

**BROMSGROVE DISTRICT COUNCIL**

**AUDIT BOARD**

**25th JUNE 2007**

**2006/2007 INTERNAL AUDIT OPINION**

Responsible Portfolio Holder	Councillor Geoff Denaro
Responsible Head of Service	Head of Financial Services

**1. Summary**

1.1 To present the 2006/2007 Internal Audit Opinion on the Council's internal control environment.

**2. Recommendation**

2.1 The Audit Board is recommended to approve the Internal Audit Opinion report on the Council's internal control environment for 2006/2007.

**3. Background**

3.1 The Account and Audit Regulations require the Council to maintain an adequate and effective Internal Audit Service in accordance with proper internal audit practices. The CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom, which sets out proper practice for Internal Audit, requires the Audit Services Manager to provide an annual report to those charged with governance. The report should include an opinion on the overall adequacies of the internal control environment in operation within the Council.

3.2 Management are responsible for developing and maintaining the internal control framework and to ensure compliance. The Internal Audit section is then responsible for forming an independent opinion on the adequacy of the system of internal control.

3.3 The role of Internal Audit is to provide management with an objective assessment of whether systems and controls are working properly. This is a key part of the Authority's internal control system as it measures and evaluates the adequacy and effectiveness of controls so that:

- The Council can establish the extent to which they can rely on the whole system; and

- Individual managers can establish the extent to which they can rely on the systems and controls for which they are responsible.

#### **4. Internal Audit Opinion**

4.1 The Audit Services Manager's opinion is that Bromsgrove District Council's system of internal control does not fully facilitate the effective exercise of the Council's functions and a number of weaknesses have been identified. Subsequently, only limited assurance can be provided that the Council's internal control system provides the effective, efficient and economic use of the Council's resources.

4.2 This opinion has been arrived at following full reviews of 22 of the Council's key financial and operational systems. From these 22 reviews, overall system opinions can be summarised as:

- Operating Effectively - one system.
- Basically Sound - nine systems.
- Identified Weaknesses - twelve systems.

4.3 The opinions above appear to show very little improvement since 2005/2006. However, when comparing the ten areas reviewed in both 2005/2006 and 2006/2007, good progress has been made. The table below details the how the opinions of the Council's ten key financial systems reviews have changed during the last twelve months:

<b>Opinion Category</b>	<b>2005/06</b>	<b>2006/07</b>
Operating Effectively	0	1
Basically Sound	4	6
Identified Weaknesses	6	3
<b>TOTAL</b>	<b>10</b>	<b>10</b>

4.3 In providing our audit opinion, it should be noted that assurance can never be absolute. The most that the Internal Audit section can provide to Members and officers is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes. The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that may exist, or of all the improvements that may be required.

#### **5. Financial Implications**

5.1 None outside existing budgets.

#### **6. Legal Implications**

6.1 The Council is required under Regulation 6 of the Accounts and Audit Regulations 2003 (as amended 2006) to "maintain an adequate and effective

system of internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices".

## 7. **Corporate Objectives**

7.1 Council Objective 02: Improvement.

## 8. **Risk Management**

8.1 The main risks associated with the details included in this report are:

- Non-compliance with Internal Audit standards and regulations for Local Government.
- Ineffective Internal Audit service.
- Internal Audit service not contributing to the Council's improvement agenda.

8.2 These risks are being managed as follows:

- Non-compliance with Internal Audit standards and regulations for Local Government.

Risk Register: Financial Services

Key Objective Ref.: 3

Key Objective: Efficient and effective Internal Audit service

- Ineffective Internal Audit service.

Risk Register: Financial Services

Key Objective Ref.: 3

Key Objective: Efficient and effective Internal Audit service

- Internal Audit service not contributing to the Council's improvement agenda.

Risk Register: Financial Services

Key Objective Ref.: 3

Key Objective: Efficient and effective Internal Audit service

## 9. **Customer Implications**

9.1 No customer implications.

## 10. **Other Implications**

10.1

Procurement Issues	None
Personnel Implications	None
Governance / Performance Management	None
Community Safety including Section 17 of the Crime and Disorder Act 1998	None

Policy	None
Environmental	None
Equalities and Diversity	None

## 11. **Others Consulted on the Report**

### 11.1

Portfolio Holder	No
Chief Executive	Yes
Corporate Director (Services)	No
Assistant Chief Executive	No
Head of Service	Yes
Head of Financial Services	Yes
Head of Legal & Democratic Services	No
Head of Organisational Development & HR	No
Corporate Procurement Team	No

## 12. **Appendices**

12.1 Appendix A: 2006/2007 Internal Audit Opinion.

### **Background Papers**

18th September 2006 Audit Board agenda item 8: 2005/2006 Internal Audit Opinion.

### **Contact officer**

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