TITLE: Internal Audit Progress Report

Committee: Audit Committee

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Issue

1. To advise the Committee of the work of Internal Audit completed during the financial year to date, and the progress against the Internal Audit Plan.

Recommendations

2. That the Committee notes the progress made by Internal Audit in the delivery of the Audit Plan and the key findings.

Background/Options

3. The role of Internal Audit is to provide the Audit Committee, and management, with independent assurance on the effectiveness of the internal control environment. Internal audit coverage is planned so that the focus is upon those areas and risks which will most impact upon the Council's ability to achieve its objectives.

4. Since the last progress report, six audit reports have been finalised from the 2025/26 audit plan, which completes the plan delivery. The four audit reports completed for Anglia Revenues Partnership have also been received and are summarised in Appendix 1. Work is underway on audits from the 2026/27 audit plan.

5. Since the last Audit Committee update, eight actions arising from audit reports have been implemented by officers. There are two overdue actions.

Arguments/Conclusions

6. The attached report (Appendix 1) informs the Committee on progress to date against the Audit Plan and the key findings of audits completed.

Additional Implications Assessment

7. In the table below, please put Yes or No in each box:

Financial Implications **No**	**Legal Implications** **No**	**Human Resources (HR) Implications** **No**
Equality Impact Assessment (EIA)	**Carbon Impact Assessment (CIA)**	**Data Protection Impact Assessment (DPIA)**

No	**No**	**No**

Appendices

Appendix 1: Internal Audit Progress report – July 2026

Background documents

Internal Audit Plan 2026/27

Appendix 1

EAST CAMBRIDGESHIRE
DISTRICT COUNCIL

Internal Audit Progress and Performance Update

July 2026

1. Introduction

1.1 The Internal Audit service for East Cambridgeshire District Council provides 210 days to deliver the 2026/27 Annual Audit Plan.

1.2 The Global Internal Audit Standards (the Standards) require the Audit Committee to satisfy itself that it is receiving appropriate assurance about the controls put in place by management to address 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 and an overview of the performance of the audit team.

2. Performance

Delivery of the 2026/27 Audit Plan

2.1 The Internal Audit service has a target to deliver at least 90% to draft report stage by 31st March 2027, which is on track. Progress on individual assignments is shown in Table 1.

Are clients satisfied with the quality of the Internal Audit assignments?

2.2 All client feedback for 2025/26 assignments has been reported in the annual internal audit report. No feedback has been sought on 2026/27 audits to date.

Based upon recent Internal Audit work, are there any emerging issues that impact upon the Internal Audit opinion of the Council's control framework?

2.3 Since the last Audit Committee update, the Internal Audit team has completed delivery of the 2025/26 audit plan with six audit reports have been finalised. A further four audit reports have been received in respect of the Anglia Revenues Partnership. The Internal Audit team has also commenced work on the 2026/27 audit plan. None of the finalised audit opinions given have been less than Moderate Assurance and none have been assessed as posing a High organisational impact – which would impact significantly on the annual opinion. The key findings are summarised below:

Bank reconciliation

2.4 Accurate and timely bank reconciliations are a critical component of the Council's financial control framework. They help to ensure the accuracy of accounts, safeguard public funds, and maintain confidence in financial reporting. Regular bank reconciliations are needed to confirm that transactions in the Council's accounts are correctly recorded in the financial management system. This audit sought assurance that the bank reconciliation processes and associated controls are operating effectively.

2.5 In summary, the audit found that bank reconciliations are completed monthly in compliance with the Council's Financial Procedure Rules. Finance officers prepare two types of bank reconciliation, a monthly reconciliation which compares transactions in the cashbook and the financial management system (Agresso) with bank statements;

and a cumulative reconciliation which ensures that balances are accurate across the financial year.

2.6 A review of all 2025/26 monthly and cumulative bank reconciliations completed at the time of audit (April to December 2025) confirmed that the reconciliations were completed in a timely manner and each reconciliation had been independently reviewed by a senior officer.

2.7 Detailed testing of a sample of monthly and cumulative bank reconciliations found that overall, the figures agreed with supporting documentation, the calculations were accurate, and there were no unexplained balancing items. However, an issue was identified in the November 2025 monthly reconciliation. Figures from an incorrect bank statement had been used in the calculations. Although the reconciliation had been reviewed by a senior officer, the error did not appear to have been identified at the time. A recalculation of the reconciliation using the correct credit and debit totals confirmed that there was zero variance between the cashbook, bank statement, and financial management system with no unexplained balancing items.

2.8 Testing confirmed that there were no uncleared cheques from 2025/26 that were more than six months old at the time of audit. However, seven uncleared cheques from previous financial years were identified, two from 2022/23 and five from 2024/25, totalling £1,359.66. Officers should ensure that these outstanding cheques are promptly investigated and resolved.

2.9 Based on the work performed during the audit, assurance opinions were given as follows:

Assurance Opinion	
Control Environment	**Substantial (Green)**
Compliance	**Good (Green)**
Organisational Impact	**Low (Green)**

Agreed management actions		
High	**Medium**	**Low**
-	**-**	**1**

Accounts payable

2.10 The Accounts Payable (AP) function is a critical component of the Council's financial management framework. It ensures that suppliers and service providers are paid accurately and on time, supporting the continuity of essential services delivered to residents and communities.

2.11 This audit sought to provide assurance over the adequacy and effectiveness of controls within the AP function to ensure that payments are valid, accurate, authorised, and processed in compliance with Council policies and regulatory requirements.

2.12 Controls over the authorisation of purchase orders are in place and were generally applied correctly in line with approval thresholds defined in the Financial Procedure

Rules (FPRs) and the Delegated Authority List maintained by finance officers. However, some discrepancies were noted on the Delegated Authority List in which certain thresholds were not aligned with the FPRs and these thresholds are not system enforced.

2.13 Sample testing of 25 creditor invoices identified one instance where a purchase order was authorised above the approver's delegated limit. In addition, one invoice value exceeded the approved purchase order value and was not redirected for appropriate approval in line with expected controls. This requires further investigation by officers to resolve any system errors this has exposed. Preventative system controls were confirmed to be operating effectively to prevent payment of duplicate invoices.

2.14 Creditor reconciliations were accurate, independently reviewed, supported by appropriate evidence, and conducted monthly. However, a review of aged creditors balances identified two balances which were 463 and 2755 days old with no evidence of follow up, which require investigation.

2.15 Creditor payments are processed on a weekly basis and were appropriately authorised. However, segregation of duties between the submission and approval of the BACS payment file is not consistently applied due to resource capacity. Internal Audit has recommended in previous reviews that these duties be segregated; however, due to the size of the finance team, officers consider this impractical to implement. The Finance team confirmed that this position remains unchanged and that the risk continues to be accepted.

2.16 Based on the work performed during the audit, assurance opinions were given as follows:

Assurance Opinion	
Control Environment	**Moderate (Amber)**
Compliance	**Good (Green)**
Organisational Impact	**Low (Green)**

Agreed management actions		
High	**Medium**	**Low**
-	**2**	**1**

Accounts receivable

2.17 The sundry debtors system is a key financial system that underpins the Council's ability to collect income and maintain financial sustainability. Effective controls over billing, debt recovery, and write-offs ensure that resources are available to deliver all services, thereby supporting every corporate objective. This audit aims to provide assurance that key processes and controls within the sundry debtors system are designed and operating effectively to ensure accurate billing, timely debt recovery, and compliance with the local authority's financial regulations and statutory requirements. This review forms part of the cyclical assurance programme over core financial systems.

2.18 Overall, the Council has established a procedural framework to support financial controls, which are defined within the Financial Procedure Rules.

2.19 The finance team has developed clear procedural guidance to support the requirements of the Financial Procedure Rules, setting out the requirements for the authorisation of credit notes, invoice cancellations and write-offs. The procedures include internal controls to ensure that adjustment to income are valid, authorised and transparent.

2.20 However, a gap in control design was identified in the testing of credit notes and invoice cancellations, in which authorisations were in some cases not evident. Internal Audit recommended that all credit notes and invoice cancellations should be reviewed independently by an officer who is not involved in the raising of credit notes to ensure appropriate authorisation. Management have decided not to implement an action in this case and to tolerate the risk associated with the audit findings on the basis that: 'credit notes are authorised by the service lead after being completed by an admin which adheres to the two tier policy. They are then checked by finance before input and it is felt, therefore, to involve yet another officer for the very few credit notes that are raised, is not required. In the case of the two unauthorised [identified in audit testing] these were put through by a new staff member who has since been trained on making sure appropriate authorisation is obtained on all requests'.

2.21 Arrears recovery procedures were established. At the time of the review, the Council had £1.35m in outstanding debt. Of this total, 72% was either not yet due or less than 30 days overdue and it was noted that £120k (9%) was more than one year old. A discrepancy was noted between the frequency of reminder runs established within the Financial Procedure Rules, which did not align with the frequency within the supporting procedures. Sample testing identified issues with timeliness, and service areas not always being able to provide evidence of arrears action. Additionally, it was noted that no single officer or team is responsible for the oversight, review and monitoring of arrears recovery action which has led to inconsistencies in arrears recovery activity.

2.22 Based on the work performed during the audit, assurance opinions were given as follows:

Assurance Opinion	
Control Environment	**Moderate (Amber)**
Compliance	**Moderate (Amber)**
Organisational Impact	**Low (Green)**

Agreed management actions		
High	**Medium**	**Low**
-	**2**	**1**

Procurement compliance

2.23 The audit set out to determine whether the Council has appropriate arrangements in place to ensure compliance with its Contract Procedure Rules (CPRs), the

Procurement Act 2023 (PA23), and the wider legislative and transparency obligations that govern public sector procurement. Audit testing was carried out through a detailed review of procurement documentation, discussions with service officers, examination of the published contract register, and reconciliation of expenditure records covering the period April to November 2025.

2.24 In sample testing, where competitive procedures or exemption routes were used, these were generally well justified, appropriately approved, and supported by the necessary documentation.

2.25 The audit also highlighted areas where further development would allow the Council to strengthen its procurement governance framework. The CPRs, whilst updated to reflect the Procurement Act 2023, would benefit from greater clarity including in relation to agency staffing and consultancy procurement, which are areas where more consistency and clarity is required. The absence of a formal procurement support arrangement since April 2025 has contributed to this challenge, reducing the level of specialist advice available to staff and limiting organisational resilience in the more complex aspects of procurement activity.

2.26 The reconciliation of the published contract register against financial records for the same period indicated opportunities for improvement. The exercise highlighted that the register is not being consistently maintained and monitored. A number of active contracts had not been recorded. This presents an opportunity for the Council to reinforce expectations and strengthen controls so that the contract register can operate as a reliable and transparent governance tool.

2.27 Based on the work performed during the audit, assurance opinions were given as follows:

Assurance Opinion	
Control Environment	**Moderate (Amber)**
Compliance	**Moderate (Amber)**
Organisational Impact	**Medium (Amber)**

Agreed management actions		
High	**Medium**	**Low**
-	**3**	**-**

Net Zero

2.28 The Council declared a climate emergency in October 2019 and has committed to reducing direct carbon emissions to net zero by 2036, and indirect carbon emissions to net zero by 2040. This audit sought assurance over the plans for reaching these targets, and the outcomes delivered from climate change related expenditure.

2.29 In summary, the audit found that the Council has a formally approved Climate and Nature Strategy that sets out its approach to addressing climate change, including the targets to achieve net zero. The strategy is supported by an action plan, which is updated annually each June, and contains specific actions to help reduce carbon

emissions. A refreshed Environment Policy also outlines the Council's commitments on climate change, including how it's carbon footprint will be monitored and reported on. A new Climate Change and Natural Environment Service was established in January 2025 to coordinate these activities.

2.30 Data on the Council's carbon footprint has been published annually. The most recent report for 2024/25 was presented to the Finance and Assets Committee in November 2025 which showed that there has been a reduction in Scope 1 and Scope 2 emissions. These relate to direct emissions from sources owned or controlled by the Council, such as fuel used in fleet vehicles, and indirect emissions from purchased electricity consumed by the Council. Scope 3 emissions, which are indirect emissions from the use of local authority services and supply chains, have increased, however this reflects improved understanding and reporting of these types of emissions rather than worsening performance. A Pathway to Net Zero report has been published outlining the actions, risks, and forecasts to further reduce emissions to achieve net zero.

2.31 Annual monitoring and performance reports are presented to the Finance and Assets Committee and testing of a sample of performance outcomes confirmed that the reporting was accurate. A risk relating to climate change and net zero is recorded in the corporate risk register. It was noted that some information in the listed controls was out of date, however this has since been corrected. Carbon Literacy training has been delivered to improve awareness of environmental issues across the organisation. No further sessions are currently scheduled, though officers advised that occasional refresher or new starter sessions may be considered. There is a dedicated climate change budget to cover staff costs and delivery of agreed climate and nature actions. Additional external grant funding has also been used to fund specific projects that have contributed towards achieving net zero. There has been regular reporting to Members on the outcomes and benefits of these activities, and a range of climate related information is also publicly available on the Council's website.

2.32 Based on the work performed during the audit, assurance opinions were given as follows:

Assurance Opinion	
Control Environment	**Substantial (Green)**
Compliance	**Substantial (Green)**
Organisational Impact	**Low (Green)**

Agreed management actions		
High	**Medium**	**Low**
-	**-**	**-**

Readiness for changes in waste legislation

2.33 The UK Government's Resources and Waste Strategy (2018) introduced major reforms (Extended Producer Responsibility (EPR), the Deposit Return Scheme (DRS), and Simpler Recycling). The Environment Act 2021 provides the legislation for these reforms, with implementation continuing to 2027. Under Simpler Recycling, local

authorities must introduce standardised collections, including weekly food waste and separate dry recyclables, by 31st March 2026. The Council's household waste and recycling collections are delivered in-house by their wholly owned company, East Cambs Street Scene Ltd (ECSS). This audit sought to provide assurance over the Council's preparedness for changes in the waste services and national requirements, including procurement exercises.

2.34 Governance arrangements over the project are strong with a dedicated project board meeting regularly to oversee progress, review and manage risks and provide strategic guidance. A maintained project plan captures key milestones and activities, and all decisions, issues and risks are recorded and monitored. Whilst the statutory implementation date for the food waste roll out is 1st April 2026, the Council has chosen to go live on 1st June 2026. DEFRA has been formally notified of the Council's commencement date and has acknowledged the revised timeline.

2.35 The Council has demonstrated active engagement within national and regional stakeholders, Members and residents, supported by a robust communication plan aligned with WRAP (Waste and Resources Action Programme) guidance.

2.36 In support of the roll out the Council is in the process of developing a new waste and recycling contract with ECSS, effective from April 2026 to incorporate the new food waste collection. Procurement activities have been undertaken, and orders have been placed for caddies, bins, liners and vehicles with contracts awarded. However, some gaps were identified in documentation including specific call off or order forms as required by the relevant framework and publications on Contracts Finder where relevant. The service has had limited specialist procurement support available during the project and findings relating to procurement compliance will be addressed corporately as part of the 2025/26 Procurement Compliance Internal Audit, which is being undertaken as a separate review.

2.37 A financial plan exists with proof of funding and expenditure documented in a manual tracker. Whilst this provides visibility the project could benefit from further financial support and from utilising the finance system (Agresso) as a primary source of reporting to strengthen financial monitoring and reporting for the project. There is currently a lack of consistency between the project financial reporting and corporate reporting on the capital programme.

2.38 Based on the work performed during the audit, assurance opinions were given as follows:

Assurance Opinion	
Control Environment	**Substantial (Green)**
Compliance	**Good (Green)**
Organisational Impact	**Low (Green)**

Agreed management actions		
High	**Medium**	**Low**
-	**1**	**-**

Anglia Revenues Partnership – Enforcement

2.39 The areas of positive audit comments included:

- The Enforcement Team has good working practices in place that effectively achieve successful collection rates across all areas of debt.
- In October 2025, the team achieved its highest debt recovery total since its formation in 2015.
- Control Account reconciliations are completed promptly, are accurate and comprehensive, and are fully supported by relevant reports. All reconciliations were up to date at the time of testing.
- BACS transmissions are correctly authorised and processed with accuracy. A full range of payment options is actively promoted, ensuring customers have every opportunity to engage with the Enforcement Team and make payments, supporting the strongest possible collection outcomes.
- System user accounts are reviewed twice yearly to ensure that only authorised users remain active and that access levels are accurate and appropriate for each officer's role. Evidence of these reviews is retained to demonstrate compliance.
- The system provides comprehensive case history and key documentation, offering a strong audit trail with records of interactions, supporting documents, current status, next actions, and overall case progression.

2.40 No recommendations were made as part of the audit.

2.41 Based on the work performed during the audit, assurance opinions were given as follows:

Assurance Opinion	
Overall	**Good / Substantial (Green)**

Anglia Revenues Partnership – Business rates

2.42 The areas of positive audit comments included:

- Year-end procedures are effective in relation to parameter input and year end (rollover balancing) reconciliations.
- BACS processing of direct debits and refunds were authorised appropriately and processed accurately.
- Collection rates are reported promptly and accurately to partner authorities.
- Reliefs, exemptions and discounts sampled had been awarded in line with relevant eligibility criteria.
- Suspense accounts are being monitored and managed effectively.
- Sampled control account reconciliations and daily cash reconciliations were accurate to supporting evidence, imbalances had been accounted for, and had been completed promptly.
- User reviews are undertaken on a regular basis, and sampled starters and leavers were processed promptly.

- Accounts in arrears are regularly reviewed, and arrears sampled were progressed promptly through the debt recovery process, with no undue delays identified in 2025/26.
- Quality Assurance checks are in place, and sampled cases had sufficient evidence of the check undertaken.

2.43 Actions to further strengthen controls were agreed in relation to:

- Aligning year-end processes for NNDR with Council Tax processes. This will ensure all checks between expected, produced and posted bills, and corrections, have been recorded and will be in place for the 2026/27 annual billing.
- Locking down specific cells to prevent formulae from being deleted from the reconciliations.
- An action which remains outstanding from the 2024/25 audit relating to review of accounts in credit for which a new contract is now being awarded.

2.44 Based on the work performed during the audit, assurance opinions were given as follows:

Assurance Opinion	
Overall	**Adequate / Reasonable (Amber)**

Anglia Revenues Partnership – Council Tax Billing, Housing Benefit and Local Council Tax Reduction Scheme

2.45 The areas of positive audit comments, based on sample testing, included:

- Regular reviews are undertaken to confirm that staff access to systems remains appropriate.
- The processes for awarding new discounts, exemptions and disregards are operating effectively.
- No errors were identified in the processing of information received from the Valuation Office Agency (VOA).
- Reconciliations are completed routinely, balanced accurately, and independently verified.
- New Housing Benefit (HB) claims were awarded only to eligible claimants.
- Overpayments are correctly classified, generally processed in a timely manner, and recovered using the appropriate method.
- Controls are in place to verify changes to HB creditor bank accounts, and to validate amendments for large landlords and housing associations.
- Benefit payments above the set threshold undergo independent checks.

2.46 Actions to further strengthen controls were agreed in relation to:

- An exercise to identify all claims with self-employed earnings and ensure a review date is set, as overdue earnings assessments were observed during the audit.
- A small number of errors were identified in rent awards. These were isolated in nature, and not all occurred in the current financial year. Refresher training is to be provided.

- The process for updating and validating user permissions following role changes or new starters requires improvement, with two errors identified during testing.
- The discount, disregard and exemption process is to be reviewed and strengthened.

2.47 Based on the work performed during the audit, assurance opinions were given as follows:

Assurance Opinion	
Overall	**Adequate / Reasonable (Amber)**

-
-

Anglia Revenues Partnership – Recovery of Housing Benefit Overpayments (HBOP) and Council Tax

2.48 The areas of positive audit comments, based on sample testing, included:

- The recovery parameters tested were accurately and appropriately entered into MRI (Housing Benefit and Council Tax system).
- HBOP debts, including aged debt, are actively pursued, monitored, and suppressed appropriately.
- HBOP credits and refunds are being processed correctly, with sufficient supporting evidence and appropriate actions taken to issue refunds where required.
- No concerns were identified regarding anti-money laundering or fraud in respect of the refunds reviewed within the sample.
- Write-offs are being completed only after all reasonable recovery avenues have been exhausted, with evidence of delegated approval in line with policy.

2.49 No high-risk findings were identified. The issues that were raised resulted either from human error or from the need for manual intervention processes due to system capability issues. Actions to further strengthen controls were agreed in relation to:

- An exercise to undertake Quality Assurance checks on a sample of write offs.
- A manual process was needed to uprate some debts which are in a holding table during year end processes, this is a system capability issue.
- Robust contract management arrangements for the new enforcement agent.

2.50 Based on the work performed during the audit, assurance opinions were given as follows:

Assurance Opinion	
Overall	**Adequate / Reasonable (Amber)**

Implementation of audit recommendations by officers

2.51 Where an Internal Audit review identifies any areas of weakness or non-compliance with the control environment, recommendations are made and an action plan agreed with management, with timeframes for implementation.

2.52 Since the last Audit Committee meeting, eight agreed actions have been implemented by officers. An overview of actions is provided in Table 2.

2.53 At the time of reporting, as at 26th June 2026, there are two actions which are overdue for implementation, both less than three months overdue. The medium priority action relates to development of the asset register which is now being reviewed as part of an LGR working group and the low priority action relates to reviewing performance indicators relating to asset management.

Table 1 - Progress against 2025/26 Internal Audit Plan

Assignment		Planned start	Status		Assurance sought	Assurance Opinion: Control Environment	Assurance Opinion: Compliance	Assurance Opinion: Org impact	Comments
Key financial systems									
Bank reconciliations		Q4	Not started						
Treasury management		Q3	Not started						
Accounts payable		Q4	Not started						
Accounts receivable		Q4	Not started						
Key policy compliance									
Enforcement policy compliance		Q2	Not started						
Customer services		Q2	Planning						
Procurement compliance		Q4	Not started						
Risk based audits									
Taxi licensing – fit and proper person checks		Q1	Fieldwork underway						
Corporate health and safety		Q1	Fieldwork complete						
Business continuity management		Q1	Fieldwork underway						

						Assurance Opinion			
Assignment		**Planned start**	**Status**		**Assurance sought**	**Control Environment**	**Compliance**	**Org impact**	**Comments**
Agency staff		Q2	Not started						
Cyber security		Q2	Not started						
S106 monitoring		Q3	Not started						
Major project – Bereavement centre (embedded assurance)		Q3/4	Not started						
Budgetary control		Q4	Not started						
Governance and Counter Fraud									
Counter Fraud support / promotion / policies		TBC	As required		Not applicable – consultancy work.	Daily monitoring of Report Fraud mailbox			
National Fraud Initiative		TBC	As required		Not applicable – consultancy work.				
Risk management support and real time assurances		Q1 – Q4	Ongoing		Ongoing assurances over the controls listed in the Risk Register and supporting embedding of risk management.	Assurances provided on risk entries throughout the year.			

Table 2 - Implementation of agreed management actions

	'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	80%	4	80%	8	80%
Actions **overdue by less than three months**	-	-	1	20%	1	20%	2	20%
Actions **overdue by more than three months**	-	-	-	-	-	-	-	-
Totals	**-**	**-**	**5**	**100%**	**5**	100%	**10**	**100%**

Glossary

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 the Committee 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.

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 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.

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.