete	Control Environment	Compliance	Org impact	Comments
Capital project management – Kettering library roof	Q4										
Corporate objective – Safe and Thriving Places											
Homelessness and temporary accommodation	2022/23							Good	Moderate	Medium	See section 3
Landlord health and safety	Q2										
Home to school transport (follow up)	Q2										
Highways maintenance contracts	Q3										
Housing repairs (follow up)	Q4										
Private sector housing enforcement and empty homes	Q3										
Planning service transformation	Q4										
UK Shared Prosperity Fund	Q1										

Assignment	Initial timing planned	Not started	Planning	Fieldwork underway	Fieldwork complete	Draft report	Final report / complete	Control Environment	Compliance	Org impact	Comments
Corporate objective – Greener, Sustainable Environment											
Climate change strategy	Q4										
Corporate objective – Better, Brighter Futures											
SEND	Q2										
SEND action plan	TBC										Subject to Ofsted inspection
Early years providers	Q2										
Schools – thematic review	Q3										
Ad-hoc support and school audits	As required							One Safer Recruitment audit completed at management request in June 2023.			
Governance of the Children's Trust	Q4										
Corporate objective – Active, Fulfilled Lives											
External placements	2022/23										

Assignment	Initial timing planned	Not started	Planning	Fieldwork underway	Fieldwork complete	Draft report	Final report / complete	Control Environment	Compliance	Org impact	Comments
Payments to social care providers	Q1										
Continuing health care (CHC) funding	Q1										Linked to coverage in other audits – on hold
Recruitment and retention of social workers	Q2										
Adult social care data quality	Q2										
Specialist care centres	Q2										
Health and Social Care Act 2022 (advisory)	Q3										
Public health contract management (follow up)	Q3										
Cygnium project (embedded assurance)	Q3										

Assignment	Initial timing planned	Not started	Planning	Fieldwork underway	Fieldwork complete	Draft report	Final report / complete	Control Environment	Compliance	Org impact	Comments	
Adult safeguarding	Q4											
Key financial systems - Providing assurance that the Council has made arrangements for the proper administration of its financial affairs, these system audits focus on the systems with the highest financial risk.												
Payroll	Q4	To be delivered by host authority's internal audit team – West Northamptonshire Council										
Pensions	Q4	To be delivered by host authority's internal audit team – West Northamptonshire Council										
Creditors	Q4	To be delivered by host authority's internal audit team – Cambridgeshire County Council										
Debtors and debt recovery	Q4	To be delivered by host authority's internal audit team – Cambridgeshire County Council										
Main accounting system – year end	Q1							Moderate	Moderate	Medium	See section 3	
Main accounting system	Q4											
Treasury management	Q4											
Government procurement cards	Q1											
Local taxation 2022/23	Q1							Moderate	Moderate	Medium	See section 3	
Local taxation 2023/24	Q4											

Assignment	Initial timing planned	Not started	Planning	Fieldwork underway	Fieldwork complete	Draft report	Final report / complete	Control Environment	Compliance	Org impact	Comments
Housing benefit 2022/23	Q1							Good	Good	Low	See section 3
Housing benefit 2023/24	Q4										
Public Health											
Public health grant	Q2										
Grant claims											
Supporting families	Quarterly							Quarterly audits and sign off			
Family Hubs	Q1							Complete			
Contain Outbreak Management Fund (COMF)	Q1							Complete			
Disabled Facilities Grants	Q2										

The Auditor's Opinion

At the completion of each assignment the Auditor will report on the level of assurance that can be taken from the work undertaken and the findings of that work. The table below provides an explanation of the various assurance statements that Members might expect to receive.

Compliance Assurances		
Level	Control environment assurance	Compliance assurance
Substantial ●	There is a sound system of internal control to support delivery of the objectives.	The control environment is operating as intended with no exceptions noted which pose risk to delivery of the objectives.
Good ●	There is generally a sound system of internal control, with some gaps which pose a low risk to delivery of the objectives.	The control environment is generally operating as intended with some exceptions which pose a low risk to delivery of the objectives.
Moderate ●	There are gaps in the internal control framework which pose a medium risk to delivery of the objectives.	Controls are not consistently operating as intended, which poses a medium risk to the delivery of the objectives.
Limited ●	There are gaps in the internal control framework which pose a high risk to delivery of the objectives.	Key controls are not consistently operating as intended, which poses a high risk to the delivery of the objectives.
No ●	Internal Audit is unable to provide any assurance that a suitable internal control framework has been designed.	Internal Audit is unable to provide any assurance that controls have been effectively applied in practice.




Organisational Impact		
Level		Definition
High		The weaknesses identified during the review have left the Council open to a high level of risk. If the risk materialises it would have a high impact upon the organisation as a whole.
Medium		The weaknesses identified during the review have left the Council open to medium risk. If the risk materialises it would have a medium impact upon the organisation as a whole.
Low		The weaknesses identified during the review have left the Council open to low risk. This may have a low impact on the organisation as a whole.

Table 2: Implementation of Audit Recommendations

	'High' priority recommendations		'Medium' priority recommendations		'Low' priority recommendations		Total	
	Number	% of total	Number	% of total	Number	% of total	Number	% of total
Actions due and implemented since last Committee meeting	4	29%	23	27%	10	43%	37	30%
Actions due within last 3 months, but not implemented	8	57%	30	35%	7	30%	45	37%
Actions due over 3 months ago, but not implemented	2	14%	32	38%	6	26%	40	33%
Totals	14	100%	85	100%	23	100%	122	100%

Table 4: ‘High’ priority actions overdue for more than three months

Audit Title and Year	Service Area	Outstanding Action	Status Update	Officer Responsible	Original Date	Revised Date (if provided)
Governance of Children’s Trust 2021-22	Children’s Services	<p>Intelligent Client Function</p> <p>To develop a framework for assessing the effectiveness of the Client Function</p>	<p>Whilst the framework is not yet completed, progress has been made. This work is currently paused (capacity issue) whilst the ICF works with both Councils to address concerns about the financial position of the Trust.</p> <p>- WNC and NNC Officers and the ICF Lead met in early June 2023 to review potential options on the future scope and delivery of the Client Function and wider assurance arrangements.</p> <p>- Proposals are being drawn up for review by DCS’s, although this has been delayed by other urgent work related to the Trust.</p> <p>- Bevan Brittan have been commissioned to provide legal advice to create an Interface Agreement setting out the arrangements between the 2 councils for managing the Trust.</p> <p>- Once agreement has been reached between NNC and WNC recommendations will be taken to Strategic Group and Joint Officer Board if required.</p> <p>- It should be noted that under the service delivery contract significant change to the ICF’s current model may constitute a Notifiable Change requiring the Secretary of State for Education’s (SoSE) consent as per the Governance Side Agreement between the Secretary of State and Councils.</p>	Director of Children’s Services / Assistant Director Commissioning and Partnership	31/08/2022	30/09/2023

Audit Title and Year	Service Area	Outstanding Action	Status Update	Officer Responsible	Original Date	Revised Date (if provided)
Governance of Children's Trust 2021-22	Children's Services	<p>Service delivery contract</p> <p>Development of detailed protocols for issues such as unregulated or unregistered placements and Ofsted inspections.</p>	<p>The Trust have commissioned an LGA review of its assurance model/ processes and a further review of partnership arrangements (as a follow on to a review conducted 2 years ago). Both reports have now been published.</p> <p>The Councils have requested revisions to the LGA partnership review and CEX's are scheduled to meet with the author in August 2023.</p> <p>NCT reported to Operational Group in July 2023 that they will seek to set out requirements for the delayed re-positioning paper covering the outputs of the reviews and considering the impact of separate ILACS inspections in September 2023 as part of the Contract Sum process.</p> <p>This will feed into recommendations being developed by the Councils on assurance arrangements.</p> <p>Following agreement by NNC and WNC (and in line with the governance arrangements set out in the service delivery contract and associated documents) recommendations will be taken to Strategic Group and a change control issued.</p> <p>It should be noted that under the service delivery contract significant change to the ICF's current model or assurance arrangements may constitute a Notifiable Change requiring the Secretary of State for Education's (SoSE) consent as per the Governance Side Agreement between the Secretary of State and Councils.</p>	Director of Children's Services / Assistant Director Commissioning and Partnership	30/09/2022	30/10/2023

Audit Title and Year	Service Area	Outstanding Action	Status Update	Officer Responsible	Original Date	Revised Date (if provided)
			<p>Once complete and a refreshed assurance framework agreed it will ensure that robust scrutiny and assurance of NCT's activities in delivering services for which the Councils, through their respective Directors of Children's Services have statutory responsibilities for.</p> <p>Legal advice will be instructed to support the implementation of this work as and when required.</p>			

Limitations and Responsibilities

Limitations inherent to the internal auditor's work

Internal Audit is undertaking a programme of work agreed by the council's senior managers and approved by the Audit & Governance Committee subject to the limitations outlined below.

Opinion

Each audit assignment undertaken addresses the control objectives agreed with the relevant, responsible managers. There might be weaknesses in the system of internal control that Internal Audit are not aware of because they did not form part of the programme of work; were excluded from the scope of individual internal assignments; or were not brought to Internal Audit's attention. As a consequence, the Audit & Governance Committee should be aware that the Audit Opinion for each assignment might have differed if the scope of individual assignments was extended or other relevant matters were brought to Internal Audit's attention.

Internal control

Internal control systems identified during audit assignments, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision making; human error; control processes being deliberately circumvented by employees and others; management overriding controls; and unforeseeable circumstances.

Future periods

The assessment of each audit area is relevant to the time that the audit was completed in. In other words, it is a snapshot of the control environment at that time. This evaluation of effectiveness may not be relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in operating environment, law, regulatory requirements or other factors; or
- The degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management; internal control and governance; and for the prevention or detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems. Internal Audit endeavours to plan its work so that there is a reasonable expectation that significant control weaknesses will be detected. If weaknesses are detected additional work is undertaken to identify any consequent fraud or irregularities. However, Internal Audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected, and its work should not be relied upon to disclose all fraud or other irregularities that might exist.