



**Committee and Date**

Audit Committee

17<sup>th</sup> July 2024

10:00am

Item

Public



## Internal Audit Performance 2023/24

<b>Responsible Officer:</b>	Barry Hanson		
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<b>Cabinet Member (Portfolio Holder):</b>	Lezley Picton, Leader of the Council Brian Williams, Chairman of the Audit Committee Gwilym Butler, Portfolio Holder – Finance and Corporate Resources and Communities		

### 1. Synopsis

This report summarises Internal Audit’s work in the final quarter of 2023/24 to inform the year end opinion. Lower assurances from reviews are highlighted, providing members with an opportunity to challenge.

### 2. Executive Summary

- 2.1. This report provides members with an update of work undertaken by Internal Audit in the final two and a half months of the 2023/24 Internal Audit Plan. 95% percent of the revised plan has been completed (**see Appendix A, Table 1**), which is in line with delivery records (94% 2022/23 and 97%).
- 2.2. One good, 11 reasonable two limited and two unsatisfactory assurance opinions have been issued. The 16 final reports contained 172 recommendations, four of which were fundamental.
- 2.3. Internal Audit continues to add value to the Council in its delivery of bespoke pieces of work, including sharing best practice and providing advice on system developments.

### 3. Decisions

- 3.1. The Committee is asked to consider and endorse, with appropriate comment
- a) the performance of Internal Audit against the 2023/24 Audit Plan.
  - b) Identify any action(s) it wishes to take in response to any low assurance levels and fundamental recommendations, brought to Members' attention, especially where they are repeated (paras 8.8 and 8.9).

## Report

### 4. Risk Assessment and Opportunities Appraisal

- 4.1. Delivery of a risk-based audit Internal Audit Plan is essential to ensuring the probity and soundness of the Council's control, financial, risk management systems and governance procedures. Areas to be audited are identified following a risk assessment process which considers the Council's risk register information and involves discussions with managers concerning their key risks. These are refreshed throughout the period of the plan as the environment (delivery risks) changes. In delivering the plan, the adequacy of control environments is examined, evaluated and reported on independently and objectively by Internal Audit. This contributes to the proper, economic, efficient and effective use of resources. It provides assurances on the internal control systems, by identifying potential weaknesses and areas for improvement, and engaging with management to address these in respect of current systems and during system design. Without this, failure to maintain robust internal control, risk and governance procedures creates an environment where poor performance, fraud, irregularity and inefficiency can go undetected, leading to financial loss and reputational damage.
- 4.2. Provision of the Internal Audit Annual Plan satisfies the Accounts and Audit Regulations 2015, part 2, section 5(1) in relation to internal audit. These state that:
- 'A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'.
- 4.3. 'Proper practices' can be demonstrated through compliance with the Public Sector Internal Audit Standards (PSIAS). Vacancy management and recruitment, whilst an ongoing risk, is being managed proactively and activities undertaken to mitigate and manage this going forward.
- 4.4. The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998 and there are no direct environmental or equalities consequences of this proposal.

### 5. Financial Implications

- 5.1. The Internal Audit plan is delivered within approved budgets. The work of Internal Audit contributes to improving the efficiency, effectiveness and economic management of the wider Council and its associated budgets.

## 6. Climate Change Appraisal

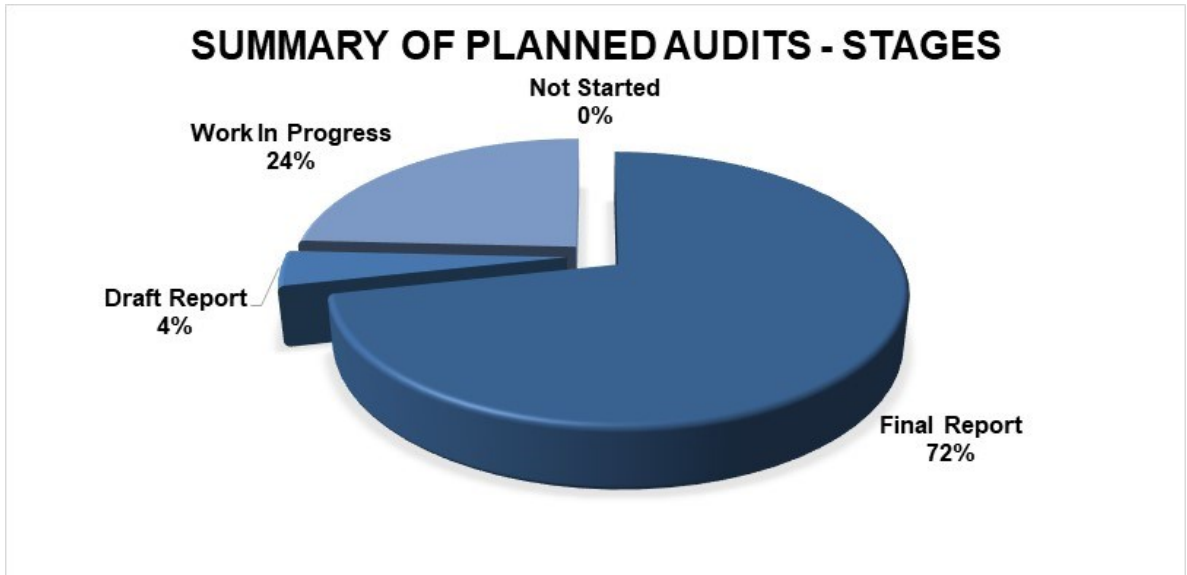
- 6.1. This report does not directly make decisions on energy and fuel consumption; renewable energy generation; carbon offsetting or mitigation; or on climate change adaptation. However, the work of the Committee will look at these aspects relevant to the governance, risk management and control environment.

## 7. Background

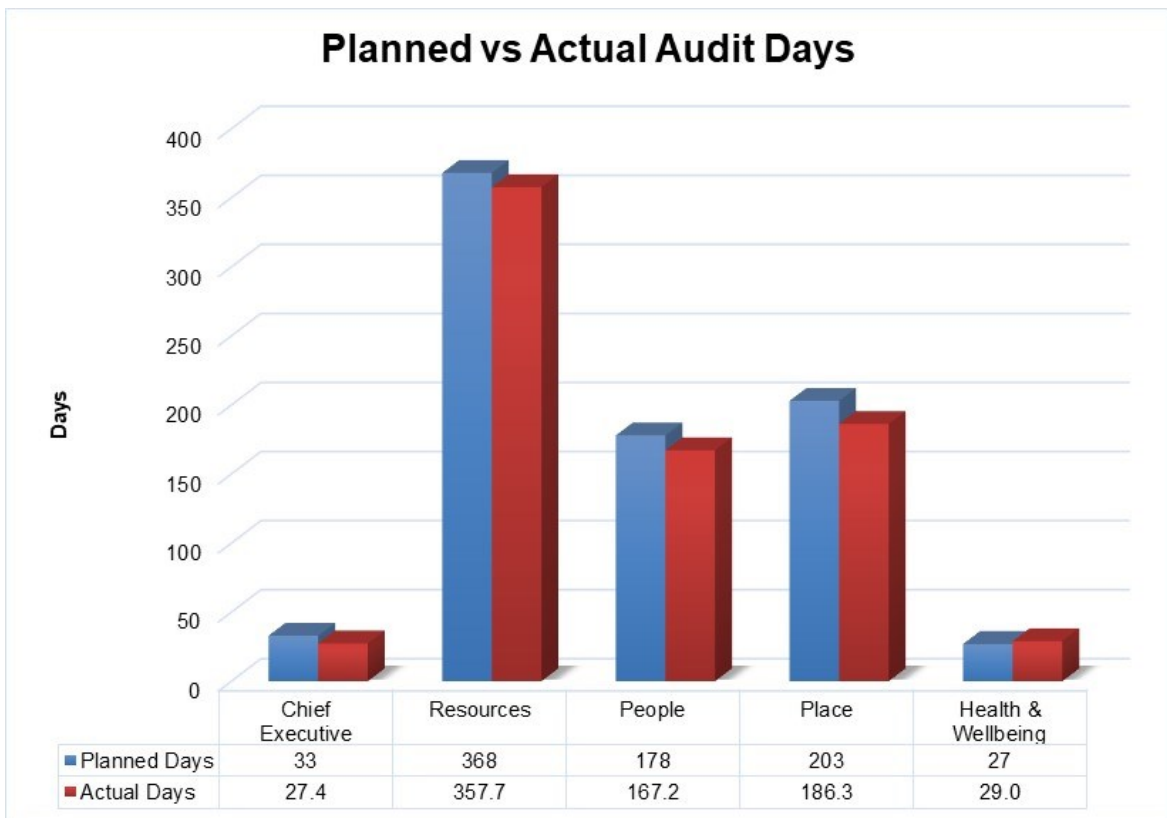
- 7.1. Management is responsible for the system of internal control and should set in place policies and procedures to help ensure that the system is functioning correctly. Internal Audit reviews appraises and reports on the efficiency, effectiveness and economy of financial, governance, risk and other management controls. The Audit Committee is the governing body with delegated authority under the Constitution to monitor progress on the work of Internal Audit.
- 7.2. The 2023/24 Internal Audit Plan was presented to, and approved by the Audit Committee at the 14<sup>th</sup> February 2023 meeting, with adjustments being approved in September, November and February. This report provides an update on progress made against the plan up to 31<sup>st</sup> March 2024.

## 8. Performance Against the Plan 2022/23

- 8.1. The 2023/24 plan provides for a total of 1,239 audit days. Over the year there have been changes to planned audit activity which has been adjusted to reflect changes in resources and risks. Part of the audit plan has been delivered by external contractors, whilst the majority of work has been completed there are **x** audits still in progress at year end. Assurances have been received from the contractor that these will be progressed and finalised as a priority.
- 8.2. Performance is below / in line with previous delivery records at 95% (94% 2022/23 and 97% 2021/22), the team has achieved the target to deliver a minimum of 90% of the revised annual plan by the year end.
- 8.3. In total, 16 final reports have been issued in the period from 20<sup>th</sup> January to 31<sup>st</sup> March 2024, all are listed with their assurance rating and broken down by service area at paragraph 8.5. The year to date position is shown at **Appendix A, Table 2**. The following chart shows performance against the approved Internal Audit Plan for 2023/24:



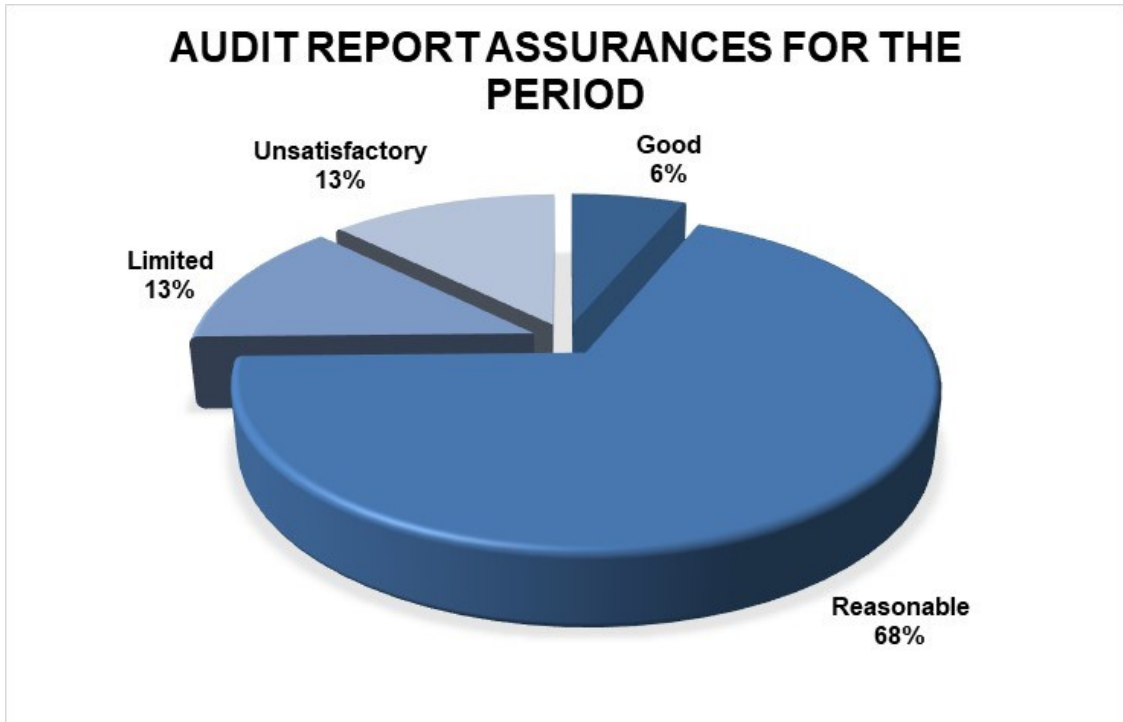
8.4. Audits have been completed over several service areas as planned:



8.5. The following audits have been completed in the period:

Audit Name	Audit Opinion					Recommendations			
	Good	Reasonable	Limited	Unsatisfactory		Fundamental	Significant	Requires Attention	Best Practice
<b>People - Children</b>									
Children's Residential Care Contract Management			1			1	5	6	
Bishops Castle Community College				1		2	26	18	
Other, including added value and briefing notes							3	1	
	0	0	1	1		3	34	25	0
<b>Place</b>									
Asset Management Strategy		1					2		
Disability Facility Grants / Major Adaption Grants		1						4	1
	0	2	0	0		0	2	4	1
<b>Resources - Finance and Technology</b>									
Disposal of IT Equipment Follow Up		1					1	3	
EDRM Sharepoint		1					2	3	
IT Business Administration Follow Up		1						1	
Legacy Infrastructure and Systems Follow Up		1					1	1	
Microsoft Applications - Deployment and Control		1						6	
Microsoft Azure (Office 365)		1						4	
Mobile Device Management - Phones and Tablets Including Billing		1					2	5	
IT Contract Management Follow Up				1		1	1		
	0	7	0	1		1	7	23	0
<b>Resources - Workforce and Improvement</b>									
Annualised Hours 2022/23		1					29	16	
Risk Management		1					2		
Payroll System			1				11	9	
	0	2	1	0		0	42	25	0
<b>Resources - Legal and Governance</b>									
Electoral Registration System	1							5	
	1	0	0	0		0	0	5	0
<b>Total</b>	<b>1</b>	<b>11</b>	<b>2</b>	<b>2</b>		<b>4</b>	<b>85</b>	<b>82</b>	<b>1</b>
<b>Percentage</b>	6%	68%	13%	13%		2%	49%	48%	1%

8.6. The assurance levels awarded to each completed audit area appear in the graph below:



8.7. The overall spread of recommendations agreed with management following each audit review are as follows:



In the period 20<sup>th</sup> January to 31<sup>st</sup> March 2024, 12 reports have been issued providing good or reasonable assurances and accounting for 74% of the opinions delivered. This represents an increase in the higher levels of assurance for this period, compared to the previous year outturn of 59%. This is offset by a corresponding decrease in limited and unsatisfactory assurances, currently 26% for the period compared to the previous year outturn of 41%. Whilst this is the picture for this

period, the annual report presented at this meeting concludes that 40% of audit assurances issued across the full 2023/24 year were limited or unsatisfactory with a concerning increase in unsatisfactory assurances when compared with 2022/23.

- 8.8. Details of control objectives evaluated and not found to be in place as part of the planned audit reviews that resulted in limited and unsatisfactory assurances, appear in **Appendix A, Table 3**. The appendix also includes descriptions of the levels of assurance used in assessing the control environment and the classification of recommendations, **Tables 4 and 5** and provides a glossary of common terms, **Table 6**.

**Question 1: Do Members wish to receive any updates from managers in relation to the limited and unsatisfactory assurances opinions?**

- 8.9. Four draft reports, awaiting management responses, will be included in the next performance report. Work has also been completed for external clients in addition to the drafting and auditing of financial statements for several honorary funds and the certification of grant claims.
- 8.10. A total of 172 recommendations have been made in the 16 final audit reports issued during this period; these are broken down by service area at paragraph 8.5, the year-to-date position is show at **Appendix A, Table 2**. Four fundamental recommendations have been identified which are detailed below:

- **Bishops Castle Community College**

**Recommendation 1-** A full review should be completed of the financial management at the College by an independent body. Following the review lessons should be learnt from the errors identified and a comprehensive action plan put in place to ensure that financial management is effective going forward with any appropriate action being taken.

**Risk** - Loss of income due to error or fraud which is not identified leading to the increasing deficit.

**Management Response** - New Administration structure for the college has been implemented for 1st April 2024, staff members are receiving training on tasks prior to the Easter break. An independent review will be requested within 12 months of the publication of the final report to allow time for the new staffing structure and procedures to be fully implemented.

Headteacher will request meeting with Local Authority to raise the requirement of an agreed plan for the outstanding deficit. An audit of the School Fund will be commissioned with an outside firm.

**Date to be Actioned** – 31<sup>st</sup> December 2024

**Recommendation 2-** As part of the review of financial management at the College the processes around record keeping should be refined to ensure that this is sufficient to allow management oversight and approval. Adequate evidence should be presented to Governors to allow challenge where appropriate. Where verbal updates are provided at minuted meetings these should be accurately recorded and actions followed up. Governors should consider how they can be most effective in their management role at the College.

A review of policies in place should be undertaken and all policies and procedures should be up to date and approved by Governors.

**Risk** - Poor record keeping which does not allow management oversight. This also leads to single points of failure. Governors place too much reliance on key officers verbal assurances which are incorrect or not acted upon.

**Management Response** - School Business Manager has reviewed and processes will be implemented from 1st April 2024 – new financial year. Some processes have been addressed with immediate effect. Reviews will take place on a weekly basis as part of weekly financial meeting with Headteacher.

**Date to be Actioned** – 1<sup>st</sup> April 2024.

- **Children’s Residential Care Contract Management**

**Recommendation** – The Keys contract must be signed as a priority by both parties. At the next procurement of this contract a full tendering process must be undertaken.

**Risk** – Failure to have a signed contract in place could lead to potential legal implications and reputational damage should a significant issue arise.

Failure to comply with contract rules means it is not possible to demonstrate value for money has been obtained and leaves Council Officers in a vulnerable position in the event of a challenge from another provider.

**Management Response** – In regard to the contract at the time of the audit work was well underway to rectify this issue as it was part of a negotiation process. It was not being neglected, there were significant challenges in resolving the issues which posed a greater risk to the LA had they not been resolved. The contract signed by both parties shortly after the audit on 23-1-24 and prior to the finalisation of this audit report.

Regarding the tendering process advice was sought from Commissioning and Procurement Senior Managers, soft market testing was undertaken, risks were assessed in relation to using a direct award. The risks associated with disrupting children’s the lives of vulnerable children were also assessed. Assessment of risks and soft market testing can legitimately be undertaken as part of any tender process. All of these activities are part of an appropriate tendering process. A full tendering process will be undertaken when the contract is due to be renewed.

**Date to be Actioned** – 31<sup>st</sup> March 2025

- **IT Contract Management Follow Up**

**Recommendation** – Signed contract documentation should be located for all contracts entered into and managed by ICT. Once located copies should be retained centrally and be available to officers involved in the management of the contract to ensure that:

- Payments are accurate and in accordance with the contract terms.
- Contract management meetings are held regularly.
- Officers are aware of the KPIs and requirements of the contract.
- Officers are aware of the reporting that should be provided by the supplier.

As previously recommended in 2022/23.



**Risk** – Without a contract/agreement as a reference document staff may be unaware of the performance requirements and reporting requirements leading to sub-par performance not being identified or incorrect invoices being authorised for payments.

**Management Response** – A central location has been created for contract documentation to be stored in. As part of the review of the contract list signed contracts will be stored here. Depending on expense level not all agreements have a full contract.

**Date to be Actioned** – 31<sup>st</sup> August 2024

**Question 2: Do Members wish to receive any updates from managers regarding the fundamental recommendation?**

8.11. It is the identified manager's responsibility to ensure accepted audit recommendations are implemented within an agreed timescale. **Appendix A, Table 7** sets out the approach adopted to following up recommendations highlighting Audit Committee's involvement.

### Performance Measures

8.12. All Internal Audit work has been completed in accordance with agreed plans and the outcomes of final reports have been reported to the Audit Committee.

### List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Internal Audit Performance and Revised Annual Audit Plan 2023/24 – Audit Committee 22<sup>nd</sup> February 2024

Internal Audit Performance and Revised Annual Audit Plan 2023/24 – Audit Committee 23<sup>rd</sup> November 2023

Internal Audit Performance and Revised Annual Audit Plan 2023/24 – Audit Committee 28<sup>th</sup> September 2023

Draft Internal Audit Risk Based Plan 2023/24 - Audit Committee 14<sup>th</sup> February 2023

Public Sector Internal Audit Standards (PSIAS)  
Audit Management system

Accounts and Audit Regulations 2015, 2018 and Accounts and Audit (Coronavirus) (Amendment) Regulations 2020, Amendment Regulations 2022

**Local Member:** All

### Appendices

#### Appendix A

Table 1: Summary of actual audit days delivered against plan 1<sup>st</sup> April to 31<sup>st</sup> March 2024.

Table 2: Final audit report assurance opinions and recommendation summary 1<sup>st</sup> April to 31<sup>st</sup> March 2024.

Table 3: Unsatisfactory and limited assurance opinions in the period 1<sup>st</sup> April to 31<sup>st</sup> March 2024.

Table 4: Audit assurance opinions

Table 5: Audit recommendation categories

Table 6: Glossary of terms

Table 7: Recommendation follow up process (risk based)

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**APPENDIX A**

**Table 1: Summary of actual audit days delivered and revisions to the audit plan in the period from 1<sup>st</sup> April to 31<sup>st</sup> March 2024**

	Original Plan	Revised Plan	31 <sup>st</sup> March 2023 Actual	% of Original Complete	% of Revised Complete
Chief Executive	28	33	27.4	98%	83%
Health and Wellbeing	25	27	29.0	116%	107%
People	123	178	167.2	136%	94%
Adult Services	28	33	21.3	76%	65%
Children's Services	54	97	69.0	128%	71%
Education and Achievement	41	48	76.9	188%	160%
Place	219	203	186.3	85%	92%
Resources	325	368	357.7	110%	97%
Finance and Technology	235	237	217.5	93%	92%
Legal and Governance	38	42	40.1	106%	95%
Workforce and Improvement	52	89	100.1	193%	112%
<b>S151 Planned Audit</b>	<b>720</b>	<b>809</b>	<b>767.6</b>	<b>107%</b>	<b>95%</b>
Contingencies and other chargeable work	880	192	174.0	20%	91%
<b>Total S151 Audit</b>	<b>1,600</b>	<b>1,001</b>	<b>941.6</b>	<b>59%</b>	<b>94%</b>
External Clients	199	238	232.7	117%	98%
<b>Total</b>	<b>1,799</b>	<b>1,239</b>	<b>1,174.3</b>	<b>65%</b>	<b>95%</b>

**Table 2: Final audit report assurance opinions and recommendation summary - 1<sup>st</sup> April to 31<sup>st</sup> March 2024**

Audit Name	Audit Opinion				Recommendations			
	Good	Reasonable	Limited	Unsatisfactory	Fundamental	Significant	Requires Attention	Best Practice
<b>Chief Executive</b>								
Strategic Transformation Partner Framework		1				3	4	
Communications - Brand Roll Out 2022/23		1					3	1

Audit Name	Audit Opinion				Recommendations			
	Good	Reasonable	Limited	Unsatisfactory	Fundamental	Significant	Requires Attention	Best Practice
Strategic Framework Project - Customer Service Spending Reduction		1				2	1	
Strategic Framework Project - Reablement and Care Home Projects		1				1	1	
Strategic Framework Project - Shire Services		1				1		
	<b>0</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7</b>	<b>9</b>	<b>1</b>
<b>Health and Wellbeing</b>								
Community Safety 2022/23		1				1	1	
Health and Wellbeing Board Governance 2022/23		1				2		
Private Water Supplies 2022/23			1			3	6	
	<b>0</b>	<b>2</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>6</b>	<b>7</b>	<b>0</b>
<b>People - Adults</b>								
Personal Allowances 2022/23		1				1	1	
Comforts Funds Review - Albert Road 2022/23			1			3	4	
Comforts Fund Reviews - Abbots Wood 2022/23				1		5	3	
Comforts Fund Reviews - Aquamira 2022/23				1		5	5	
	<b>0</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>0</b>	<b>14</b>	<b>13</b>	<b>0</b>
<b>People - Children</b>								
Education Access Service		1				1	6	
Brockton Primary School			1			11	8	
Children's Residential Care Contract Management			1		1	5	6	
Bishops Castle Community College				1	2	26	18	
Other, including added value and briefing notes						11	4	
	<b>0</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>3</b>	<b>54</b>	<b>42</b>	<b>0</b>
<b>Place</b>								
Property Sales and Acquisitions 2022/23	1							1
Planning 2022/23		1				1	2	
Trading Standards 2022/23		1					4	
Grey Fleet 2022/23		1				1	6	
Shropshire Archives		1				5	3	
Asset Management Strategy		1				2		

Audit Name	Audit Opinion				Recommendations			
	Good	Reasonable	Limited	Unsatisfactory	Fundamental	Significant	Requires Attention	Best Practice
Disability Facility Grants / Major Adaption Grants		1					4	1
Blue Badge Scheme 2022/23			1			1	9	
Licensing 2022/23			1			5	8	
School Planning and Transport Arrangements 2022/23			1			5	3	
Security of Council Buildings - Health and Safety			1			4	6	
Montagu Evans Contract Management				1		3		
Leisure Services Contracts				1		12	9	
Highways - Other Major Contracts 2022/23				1	1	2	1	
Much Wenlock Sports Centre- Joint Use				1		7	18	
North West Relief Road				1	2	8	3	
Other, including added value and briefing notes							4	
	1	6	4	5	3	56	80	2
<b>Resources - Finance and Technology</b>								
Construction Industry Tax Deduction Scheme (CIS) 2022/23	1						3	
Medium Term Financial Strategy	1							
Debt Recovery 2022/23		1				3	4	
Sales Ledger 2022/23		1				2	4	
Budget Management and Control 2022/23		1				1	2	
Insurance 2022/23		1				1	4	
End User Computing 2022/23		1					2	
Internet Security follow up 2022/23		1				1	5	
Management of Log Files 2022/23		1					6	
Housing Benefits 2022/23		1				2	8	
Northgate - Revenues and Benefits Application 2022/23		1					3	
Antivirus Controls		1				2	2	
IT Change Management		1				1		
Disposal of IT Equipment Follow Up		1				1	3	
EDRM Sharepoint		1				2	3	
IT Business Administration Follow Up		1					1	
Legacy Infrastructure and Systems Follow Up		1				1	1	

Audit Name	Audit Opinion				Recommendations			
	Good	Reasonable	Limited	Unsatisfactory	Fundamental	Significant	Requires Attention	Best Practice
Microsoft Applications - Deployment and Control		1					6	
Microsoft Azure (Office 365)		1					4	
Mobile Device Management - Phones and Tablets Including Billing		1				2	5	
Physical & Environmental Controls			1			3	5	
Out of County IT Equipment Delivery			1			2	5	
Privileged User Security			1			2	1	
Disposal of IT Equipment				1	1	3	4	
IT Contract Management 2022/23				1	1	2	1	
IT Contract Management Follow Up				1	1	1		
	2	18	3	3	3	32	82	0
<b>Resources - Workforce and Improvement</b>								
Sickness Management and Other Leave 2022/23		1				1	7	1
Occupational Health 2022/23		1				1	3	
Annualised Hours 2022/23		1				29	16	
Risk Management		1				2		
Diversity Arrangements 2022/23			1			3	4	
Recruitment Arrangements 2022/23			1			3	5	
Travel and Expenses 2022/23			1			3	3	
Payroll System			1			11	9	
Other, including added value and briefing notes						3	1	
	0	4	4	0	0	56	48	1
<b>Resources - Legal and Governance</b>								
Electoral Registration System	1						5	
Whatsapp				1	1			
	1	0	0	1	1	0	5	0
<b>Total</b>	4	37	15	12	10	225	286	4
Percentage	6%	54%	22%	18%	2%	43%	54%	1%

**Table 3: Unsatisfactory and limited assurance opinions issued in the period from 20<sup>th</sup> January to 31<sup>st</sup> March 2024<sup>1</sup>**

**Unsatisfactory assurance**

**People– Bishops Castle Community College (Limited 2021/22, Unsatisfactory 2019/20)**

<sup>1</sup> Listed are the management controls that were reviewed and found not to be in place and/or operating satisfactorily and therefore positive assurance could not be provided for them.

- Previous audit recommendations have been implemented.
- Governors and staff clearly understand their respective roles and responsibilities.
- Budget income is identified, collected and banked in accordance with procedures.
- Regular budget monitoring is performed, and any significant variations are investigated.
- Purchases are appropriate, authorised, recorded correctly and comply with Financial Regulations and Contract Procedure Rules.
- The imprest account is operated in accordance with Imprest Procedures and all monies can be accounted for.
- Payment is made to bona fide employees only for the work performed through the payroll system.
- The school fund is operated in accordance with the school fund notes of guidance.
- Income from school meals is properly recorded, fully accounted for and banked promptly and intact by the cash collection agent.
- Only pupils entitled to a free school meal receive them. Adult free meals are authorised.
- Disclosure and Barring Service (DBS) checks have been performed for relevant staff.
- Information Governance and cyber risks are managed in accordance with current best practice and an agreed policy.

#### **Resources– IT Contract Management Follow Up (Unsatisfactory 2022/23)**

- ICT procurement is undertaken in line with corporate financial and procurement rules.
- There are signed and up to date contracts in place.
- The contracts include key performance indicators which are monitored in accordance with the contract.

#### **Limited assurance**

##### **People– Children’s Residential Care Contract Management**

- Previous audit recommendations have been implemented.
- There are procedures in place to ensure compliance with legislation and local policies and procedures.
- Procedures are in place to ensure that current contracts are in place with providers of all residential childcare.
- Information Governance and cyber risks are managed in accordance with current best practice and an agreed policy.

##### **Resources– Payroll (Unsatisfactory 2022/23, 2020/21 and 2019/20)**

- Previous audit recommendations have been implemented.
- Temporary variations are appropriately controlled.
- There is a regular management review of the overpayments data and recoveries are appropriately controlled.

**Table 4: Audit assurance opinions: awarded on completion of audit reviews reflecting the efficiency and effectiveness of the controls in place, opinions are graded as follows**

<b>Good</b>	Evaluation and testing of the controls that are in place confirmed that, in the areas examined, there is a sound system of control in place which is designed to address relevant risks, with controls being consistently applied.
<b>Reasonable</b>	Evaluation and testing of the controls that are in place confirmed that, in the areas examined, there is generally a sound system of control but there is evidence of non-compliance with some of the controls.
<b>Limited</b>	Evaluation and testing of the controls that are in place performed in the areas examined identified that, whilst there is basically a sound system of control, there are weaknesses in the system that leaves some risks not addressed and there is evidence of non-compliance with some key controls.
<b>Unsatisfactory</b>	Evaluation and testing of the controls that are in place identified that the system of control is weak and there is evidence of non-compliance with the controls that do exist. This exposes the Council to high risks that should have been managed.

**Table 5: Audit recommendation categories: an indicator of the effectiveness of the Council’s internal control environment and are rated according to their priority**

<b>Best Practice (BP)</b>	Proposed improvement, rather than addressing a risk.
<b>Requires Attention (RA)</b>	Addressing a minor control weakness or housekeeping issue.
<b>Significant (S)</b>	Addressing a significant control weakness where the system may be working but errors may go undetected.
<b>Fundamental (F)</b>	Immediate action required to address major control weakness that, if not addressed, could lead to material loss.

**Table 6: Glossary of terms**

**Significance**

The relative importance of a matter within the context in which it is being considered, including quantitative and qualitative factors, such as magnitude, nature, effect, relevance and impact. Professional judgment assists internal auditors when evaluating the significance of matters within the context of the relevant objectives.

**Chief Audit Executive Annual Opinion**

The rating, conclusion and/or other description of results provided by the Chief Audit Executive addressing, at a broad level, governance, risk management and/or control processes of the organisation. An overall opinion is the professional judgement of the Chief Audit Executive based on the results of several individual engagements and other activities for a specific time interval.

**Governance**



Comprises the arrangements (including political, economic, social, environmental, administrative, legal and other arrangements) put in place to ensure that the outcomes for intended stakeholders are defined and achieved.

### **Risk**

The possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.

### **Control**

Any action taken by management, the board and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organises and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.

### **Impairment**

Impairment to organisational independence and individual objectivity may include personal conflict of interest, scope limitations, restrictions on access to records, personnel and properties and resource limitations (funding).

### **Table 7: Recommendation follow up process (risk based)**

When recommendations are agreed the responsibility for implementation rests with management. There are four categories of recommendation: fundamental, significant, requires attention and best practice and there are four assurance levels given to audits: unsatisfactory, limited, reasonable and good.

The process for *fundamental recommendations* will continue to be progressed within the agreed time frame with the lead Executive Director being asked to confirm implementation. Audit will conduct testing, either specifically on the recommendation or as part of a re-audit of the whole system. Please note that all agreed fundamental recommendations will continue to be reported to Audit Committee. Fundamental recommendations not implemented after the agreed date, plus one revision to that date where required, will in discussion with the Section 151 Officer be reported to Audit Committee for consideration.