INTERNAL AUDIT CHARTER

**October
2011**

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Introduction

1. The purpose of this Charter is to establish the terms of reference for the Durham County Council Internal Audit Service and outline how the service will be delivered and developed through its Audit Strategy.

Statutory Basis

2. The Council is responsible for maintaining an adequate and effective Internal Audit function under the Accounts and Audit Regulations 2011. The guidance accompanying this legislation states that proper internal control practices for Internal Audit are those contained within CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom 2006.

3. Our statutory responsibility and rights of access are included in the Council's Financial Regulations which are part of the Council's Constitution.

Definition

4. The CIPFA Code of Practice for Internal Audit 2006 defines Internal Audit as:

5. "An assurance function that provides an independent and objective opinion to the organisation on risk management, control and governance **by evaluating their effectiveness in achieving the organisations objectives.** It objectively examines evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources".

Strategic Aims

6. Our overall strategy is to support the Council achieve its aims and objectives through the provision of a high quality internal audit service that gives management reasonable assurance on the effectiveness of the Council's internal control environment and acts as an agent for change by making recommendations for continual improvement. The service aims to be flexible, pragmatic and to work in collaboration with management to suit organisation needs. Through a risk based approach to audit planning, the service will make a positive contribution to corporate governance arrangements and assist management in developing a framework for achieving objectives within acceptable levels of risk.

Objectives of Internal Audit

7. Our primary objective is the provision of reasonable, not absolute, evidenced based assurance on the effectiveness of the whole of the Council's risk

management, control and governance environment to the Corporate Management Team and the Audit Committee.

8. The provision of our annual assurance opinion will be in compliance with professional guidelines and in accordance with the Accounts and Audit regulations 2011 and will be included in the Council's Annual Governance Statement which forms part of the Council's published annual Statement of Accounts.

9. To determine the audit opinion the internal audit service will review, appraise and report upon:

    *   The adequacy of risk identification, assessment and mitigation
    *   The adequacy and application of controls to mitigate identified risk
    *   The adequacy and extent of compliance with the Council's corporate governance framework
    *   The extent of compliance with relevant legislation
    *   The extent to which the organisation's assets and interests are accounted for and safeguarded from loss of all kinds including fraud, waste, extravagance, inefficient administration and poor value for money
    *   The quality and integrity of financial and other management information utilised within the organisation

10. When presenting the annual audit opinion the Head of Internal Audit will:

    *   Disclose any qualification to that opinion, together with the reasons for that qualification
    *   Present a summary of the audit work undertaken from which the opinion is derived, including reliance placed on the work of others
    *   Draw attention to any issues considered particularly relevant to the preparation of the Annual Governance Statement
    *   Compare the work actually undertaken to the work that was planned and summarise the performance of the internal audit service
    *   Comment on compliance with the CIPFA Code of Practice for internal Audit

11. Other objectives include:

    *   Supporting the Section 151 Officer (Chief Finance Officer) in discharging his statutory duties for ensuring proper administration of the Council's financial affairs.

    *   Championing good governance by helping to improve the Council's risk management, control and governance processes by providing management with timely advice and guidance.

    *   Supporting the Audit Committee in fulfilling its governance responsibilities as detailed in the Committee's terms of reference set out in the Council's Constitution.

- Supporting Officers and Members in identifying and understanding exposure to risk and providing advice on control design, techniques and strategies.

- Working with other assurance and review bodies to ascertain the extent to which reliance can be placed on the work of other auditors and inspectorates to maximise assurance and the effectiveness of audit resources available.

- Helping to promote a strong counter fraud culture across the Council, through the development and effective implementation of the Council's Counter fraud and Corruption Strategy and Anti-Money Laundering policy.

- Providing quality services through the highest standards of professional practice, quality assurance systems and investment in staff.

Outcomes of Internal Audit

12. Our main outcome is the provision of independent assurance to "those charged with governance", which within Durham County Council is the Audit Committee, on the effectiveness or otherwise of the Council's risk management, control and governance arrangements and in so doing we contribute to:

    - Improved identification and management of risks contributing to improved performance management and the successful achievement of the Council's vision and priorities.

    - Improved corporate governance through helping to support compliance with relevant legislation, the Council's policies, plans and procedures.

    - Improved accountability, safeguarding of Council assets and interests and use of public resources

    - Improved quality and reliability of financial and other management information used to support informed decisions

Independence of Internal Audit

13. To be effective Internal Audit must operate independently and have unrestricted access to all records deemed necessary in the course of our work.

14. We have a right of access to all Members, employees, and agents of the Council, including direct access to the Chief Executive.

15. The Head of Internal Audit can report directly to those charged with governance, officers or Members, at any level.

16. We have a right of access to all information relevant to the Council's functions and services which is necessary to meet our responsibilities. This includes Council information held by or managed by third parties on the Council's behalf.

17. Our independence is achieved by reporting in our own name, ensuring that all Internal Auditors are free from any conflicts of interest and being free from direct management responsibility for the development, implementation or operations of systems.

Scope of Audit Work

18. Our role applies to all functions and services for which the Council is responsible, including those delivered by its partners where appropriate.

19. In addition to the regular review of all key systems of internal control which forms the bulk of our assurance work, we will:

- Respond to requests for support, advice and guidance on implementing and/or improving best practice control procedures for current and new systems.

- Promote the development and effective implementation of Control and Risk Self Assessments (CRSA).

- Provide support, advice and guidance on risk and controls to staff involved in the design and implementation of new systems and processes.

- Provide assistance on key projects, including attendance on project boards, and conduct specialist consultancy and value for money reviews. The scope of this work is agreed with management and is subject to having the necessary resources, skills and ensuring suitable assurance over our independence and objectivity.

- Be alert in all our work to risks and exposure that could allow fraud or corruption to occur and to any indications that a fraudulent or corrupt practice may have been occurring.

- Determine the most appropriate course of action by which fraud and irregularities should be investigated.

- Review the effectiveness of the Council's, and wherever possible its partners', corporate governance and risk management arrangements.

20. It must be noted that whilst Internal Audit will promote the Council's counter fraud policy to deter and prevent fraud, for example participating in the National Fraud Initiative, it does not have responsibility for the prevention and detection of fraud and corruption. We cannot guarantee that fraud or corruption will be detected in our work. Managing the risk of fraud and corruption is the responsibility of managers.

Strategic Audit Planning

21. The level of Internal Audit resources required to examine all of the Council's activities exceeds those available each year. It is, therefore, essential that the work of internal audit is properly planned to ensure that sufficient work is undertaken each year to draw reasonable conclusion and assurance on the

effectiveness of the Council's risk management, control and governance arrangements.

22. Our strategic planning process aims to provide a reasonable level of independent review of the Council's risk management, control and governance systems through periodic audit plans in a way which affords suitable priority to the Council's objectives and risks.

23. The starting point for our strategic planning is understanding the Council's strategic aims and objectives, its corporate governance arrangements and the assurance framework in place by which those charged with governance gain confidence that any risks which may impact on the achievement of those aims and objectives are effectively identified, assessed and managed.

24. In consultation with service managers we will

- Consider the Council's risk across two categories:

    a. **Strategic Risks** - these are the business risks that may arise both internally and externally from the Council and should be included in Corporate and Service Strategic Risk Registers

    b. **Operational Risks** - these are the risks that arise directly from the core activities of delivering services that may not always be documented

- Identify key service delivery activities, and their objectives in supporting the delivery of Council's strategic aims and objectives, on which assurance is required by those charged with governance (the Audit Universe)

- Review the Council's assurance arrangements in place to clearly map out an integrated assurance framework of all known sources of assurance, independent or otherwise, and identify any gaps and duplication

- Assess the reliability of other assurance sources

- Risk assess each key service activity, and key systems that supports the delivery of service objectives, to determine our priorities for reviewing operational risks.

25. Strategic risk registers will inform but not drive the internal planning process and we will audit those risks where controls have been identified as the means of managing the risk. Priority will be given to those risks which have a high gross score and a low net score, where the effective management of the risk is heavily dependent on the identified controls, and there is little or no other source of assurance.

26. Assurance on the strategic risk of fraud and corruption will be provided each year with some specific targeted fraud prevention and detection reviews as part of a risk assessed counter fraud programme of work.

27. We aim to review operational risks relating to key service activities and key systems within a 5 year rolling programme, dependent on an audit assessment of known risks and the reliability of other assurance sources. Some key risks where a high level of assurance is required to demonstrate the continuous effectiveness of internal controls, for example those associated with key financial systems, may be subject to annual review. The timing of reviews will be agreed in consultation with management wherever possible.

Annual Audit Plans

28. Annual audit plans will be developed to provide a reasonable level of independent assurance on both strategic and operational risks to enable an annual opinion on the entire control environment to be given.

29. The preparation of the annual plan will also consider any strategic objectives of the service in relation to delivering any commitments under Service Level Agreements or undertaking certain reviews at particular frequencies to fulfil statutory requirements.

30. In addition to our risk based assurance reviews, our annual audit plans will also include provision for our advice and consultancy role. This provision covers time set aside for reactive and proactive value added work and includes:

    - Proactive, responsive and innovative solutions to problems and opportunities to help the organisation achieve its business objectives
    - Timely response to ad hoc requests for advice on the identification, assessment and mitigation of risks through effective controls
    - Timely response to ad hoc requests for advice on the impact of proposed policy initiatives, programmes and projects as well as responses to emerging risks
    - Planned involvement in new initiatives or working groups established to help identify and access risk and design suitable controls
    - Undertaking VFM reviews in accordance with the Council's VFM strategy.
    - Investigation of irregularities and suspected fraud and corruption
    - Grant certification work requiring independent assurance that grant terms and conditions have been met.

31. The level of audit resources required to deliver, at the very least, both a minimum level of independent assurance and adequate provision for advice and consultancy will be considered by the Head of Internal Audit. Minimum assurance levels will be informed by the maturity of the Council's risk management arrangements and the reliance that can be placed on other assurance sources. Any concerns the Head of Internal has over the quantity and quality of skills available to deliver the required level of assurance, or to add value through its advice and consultancy work, will be referred to the Section 151 Officer, (Chief Financial Officer), and the Audit Committee for consideration.

32. Strategic and annual plans will be endorsed by the Corporate Management Team and approved and monitored by the Audit Committee.

Audit Approach

33. We will adopt a risk based approach to all our assurance work as outlined below:

   Strategic Risk

   Our reviews of strategic risks will provide assurance that:

   - Risk management processes, defined by the Council's risk management strategy and policy, are in place and are operating as intended
   - Managers are responding to risks adequately and effectively so that those risks are reduced to an acceptable level
   - The controls that managers have in place are successful in managing those risks

   Operational Risk

34. Our reviews of key service delivery activities and key systems will provide assurance on the effectiveness of

   - Compliance with corporate governance arrangements
   - Risk identification, assessment and business continuity
   - The control environment to manage identified risks and to ensure that the Council's assets and interests are accounted for and safeguarded from loss of all kinds including fraud, waste, extravagance, inefficient administration and poor value for money, including
   - Information governance (quality and integrity of financial and other management information and how it is used and communicated)

35. We will adopt a risk based approach to evaluate the effectiveness of controls designed to mitigate risks through substantive testing and/ or compliance testing. Compliance testing will confirm if a control actually exists and substantive testing will provide assurance that the control is effective and / or is consistently applied. The level of testing will be relative to the impact and likelihood of the risk occurring due to a control weakness.

36. We will work with service managers to help embed effective risk management by supporting them to carry out a control and risk assessment (CRA) of operational risks for each audit area subject to review in advance of each assurance audit.

37. We will agree the objectives and risks associated with each key system or service delivery area to be reviewed with the relevant service manager/key contact prior to the start of any audit to ensure that the scope and objectives of each review are focused on providing assurance on the high or significant risks identified through the CRA. Terms of reference will be issued to key

contacts to formally agree the scope of each review, identified keys risks, potential impact and expected key controls.

38. The key contact is the person who is authorised by the head of service to agree resultant draft reports and the implementation of any proposed audit recommendations.

39. Terms of reference will confirm the scope of each review and the audit approach to be applied. The latter may vary due to the nature of the risk upon which assurance is required and the extent of reliance on other assurances sources.

Audit Reporting

40. All audit assignments will be the subject of formal reports and all assurance reviews will include an audit opinion.

41. Our reporting structure is designed to ensure that final versions of reports are agreed with managers and are both accurate and practical.

42. Towards the end of an audit we will arrange an exit meeting with the key contact where we will share and discuss our initial findings. If this is not practical, we will issue an informal draft report to the key contact which will set out our initial findings.

43. The purpose of the exit meeting/informal draft stage is to give feedback and to eliminate any inaccuracies in our findings so that these can be resolved before a formal draft report is issued.

44. Draft reports will ask the key contact to provide a management response to the recommendations made and agree target implementation dates and responsible officers.

45. To assist managers in their response we categorise the importance of our recommendations as High, Medium,Low or advisory. Details of how we assess the importance of audit findings leading to these recommendation rankings are given in Appendix A.

46. It is the responsibility of managers to address audit findings and implement audit recommendations or other agreed appropriate action, or accept the risk resulting from not taking action.

47. We will also provide an overall assurance opinion on each audit review to help us inform our overall opinion required to support the Council's Annual Governance Statement.

48. The determination of our audit assurance opinion is derived from the overall level of assurance, positive as well as negative, of the effectiveness of controls operating in each specific area reviewed and is informed by the risk identified through our recommendation rankings. Where a Limited assurance opinion is given the control framework in place is considered to be ineffective and requires improvement to maintain an acceptable level of control. Further

details of how we arrive at our assurance opinions together are given in Appendix A.

49. Management responses to recommendations made in draft reports will be incorporated into audit reports that will then be reissued as finals. Copies of all final reports are shared with the Council's External Auditor on request.

50. The CRA will be updated with any further expected controls identified through the audit process and details of actual controls in place, and issued to key contacts as part of the reporting process. If controls are considered to be inadequate, recommended action to improve controls will also be entered to provide services managers with a form of operational risk register that, in the absence of a more formal approach to operational risk management, can then be used by service managers to regularly review identified risks and the control framework put in place to mitigate those risks. i.e provide a basis for regular Control Risk Self Assessment. (CRSA). It is recommended that the CRSA is reviewed by service managers at least annually.

51. Wherever possible the circulation of audit reports will be agreed at the outset and will have due regard to confidentially and legal requirements. Any information gained in the course of audit work remains confidential without limiting or preventing internal audit from meeting its reporting responsibilities to the wider organisation.

52. To assist in the progressing of draft reports to final report stage, monthly listings of the status of all reports issued (informal, formal and final) , will be produced and issued to a nominated directorate representative to assist managements own monitoring processes.

53. We will follow–up progress made by managers on the implementation of all high and medium priority recommendations. In addition, service listings of all recommendations outstanding at the end of each month will be produced and issued to a nominated directorate representative to assist management's own monitoring processes.

54. To ensure that adequate progress is made by management we request that management response is provided with 20 working days. If a response has not been received within this timescale the following escalation process will then be invoked:

- A reminder will be sent to the key contact, and copied into the relevant head of service , requesting a response within the next 10 days
- If a response is still not forthcoming, a second reminder will be issued direct to the head of service, advising that if a response is not received with the next 5 days the matter will be reported to the relevant Corporate Director
- All draft reports remaining outstanding at the end of each quarter will be reported to the Audit Committee.

55. We will report quarterly to Directorate Management Teams on progress made on delivering the agreed annual plan, overdue responses to draft reports, any significance issues arising from work and progress made by managers in implementing audit recommendations.

56. To help focus attention on areas of significant risk, quarterly progress reports will include by exception details of all audits resulting in a limited or no assurance opinion.

57. Member involvement in the process is a critical element in the audit reporting framework in that information is provided to support the effective working of the Audit Committee. We report the following to Audit Committee:

Annual Audit Plan

Quarterly Internal Audit Progress reports:

- To consider progress made in delivering the agreed annual plan

- To inform members of significant issues arising from audit assurance work and the impact this may have if control weaknesses identified are not addressed

- To inform members of other audit work carried out or planned

- To consider progress made by managers in the implementation of audit recommendations drawing attention to significant risks not being effectively managed

Annual Audit Report to:

- Compare actual activity with planned work

- Provide an overall opinion on the control environment

- Provide a summary of work undertaken to formulate the annual opinion on the entire control environment, including reliance placed on work by other assurance bodies

- Draw attention to any issues considered particularly relevant to the preparation of the Annual Governance Statement.

Responsibilities of Managers

58. Internal Audit is involved in a wide range of internal and external relationships. The quality of these relationships impacts on the effective delivery of the service, its reputation and independence.

59. We strive to build effective working relationships with all our stakeholders, internal and external, by encouraging an environment of mutual trust, confidence and understanding.

60. A key relationship is with managers. Managers at all levels need complete confidence in the integrity, independence and capability of internal audit.

61. Managers' role is to manage the risks facing their service and to maintain an adequate and effective system of internal control to mitigate these risks. Managers are also responsible for ensuring that staff are aware of the processes and procedures required to operate the control systems in place.

62. It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance for the prevention and detection of fraud and irregularities.   Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

63. We will endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and if detected, we will carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

64. We encourage managers to maximise the effectiveness of the outcome of internal audit work by:

- Commenting on, and inputting to, strategic and annual audit plans.

- Working with audit staff in the development of a control and risk assessments (CRA) for the service activity or system as part of the preparation and planning stage of each assurance review.

- Agreeing terms of reference, informed by the CRA where applicable, for each audit assignment to ensure attention is focused on areas of greatest risk or concern.

- Giving information and explanations that are sought during audit reviews.

- Providing access at all reasonable times to premises, personnel, documents and assets as necessary.

- Giving early notification of plans for change, including potential new initiatives, operational systems and processes.

- Ensuring key contacts provide responses to draft audit reports within the required timescales.

- Ensuring agreed actions arising from audit recommendations are carried out efficiently and on a timely basis

- Notifying internal audit of any suspected fraud, irregularity, improper use or misappropriation of the Council's property or resources.

- Pending investigations and reporting, take all responsible steps to prevent further loss and to secure records and documents against removal or alteration.

- Acting in line with the Council's disciplinary procedures.

Relationship with the Audit Committee

65. The Council has adopted best practice in implementing an Audit Committee. This committee is independent of both the Executive and Scrutiny function, and reports directly to the Council on matters it feels are relevant. Terms of reference, reflecting best practice, have been agreed.

66. The existence of an independent and effective Audit Committee helps to convey to staff and the public the importance Members and Officers attach to risk management, corporate governance and internal control.

67. The Audit Committee is not just the concern of auditors as it has responsibility for ensuring that the Council has good corporate governance arrangements in place to help deliver the best services to support the Council's priorities, aims and objectives and ensure excellent use of resources.

68. Internal audit is one of a number of areas of assurance that contribute to the Council's corporate assurance framework. It does this by providing an opinion on the level of assurance the Council can place upon the entire internal control environment and by making recommendations to improve it. This includes Internal Audit's evaluation of the effectiveness of the Council's risk management and corporate governance arrangements.

69. It is important that the Council seeks independent assurance about the mechanisms underpinning the various aspects of governance and one of the responsibilities of the Audit Committee is to review the effectiveness of Internal Audit.

Audit Resources, Skills and Service Quality

70. In order for Internal Audit to demonstrate high standards of professional conduct, the Internal Auditor must be impartial in discharging all responsibilities. Bias, prejudice or undue influence must not be allowed to limit or override objectivity.

71. The service operates in accordance with standards of best professional practice applicable to internal audit as identified through the Institute of Internal Auditors (IIA) and International Auditing Standards, but with particular reference to the CIPFA Code of Practice for Internal Audit in Local Government, as CIPFA is recognised as the key professional body for providing advice and guidance to Internal Audit in the public sector. This Code is identified as representing 'proper practices in relation to internal audit' and governs the way in which we operate. Policies and standard working practices have been put in place to ensure audit staff understand and comply with the Code and best professional practice.

72. In addition, the Council recognises and formally adopts the CIPFA Statement of Professional Practice on Ethics, as appropriate standards by which the conduct of the Internal Audit Service can be measured.

73. The service is provided by Durham County Council's in house internal audit team, supported in specialist areas as and when considered necessary by a third party partner. The staffing structure will, as far as possible, be comprised of a suitable mix of qualifications, experience and skills.

74. The Head of Internal Audit ensures internal audit resources are sufficient to meet its responsibilities and achieve its objectives. Resource requirements

are reviewed annually in relation to draft annual audit plans. Resources will be considered in terms of available days and the skills and experience of audit staff.

75. Individual training needs are identified in accordance with the Council's Performance Appraisal Scheme. As well as basic training in audit techniques and the development of specialist skills, the service is committed to coaching and mentoring its staff and to providing opportunities for continuous professional development (CPD).

76. Internal review of work standards is undertaken through a system of management review of working papers and reports prior to release.

77. Internal Audit maintains its awareness of national and local issues through membership and subscription to professional bodies such as CIPFA's Technical Information Service, "TIS online", the Finance Advisory Network (FAN) and the Institute of Internal Auditors (IIA) as well as liaison with external audit and networking with other internal audit services.

78. A suite of performance indicators (PI's) and targets has been developed to measure and monitor the performance and effectiveness of the service. The current PI's are detailed in Appendix B. PI's and targets will be reviewed annually.

79. The service is a member of the CIPFA IPF Audit Benchmarking Club.

80. Performance progress reports are submitted on a quarterly basis to the Audit Committee.

81. In accordance with the requirements of the Accounts and Audit Regulations 2011, an annual review of the effectiveness of the internal audit service is undertaken by the Audit Committee informed by a review of the service carried out by the Corporate Director Resources. By reviewing the service the Audit Committee is able to gain assurance that the service is effective and that it can place reliance on its work and the annual audit opinion.

82. The outcome from the annual effectiveness review is reported to the Corporate Management Team and Audit Committee as part of the Annual Internal Audit Report.

Approval and Review

83. The Head of Internal Audit will annually review this Charter to ensure that it is kept up to date and fit for purpose. The Charter is endorsed by the Corporate Management Team and approved by the Audit Committee. Any amendments will be reported to the Audit Committee for approval. A copy of the Charter will be made available on the Council's intranet and website.

Key Contact

Head of Internal Audit

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Other Related Documents

Other related documents that should be read in conjunction with this Charter are the Council's:

Risk Management Strategy

Constitution – Financial Procedure Rules

Constitution – Local Code of Corporate Governance

Constitution – Codes of Conduct

Counter Fraud and Corruption Strategy

Confidential Reporting Code (Whistle Blowing Policy)

Fraud Response Plan

ASSESSMENT OF AUDIT FINDINGS, RECOMMENDATIONS AND AUDIT OPINIONS   **APPENDIX A**

Findings

Individual findings are assessed on their impact and likelihood based on the assessment rationale in the tables below:

Impact Rating	Assessment Rationale
Critical	**A finding that could have a:**
	Critical impact on operational performance (Significant disruption to service delivery)
	Critical monetary or financial statement impact (In excess of 5% of service income or expenditure budget)
	Critical breach in laws ands regulations that could result in significant fine and consequences (Intervention by regulatory body or failure to maintain existing status under inspection regime)
	Critical impact on the reputation of the Council (Significant reputational damage with partners/central government and/or significant number of complaints from service users)
	Critical impact on the wellbeing of employees or the public (Loss of life/serious injury to employees or the public)
Major	**A finding that could have a:**
	Major impact on operational performance (Disruption to service delivery)
	Major monetary or financial statement impact (1-5% of service income or expenditure budget)
	Major breach in laws, regulations or internal policies and procedures (non compliance will have major impact on operational performance, monetary or financial statement impact or reputation of the service)
	Major impact on the reputation of the service within the Council and/or complaints from service users
Minor	**A finding that could have a:**
	Minor impact on operational performance (Very little or no disruption to service delivery)
	Minor monetary or financial statement impact (less than 1% of service income or expenditure budget)
	Minor breach in internal policies and procedures (non compliance will have very little or no impact on operational performance, monetary of financial statement impact or reputation of the service)

Likelihood	Assessment criteria
Probable	Highly likely that the event will occur (>50% chance of occurring)
Possible	Reasonable likelihood that the event will occur (10% - 50% chance of occurring)
Unlikely	The event is not expected to occur (<10% chance of occurring)

ASSESSMENT OF AUDIT FINDINGS, RECOMMENDATIONS AND AUDIT OPINIONS   **APPENDIX A**

Overall Finding Rating

This grid is used to determine the overall finding rating.

LIKELIHOOD			
Probable	M	H	H
Possible	L	M	H
Unlikely	L	L	L
	Minor	Major	Critical
	IMPACT		

Priority of our recommendations

We define the priority of our recommendations arising from each overall finding as follows;

High	Action that is considered imperative to ensure that the service/system/process objectives are not exposed to **significant risk** from weaknesses in critical or key controls
Medium	Action required to ensure that the service/system/process objectives are not exposed to **major risk** from weaknesses in controls
Low	Action required to ensure that the service/system/process objectives are not exposed to **minor risk** from weaknesses in controls
Advisory	Action that is considered desirable to address minor weaknesses in control that if implemented may not reduce the impact or likelihood of a risk occurring but should result in enhanced control or better value for money.

Overall Assurance Opinion

Based upon the ratings of findings and recommendations arising during the audit as summarised in risk matrix above we define the overall conclusion of the audit through the following assurance opinions:

Full Assurance	There is a sound system of control designed to achieve the process/system/service objectives and manage the risks to achieving those objectives. (No H, M or L findings/recommendations)
Substantial Assurance	Whilst there is a sound system of control, there are some weaknesses, which may put some of the system objectives at minor risk. (No H or M findings/recommendations)
Moderate Assurance	Whilst there is basically a sound system of control, there are some weaknesses, which may put some of the system objectives at major risk. (No H findings/recommendations)
Limited Assurance	There are weaknesses in key areas in the system of control, which put the system objectives at significant risk.(H findings/recommendations)
No Assurance	Control is weak as controls in numerous key areas are ineffective leaving the system open to significant risk of error or abuse

Efficiency	**Objective: To provide maximum assurance to inform the annual audit opinion**	
KPI	**Measure of Assessment**	**Target & (Frequency of Measurement)**
Planned audits completed	% of planned assurance work from original approved plan complete to draft report stage as at 31st	90% (Quarterly)
Timeliness of Draft Reports	% of draft reports issued within 30 Calendar days of end of fieldwork/closure interview Average time taken is also reported for information	90% (Quarterly)
Timeliness of Final Reports	% of final reports issued within 14 calendar days of receipt of management response Average time taken is also reported for information	95% (Quarterly)
Quarterly Progress Reports	Quarterly progress reports issued to Corporate Directors within one month of end of period	100% (Quarterly)
Terms of Reference	% of TOR's agreed with key contact in advance of fieldwork commencing	95% (Quarterly)
Quality	**Objective: To ensure that the service is effective and adding value**	
KPI	**Measure of Assessment**	**Target & (Frequency of Measurement)**
Recommendations agreed	% of Recommendations made compared with recommendations accepted	95% (Quarterly) 100%
Post Audit Customer Satisfaction Survey Feedback	% of customers scoring audit service good or above (4 out of 5) where 1 is poor and 5 is very good	100% (Quarterly) 100% Overall average score 4.50
Customers providing feedback Response	% of Customer returning satisfaction returns	70% (Quarterly) 60%
Cost	**Objective: To ensure that the service is cost effective**	
KPI	**Measure of Assessment**	**Target & (Frequency of Measurement)**
Cost per chargeable audit day	CIPFA Benchmarking Club – Comparator Group (Unitary)	Lower than average (Annually)