

APPENDIX 4

IPSWICH BOROUGH COUNCIL

HEAD OF INTERNAL AUDIT'S ANNUAL AUDIT OPINION 2016-17

This document is the Head of Internal Audit's annual statement on the adequacy and effectiveness of the systems of governance, risk management and internal control of the Council for the year ended 31 March 2017.

Respective responsibilities of management and internal auditors in relation to internal control

It is the responsibility of the Council's senior management to establish an appropriate and sound system of internal control and to monitor the continuing effectiveness of that system. It is the responsibility of the Head of Internal Audit to provide an annual overall assessment of the robustness of the internal control system. The internal auditor cannot be expected to give total assurance that control weaknesses or irregularities do not exist.

SOUND INTERNAL CONTROLS

The main objectives of the Council's internal control systems are:

- To ensure adherence to management policies and directives in order to achieve the Council's objectives;
- To safeguard assets and protect the interests of the Council;
- To secure the relevance, reliability and integrity of information, so ensuring as far as possible the completeness and accuracy of records; and
- To ensure compliance with statutory requirements.

A sound system of internal control reduces, but cannot eliminate, the possibility of poor judgement in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

A sound system of internal control therefore provides reasonable, but not absolute, assurance that the Council will not be hindered in achieving its objectives or in the orderly and legitimate conduct of its business by circumstances which may reasonably be foreseen. A system of internal control cannot, however, provide protection with certainty against any organisation failing to meet its objectives or all material errors, losses, fraud, or breaches of laws or regulations.

THE WORK OF INTERNAL AUDIT

Internal Audit is an independent appraisal function established by the management of a Council for the review of the internal control system as a service to the Council. It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources.

The Internal Audit Service operates in accordance with the Accounts and Audit Regulations (2015), Public Sector Internal Audit Standards and Local Government Application Note (2013). The section undertakes a risk based annual programme of work approved by the Audit and Governance Committee. The strategic audit plan is based on audit work carried out in preceding years, which is amended on an on-going basis to reflect evolving risks and changes within the Council since that date.

All internal audit reports identifying system weaknesses and/or non-compliance with expected controls are brought to the attention of management and include appropriate recommendations and agreed action plans. It is management's responsibility to ensure that proper consideration is given to internal audit reports. The internal auditor is required to ensure that appropriate arrangements are made to determine whether action has been taken on internal audit recommendations or that management has understood and assumed the risk of not taking action. Significant matters arising from internal audit work are reported to the Chief Executive, Chief Operating Officer and the Audit and Governance Committee.

BASIS OF OPINION

My evaluation of the control environment is informed by a number of sources:

- The planned audit work undertaken by internal audit during the year;
- Consultancy and additional work requested and performed by the Service throughout the year;
- The preparation of the strategic audit plan;
- Reports issued by the Council's external auditors;
- My knowledge of the Council's governance, risk management, performance monitoring and internal control arrangements and
- The on-going work with management to assess and provide assurance on the efficiency, effectiveness and reliability of key systems.

OPINION

I am required to form an opinion on the quality of the internal control environment, which includes consideration of any significant risk or governance issues and control failures which arise. Although Internal Audit cannot provide total assurance that control weaknesses or irregularities do not

exist, due to time and other constraints of audit coverage, it is my opinion that **reasonable assurance** can be placed upon the adequacy and effectiveness of the Council's systems of governance, risk management and internal control in the year to 31 March 2017.

I wish to highlight the following two key areas where governance and controls are weak. Senior Officers have agreed an improvement action plan as part of the Annual Governance Statement assurance process; these are also monitored within the Corporate Risk Register and overseen by the governance arrangements in place at the Council.

1. Parking Services – Management controls require improvement.

2. Asset Management – The Asset Management Strategy requires updating and aligning to the Councils Corporate Plan.

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Siobhan Martin
Head of Internal Audit
Ipswich Borough Council

16 May 2017