



Bromsgrove
District Council

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INTERNAL AUDIT PROGRESS REPORT APPENDIX 1

Date: October 2026



1. Background

- 1.1 The Council is responsible for maintaining or procuring an adequate and effective internal audit function under the Accounts and Audit (England) Regulations 2024.
- 1.2 The Global Internal Audit Standards (the Standards) require the Audit, Governance and Standards Committee to scrutinise the performance of Internal Audit 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 team.

2. Performance

2.1 *Will the Internal Audit Plan be delivered?*

The position at the time of writing this report is as follows:

- 1 assignment has been completed.
- 3 assignments are at the draft report stage.
- 3 assignments are in progress.
- 3 assignments are at the planning stage.
- 9 assignments have not yet been started.

- 2.2 The service is fully resourced, and whilst the annual plan was approved later this year, in July, adequate resources are in place to deliver the remainder of the Plan and Annual Internal Audit Opinion for 2026/27. All work has been scheduled and allocated. Progress on individual assignments, including commentary on the results of those which are complete, is set out at pages 8 to 10.



2.3 **Performance Indicators**

The service has implemented a suite of indicators which aim to demonstrate and enhance performance. The results will be included in the annual report for 2026/27:

Table 1 – Performance Indicators

Description	Narrative	Target	Actual as at 21/09/2026
Delivery	% of audit days delivered by Year End	90% 43% (pro-rata)	37%
Productivity	% of available time spent on productive audit work	85%	86%
Effectiveness	% of agreed recommendations implemented by the target date	75%	Only 3 actions have fallen due so far this year. The sample size is therefore too small to reliably report performance at present.
Customer Satisfaction	% of Post Audit Questionnaires which have rated the service as “Very Good” or “Good”	80%	92% based on July 2026 survey

2.4 **Based upon recent Internal Audit work, are there any emerging issues that impact upon the Internal Audit opinion of the Council’s Control Framework?**

At this stage there are no emerging issues arising from the work of Internal Audit so far which significantly impact upon the Internal Audit opinion of the Council’s Control, Governance and Risk Management framework for 2026/27.



2.5 Are clients progressing audit recommendations with appropriate urgency?

At the time of writing there are 21 outstanding internal audit recommendations, a decrease from 27 as of 31st March 2026.

3. Internal audit opinions and prioritisation of recommendations

- 3.1 The Auditor's Opinion for each assignment is based on the fieldwork carried out to evaluate the design of the controls upon which management rely and to establish the extent to which controls are being complied with. The table below explains what the opinions mean:

Table 2 – Assurance Categories

Opinion	Definition
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.



The prioritisation of recommendations made by Internal Audit is based upon an assessment of the level of risk exposure. The Auditor's Opinion considers the likelihood of corporate/ service objectives not being achieved, and the impact of any failure to achieve objectives. In order that recommendations can be prioritised according to the potential severity of the risk, a traffic light system is used as follows:

Table 3 - Definition of Priority of Recommendations

5. Major	5 Medium	10 Medium	15 Medium	20 High	25 High
4. Serious	4 Low	8 Medium	12 Medium	16 High	20 High
3. Significant	3 Low	6 Low	9 Medium	12 Medium	15 Medium
2. Minor	2 Low	4 Low	6 Low	8 Medium	10 Medium
1. Insignificant	1 Low	2 Low	3 Low	4 Low	5 Medium
Impact	1. Very Likely	2. Unlikely	3. Likely	4. Very Likely	5. Almost Certain
Likelihood					

Table 4 – Risk Likelihood Definitions

Rating	Occurrence:	Probability:
Very Unlikely	0% - 5%	Very low / never happened before
Unlikely	5% -10%	Has happened rarely / every 10 years
Likely	10% – 40%	Only likely to happen in 3 or more years
Very Likely	40% – 75%	Likely to happen at some point within the next 1-2 years. Circumstances occasionally encountered (few times a year)



Table 5 – Risk Impact Definitions

	Service Disruption	Reputation	H&S Injury	Environmental and Social Impact	Cost
Insignificant	Brief disruption of an important service area	No interest to local media. Insignificant.	No injury	Localised environmental or social impact	Costing less than £1000; 0-1 % of budget
Minor	Significant effect to non-crucial service area; 1-2 days	Minor adverse publicity in the local media, no damage to reputation	Minor injury or discomfort to individual(s).	Short term effect on the environment, i.e. fumes, noise etc. No lasting detrimental impact	Costing less than £5,000; up to 10% of budget
Significant	Major effect to an important service area for a short period; 2-3 days disruption	Some adverse publicity, legal implications. Significant	Severe injury to an individual(s); severe injury	Short term environmental and social impact requiring remedial action	Costing between £5,000 and £50,000; up to 25% of budget
Serious	Loss of an important service area for a period up to 5 days	Long term local reputational damage; national adverse publicity	Major injury to an individual(s)	Long term environmental or social impact	Costing between £50,000 and £500,000; up to 50% of budget
Major	Major loss of services; unable to function; service disruption 5+ days	Adverse and persistent national media coverage – severe loss of public confidence.	Fatality(s)	Long term detrimental impact on the environment / community.	Costing over £500,000; up to 75% of budget



4. Internal Audit Delivery

- 4.1 As at 21st September 2026, 108 productive days had been delivered against the full year plan of 295 days. Adequate resources are in place, and it is anticipated that the objective of hitting 90% of the full year plan by 31st March 2026 will be achieved.

Table 6 - Summary of Days Delivered for 2026/27

Summary of Audit Areas	Plan Budget	Days Delivered as at 21/09/2026
Core Financial Systems	58	25
Corporate Work	33	9
Other systems audits	75	16
Sub total	166	50
Statement of Internal Control	4	0
Advisory, Consultancy, Fraud & Investigations	15	7
Completion of Audits Brought Forward from 25/26	22	24
Local Government Reorganisation	50	7
Follow Up of Recommendations	12	5
Support Budgets including reading, audit management meetings, corporate meetings, annual plans, reports and Audit Committee Support.	26	15
Sub total	129	58
Total Audit Days	295	108

Outlined at pages 8-10 is a table which shows the status of each assignment in the annual plan, the budget in days, and the anticipated reporting date. This table also summarises the findings of each of the audits completed. The table is designed to assist members in building up a picture of the assurance being provided during the course of the year.



Table 7 – Summary of Internal Audit progress and findings, year to date

<u>Audit Area</u>	<u>Status</u>	<u>Anticipated Reporting Date</u>	<u>Assurance Rating</u>	<u>Summary of Findings/ Comments</u>
Corporate Credit / Purchase Cards	Draft Report Issued	October 2026	To Be Confirmed (TBC)	
Main Accounting System / General Ledger	Testing in Progress	Not Applicable (N/A)	N/A	It is proposed to stop this audit and defer it to 2027/28. See paragraph 2.4 in the covering report.
Treasury Management & Cashflow	Planning in Review	N/A	N/A	It is proposed to stop this audit and defer it to 2027/28. See paragraph 2.4 in the covering report.
Creditors / Accounts Payable	Draft Report issued	October 2026	TBC	
Procurement	Not Started	March 2027	TBC	This area received an opinion of Limited Assurance in 2025/26 and will be reassessed. Expected to commence in Q4 to allow management's actions to embed.
VAT Process	Not Started	N/A	N/A	It is proposed to defer this audit to 2027/28. See paragraph 2.4 in the covering report.
Risk Registers (advisory)	Final Report Issued	August 2026 (actual)	N/A (advisory)	Advisory work undertaken to assist with a review of risk registers to improve the system of risk management authority wide.



<u>Audit Area</u>	<u>Status</u>	<u>Anticipated Reporting Date</u>	<u>Assurance Rating</u>	<u>Summary of Findings/ Comments</u>
Risk Management	Not Started	March 2027	TBC	Expected to commence in Q4 due to the advisory work undertaken during 2026/27.
Environmental Impact Assessments	Not Started	March 2027	TBC	This area received an opinion of Limited Assurance in 2025/26 and will be reassessed. Expected to commence in Q4 to allow management's actions to embed.
Quarterly Compliance Statements	Not Started	March 2027	TBC	
Statutory Inspections	Planning (Ready to Test)	November 2026	TBC	Internal Audit has agreed for fieldwork to commence w/c 5 th October 2026.
Garage Operations	Planning	December 2026	TBC	Fieldwork commencing in October 2026.
Anti-Fraud, Bribery, & Corruption	Not Started	March 2027	TBC	
Worcestershire Regulatory Services	Not Started	March 2027	TBC	
Corporate Health & Safety	Draft report issued	October 2026	TBC	This area received an opinion of Limited Assurance in 2025/26 and is being reassessed.
Data Protection	Not Started	March 2027	TBC	This area received an opinion of Limited Assurance in 2025/26 and is being reassessed. Expected to commence in Q4 to allow management's actions to embed.



<u>Audit Area</u>	<u>Status</u>	<u>Anticipated Reporting Date</u>	<u>Assurance Rating</u>	<u>Summary of Findings/ Comments</u>
Statement of Internal Control	Not Started	March 2027	TBC	
Local Government Reorganisation (LGR)	In Progress	March 2027	N/A	Assurance work as required to support Local Government Reorganisation. Includes oversight of the LGR Data Hub.
Follow up of Recommendations	Work in Progress	March 2027	TBC	At the time of writing there are 21 outstanding internal audit recommendations, decreasing from 27 as of 31 st March 2026.



5. Limitations inherent in the work of internal audit

Internal Audit undertakes a programme of work agreed by the Council's senior managers and approved by the Audit 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 audit assignments or were not brought to the attention of Internal Audit. As a consequence, the Audit 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, management override of controls, and unforeseeable circumstances.

Future Periods

The assessment of each audit area is relevant to the time that the audit was completed. 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.