

**Report to: Audit Committee**

**Subject: The Annual Internal Audit Report 2012-13**

**Date: 18<sup>th</sup> June 2013**

**Author: Service Manager - Audit & Risk Management**

## **1. PURPOSE OF THE REPORT**

To report on the activity of the Internal Audit section during the 2012-13 financial year.

This report will also provide assurance on the internal control systems across the Authority to support the Annual Governance Statement provided within the Annual Statement of Accounts.

## **2. BACKGROUND**

The Accounts and Audit Regulations 2003 (amended 2006), and the Code of Practice for Internal Audit in Local Government in the United Kingdom make detailed and specific requirements for the Annual Internal Audit report in support of the Annual Governance Statement. These requirements are:

“The Head of Internal Audit’s formal annual report to the organisation should:

- Include an opinion on the overall adequacy and effectiveness of the organisation’s internal control environment,
- Disclose any qualifications to that opinion, together with the reasons for the qualification,
- Present a summary of the audit work undertaken to formulate the opinion, including reliance placed on work by other assurance bodies,
- Draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Annual Governance Statement,
- Compare the work actually undertaken with the work that was planned and summarise the performance of the Internal Audit function,
- Comment on compliance with these standards and communicate the results of the Internal Audit quality assurance programme”.

### **3. RECOMMENDATION**

The Annual Internal Audit report is attached at Appendix 1 and indicates that the Council's systems and controls are generally operating adequately. This conclusion is of importance in reviewing and supporting the Annual Governance Statement in support of the Annual Statement of Accounts.

Members are requested to note the contents of the report.

## Appendix 1



### GEDLING BOROUGH COUNCIL

#### Annual Report of the Internal Audit Service

2012-13

For presentation at the Senior Leadership Team (21<sup>st</sup> May 2013) and the Audit Committee (18<sup>th</sup> June 2013)

Prepared by: Vince Rimmington, Service Manager - Audit & Risk Management

Date: June 2013

# **1: Introduction**

## **The Role of the Internal Audit Service**

- 1.1 The role of the internal audit service is to provide management with an objective assessment of whether systems and controls are adequate and working effectively. It is a key part of Gedling Borough Council's internal control system because it measures and evaluates the adequacy and effectiveness of controls so that:
- The Council and senior management are aware of the extent to which they can rely on the whole system of control; and
  - Individual managers are aware how reliable the systems and controls are for which they are responsible.
- 1.2 The internal control system comprises the whole network of systems and controls established to manage Gedling Borough Council to ensure that its objectives are achieved. It includes financial and other controls, and also arrangements for ensuring that Gedling Borough Council is achieving value for money from its activities.

## **Definition of Internal Audit**

- 1.3 The definition of internal audit, as described in the CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom is set out below.
- Internal Audit is an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, internal control and governance by evaluating its effectiveness in achieving the organisation's 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.
  - Whilst Internal Audit "primarily" provides an independent and objective opinion to the organisation on the control environment, it may also undertake other, non-assurance work at the request of the organisation subject to the availability of skills and resources. This can include consultancy work; indeed, Internal Audit intrinsically delivers consultancy services when making recommendations for improvement arising from assurance work, and fraud-related activity.

## **Annual Governance Statement**

- 1.4 Under Regulation 4(2) of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) (England) Regulations 2006, authorities are required to publish a Statement on Internal Control (SIC). From 2007-08, authorities should publish an Annual Governance Statement (AGS) in line with the CIPFA/SOLACE Good Governance Framework to meet that statutory requirement. The statement brings a number of benefits to government organisations, including:

- Increased awareness of internal controls and control weaknesses, and risk management among Section 151 Officers, Councillors and senior management,
- Greater awareness of the importance of risk identification and monitoring amongst staff at all levels,
- Better appreciation of the benefits of a strong internal audit function,
- Greater awareness of other internal and third party assurance sources that operate within the organisation and the importance of the role that they fulfil, and
- Increased and encouraged audit committee activity.

As Gedling Borough Council's internal audit provider, the assurance opinions provided in each audit review undertaken throughout the year are part of the framework of assurances that assist in the preparation of the Annual Governance Statement.

Our work for the 2012-13 financial year is summarised in this report, and we have highlighted in section 2.4 any specific issues that we are aware of and that should be reflected in the 2012-13 Annual Governance Statement.

## **Significant Events / Factors During the Year**

- 1.5 There have not been any significant events or factors during the financial year that have affected the extent of our internal audit work or needed to be addressed as an additional part of our internal audit plan.

## **2: The Statement of Assurance**

### **Background**

- 2.1 As the provider of the internal audit service to Gedling Borough Council we are required to provide the Council with assurance on the whole system of internal control. In providing our opinion it should be noted that the level of assurance given can never be absolute. The internal audit service can only provide reasonable assurance that there are no major weaknesses in risk management, governance and internal control processes.

In arriving at the audit opinion, consideration has been given to:

- The results of all audits undertaken during the financial year,
- The results of follow-up action taken in respect of audits from previous years,
- Whether or not any high or medium risk recommendations have not been accepted by management and the consequential risks,
- The effects of any material changes in the organisation's objectives and activities,
- Any limitations that have been placed on the scope of internal audit,
- Whether there have been any resource constraints imposed upon internal audit which may have impinged on our ability to meet the full internal audit needs of the organisation,
- The proportion of the organisation's internal audit requirements that have been covered to date.

### **2.2 Internal Audit Opinion**

Internal Audit are satisfied that sufficient internal audit activity has been undertaken to allow us to draw a reasonable conclusion as to the adequacy and effectiveness of Gedling Borough Council's risk management, governance and control processes.

It is internal audits opinion that, for the 12 months ending 31<sup>st</sup> March 2013, Gedling Borough Council has adequate and effective risk management, internal control and governance processes to manage and achieve the organisations objectives.

- 2.3 In reaching this opinion the following factors were taken into particular consideration:

### **Risk Management**

The Authority has developed and implemented a Risk Management Strategy, which defines a standard approach (common language) to risk terminology, the formalisation of reporting procedures and the introduction of Key Performance Indicators to measure how effectively risks are being managed and the extent to which risk management procedures are embedded across the organisation.

Strategic and operational risk registers are reviewed bi-annually by management. All identified risks are aligned to the 11 corporate risks identified against the Authority's objectives. All audit recommendations are also aligned to these corporate risks, which, when considered with other internal and external sources of assurance, provide the Authority with an integrated and holistic assurance process.

The outcomes from these multiple assurance sources are consolidated into the Authority's Corporate Risk Scorecard and reported into the Senior Leadership Team and Audit Committee.

This approach provides a well-organised system and methodology to underpin the arrangements made by the organisation to address and mitigate the risks arising from its environment.

Overall, it is Internal Audit's opinion that Gedling Borough Council has adequate and effective risk management processes to manage the achievement of its business objectives.

### **Governance**

The CIPFA/SOLACE guidance note and framework - Corporate Governance in Local Government defined corporate governance in local authorities as "the system by which local authorities direct and control their functions and relate to their communities". The guidance issued a framework for local authorities and recommended that they draw up a Local Code of Corporate Governance.

Gedling Borough Council has established a Local Code of Corporate Governance and developed a Governance Framework based on the principles within the CIPFA/SOLACE guidance. The Framework is subject to an annual review as part of the process for the production of the Annual Governance Statement.

In addition to the Governance Framework review signed Assurance Statements are obtained from Corporate Directors and Service Managers, with specific statements made by the Chief Executive, S151 Officer and the Monitoring Officer. The statements are based directly on assurances given with respect to compliance with the Authority's Financial Regulations. Service Manager's are encouraged to involve their line reports in the process, particularly where day-to-day responsibilities are delegated.

Overall, it is Internal Audit's opinion that Gedling Borough Council has adequate and effective governance processes to manage the achievement of its business objectives.

### **Internal Control**

A summary of Internal Audit activity during 2012-13 is provided in section 3.4.

Overall, it is Internal Audit's opinion that Gedling Borough Council has adequate and effective control processes to manage the achievement of its business objectives.

- 2.4 The overall internal audit opinion statement provided in section 2.2 should be used by the Authority in the preparation of the Annual Governance Statement.

The internal audit statement is further evidenced by external evaluators such as the Audit Commissions governance report and annual audit and inspection letter and other inspectorate reports such as the Planning Inspectorate.

There were no significant issues identified within the Governance process to warrant inclusion in the 2012-13 Annual Governance Statement.

The following issue is not highlighted as a current control or risk concern, but included to highlight the Council's awareness of emerging issues through its proactive and holistic approach to governance:

- **External Economy** – the Council remains susceptible to, but vigilant for, the external risks posed by the volatile economic climate and the uncertain political climate. Despite ongoing pressures and squeezes on costs, income streams and funding, effective planning has resulted in the Council's 2013-14 budget having no significant reductions in service.

The Council has a strong track record in maintaining a sound financial position through effective Medium Term Financial Planning. The Council is well placed to deal with the ongoing



economic uncertainty and squeezes on its income and funding streams.

Nevertheless, the Council faces a significantly challenging period to maintain its historic solid financial position. Plans are being developed to assess the Council's priorities and deliver the action required to maintain its financial standing.

Internal Audit will monitor the progress of the action plans and evaluate the effectiveness of the actions in addressing the issues identified.

### **3: Audit Activity & Performance**

#### **The Audit & Risk Services Section**

- 3.1 The activity of the section covers Corporate Governance, Risk Management, Insurance, Business Continuity Planning, Health & Safety, Procurement and Internal Audit.

The current structure of the section is as follows:

- Manager Audit & Risk Services (1 FTE)
- Internal Auditor (1 FTE)
- Externally Procured Resource (1.5 FTE)
- Insurance & Risk Management Officer (0.5 FTE)
- Audit & Risk Technician (1 FTE)
- Health & Safety Officer (1 FTE)

The procurement officer post is covered through a shared post with Rushcliffe Borough Council. The officer is employed by Rushcliffe with 2 days of his time/costs recharged to Gedling.

Over the past six years the section has had a partnership arrangement with the County Council for the provision of Internal Audit work to ensure that the annual audit plan is achieved. The cost of this partnership arrangement has been met by vacancy savings equating to 1.5 FTE (Internal Auditor posts).

The agreement for 2012-13 with the County was for 30 days of audit work to be undertaken. Delivery of the audit plan within the financial budgetary limits was achieved by engaging RSM Tennon to provide 102 days of audit activity.

This approach to partnership work and co-sourcing audit resource will continue during 2012-13, as it provides the Authority with greater flexibility to meet the challenges ahead and access to a greater skill set and knowledge base.

#### **Effectiveness of Internal Audit**

- 3.2 The Audit Commission undertakes an annual review of the Internal Audit function and the quality of its work. When undertaking the review they ensure compliance with the CIPFA Code of Practice and, where relevant, make recommendations on how compliance can be improved or developed further.

In addition, the Audit Commission undertakes a detailed review of Internal Audit work every 3-4 years. This was last completed in March 2009. The Audit Commission identified no issues and confirmed that Gedling Borough Council's Internal Audit function fully satisfies the requirements of the CIPFA Code of Practice.

The Accounts and Audit (Amendment) (England) Regulations 2006 came into force on the 1<sup>st</sup> April 2006. Two of the amended regulations have an impact on the preparation of the Annual Governance Statement.

Regulation 6 requires the Authority to undertake an annual review of the effectiveness of their system of internal audit, and under Regulation 4 for the findings of the review to be considered by a committee of the Authority (or by the Authority as a whole).

A review of the Authority's system of internal audit was completed during April 2013. The review comprised a self-assessment against the standards outlined in the CIPFA Code of Practice. The individual criteria within the standards were prioritised into 4 levels to provide a formal conclusion and a benchmark comparator to monitor future progress.

The review was completed by the Authority's Chief Financial Officer, Chair of the Audit Committee and via an external peer review conducted by the Audit Manager at Mansfield District Council.

The review concluded that:

"Following completion of the self-assessment and peer review process, it is considered that the system of internal audit is operating to an excellent professional standard and is providing an excellent level of effectiveness for the Authority. Overall performance is considered to be excellent, with robust plans in place to further enhance the effectiveness of the service".

A summary of the review is provided in **Appendix A**.

In December 2010, CIPFA published a statement on the "Role of the Head of Internal Audit (HIA)" which details best practice and recommends that authorities assess their existing HIA arrangements against the criteria within the statement. It should be noted that the statement does not have the status of a CIPFA code nor does it replace the sector specific guidance, codes or professional standards.

The statement sets out the following 5 principles:

- Championing best practice in governance, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments.
- Giving an objective and evidence based opinion on all aspects of governance, risk management and internal control.
- Must be a senior manager with regular and open engagement across the organisation, particularly with the Leadership Team and Audit Committee.

- Must lead and direct an internal audit service that is resourced to be fit for purpose.
- Must be professionally qualified and suitably experienced.

For each principle, the statement sets out the governance arrangements required to ensure that the HIA is able to operate effectively and perform their core duties. The HIA role at Gedling Borough Council is considered robust when assessed against each of the five core principles.

In support of the internal self assessment and Audit Commission reviews outlined above, Internal Audit take feedback via a Customer Satisfaction Questionnaire (CSQ). Essentially this additional feedback provides a comprehensive 360 degree review of the Internal Audit function.

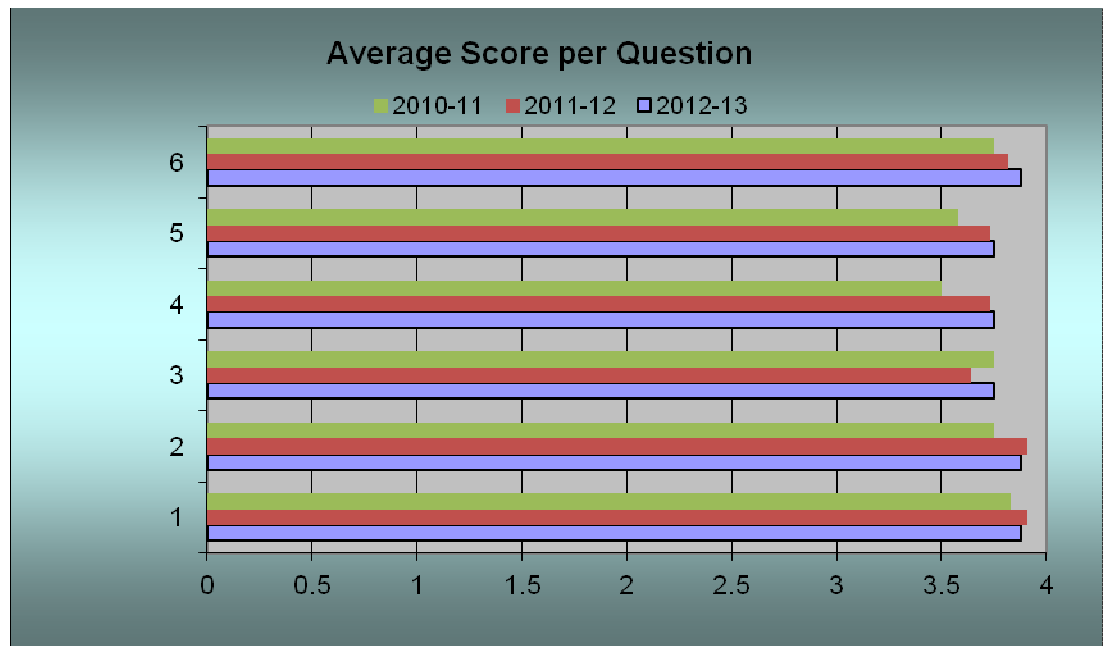
The Questionnaire comprises the following six questions covering the end to end audit process;

- 1 - The auditor clearly explained the scope and objectives of the audit.
- 2 - The audit met the objectives outlined.
- 3 - The report was accurate and understandable.
- 4 - The audit recommendations were practical and useful.
- 5 - The auditor clearly discussed the audit issues and findings.
- 6 - The auditor conducted his/her work in a professional manner.

The questions are ranked on a scoring basis as follows:

- 4 - Very Satisfied
- 3 - Generally Satisfied
- 2 - Generally Dissatisfied
- 1 - Very Dissatisfied

During 2012-13, 9 completed CSQ's were returned from the 22 audit reports issued. Results are summarised in the chart below and highlight that respondents are generally satisfied to very satisfied with all aspects of the audit process. The scores maintain the satisfaction levels from previous years.



Internal Audit will continue to focus efforts to raise the scores relating to the practicality and usefulness of recommendations to those of the other areas of the audit process.

## **Analysis of Audit Activity 2012-13**

- 3.3 Within the Authority's aims and objectives, the Internal Audit section has a performance target of 22 audit reports to be issued during the financial year.

During the year 22 reviews were undertaken, with 22 audit reports issued against the target of 22. Of the 22 reports, 15 were undertaken to provide formal assurance statements with respect to the adequacy of the control environment. Substantial assurance was provided on 13 of these reports, with 2 providing limited assurance. There were no instances where no assurance was given. The audit reviews are summarised below in section 3.4.

There are no audit reviews being carried forward to the 2012-13 audit plan.

Whilst overall, audit activity remained within the planned days, an additional 26 days were allocated to investigatory work. These additional days were allocated entirely to the investigation into a serious case of theft of vehicle fuel by an employee.

The case was originally referred to Internal Audit via the Council's Whistleblowing policy, however, the original report related to a separate unfounded allegation.

During March and April 2012 fuel reports were obtained and reviewed by Internal Audit which identified significant usage of fuel during weekend periods, where no operational need could be justified. Further data relating to vehicle movements and overtime attendance patterns were reviewed. These identified a consistent pattern of activity and fuel usage.

A RIPA authority was obtained to install CCTV cameras during May and June 2012. These identified the member of staff responsible for the suspected theft. The individual was suspended from duty in July 2012 and, based on the evidence obtained by Internal Audit, charged with eight counts of theft against the employer.

The individual entered a guilty plea against the criminal charges and was dismissed from employment in August 2012.

Internal Audit undertook a review of fuel reports, vehicle movements and overtime sheets to ascertain the full extent and value of the theft of fuel. The table below summarises the findings:

| Calendar Year           | Theft (litres) | Theft (£)        |
|-------------------------|----------------|------------------|
| 2007                    | 3,600          | 2,571.22         |
| 2008                    | 3,803          | 3,158.15         |
| 2009                    | 5,997          | 5,168.35         |
| 2010                    | 7,001          | 5,966.04         |
| 2011                    | 10,500         | 10,333.50        |
| 2012 (6 months to June) | 8,245          | 7,891.01         |
| <b>TOTAL</b>            | <b>39,146</b>  | <b>35,088.27</b> |

A claim to recover the cost of the theft has been placed with the Council's insurers Zurich Municipal. The claim rests with the loss adjuster and is subject to a £500 excess on the policy.

Internal Audit also undertook a full review of the control environment relating to storage and issue of fuel stocks. The review provided only limited assurance and highlighted one high and three medium risk recommendations including a lack of security of fuel key fobs and inadequate management monitoring of fuel usage.

Management action to address these significant control weaknesses has now been implemented.

### 3.4 Summary of Audit Report Conclusions and Recommendations

| Ref.   | Title                          | Plan Days | Actual Days | Audit Recommendations |        |     | Assurance Level |
|--|--------------------------------|-----------|-------------|-----------------------|--------|-----|-----------------|
|  |                                |           |             | High                  | Medium | Low |                 |
| Audit reports providing a formal assurance statement |                                |           |             |                       |        |     |                 |
| IAR1213-03   | Fuel Stocks                    | 25        | 25          | 1                     | 3      | 1   | Limited         |
| IAR1213-04   | Bin Stocks                     | 10        | 10          | 0                     | 1      | 0   | Substantial     |
| IAR1213-05   | General Stores                 | 5         | 5           | 0                     | 0      | 1   | Substantial     |
| IAR1213-06   | Debtors                        | 15        | 15          | 1                     | 2      | 3   | Limited         |
| IAR1213-07   | Creditors                      | 10        | 10          | 0                     | 0      | 2   | Substantial     |
| IAR1213-08   | Bank Accounts                  | 5         | 5           | 0                     | 0      | 1   | Substantial     |
| IAR1213-09   | Lending & Borrowing            | 5         | 5           | 0                     | 0      | 0   | Substantial     |
| IAR1213-10   | Housing Benefits               | 30        | 30          | 0                     | 2      | 4   | Substantial     |
| IAR1213-11   | Council Tax                    | 15        | 15          | 0                     | 0      | 3   | Substantial     |
| IAR1213-12   | NNDR                           | 15        | 15          | 0                     | 1      | 1   | Substantial     |
| IAR1213-13   | Payroll                        | 15        | 7           | 0                     | 0      | 6   | Substantial     |
| IAR1213-15   | Capital                        | 10        | 10          | 0                     | 2      | 1   | Substantial     |
| IAR1213-16   | FMS                            | 10        | 10          | 0                     | 0      | 4   | Substantial     |
| IAR1213-17   | Cash Receipting                | 10        | 10          | 0                     | 1      | 4   | Substantial     |
| IAR1213-18   | Officer & Member Disbursements | 10        | 10          | 0                     | 0      | 4   | Substantial     |
|  |                                |           |             |                       |        |     |                 |
|  |                                |           |             |                       |        |     |                 |
|  |                                |           |             |                       |        |     |                 |
|  |                                |           |             |                       |        |     |                 |
|  |                                |           |             |                       |        |     |                 |
| Totals   |                                | 190       | 183         | 2                     | 12     | 35  |                 |



| Ref.   | Title                          | Plan Days | Actual Days | Audit Recommendations |        |     | Assurance Level |
|--|--------------------------------|-----------|-------------|-----------------------|--------|-----|-----------------|
|  |                                |           |             | High                  | Medium | Low |                 |
| Audit reports not providing a formal assurance statement |                                |           |             |                       |        |     |                 |
| IAR1213-01   | Cash Ups (Civic Centre)        | 2         | 2           | N/a                   | N/a    | N/a | N/a             |
| IAR1213-02(a-e)  | Cash Ups (Leisure Centres x 5) | 3         | 4           | N/a                   | N/a    | N/a | N/a             |
| IAR1213-14   | Leisure Income (Bar Stocks)    | 10        | 6           | N/a                   | N/a    | N/a | N/a             |
|  |                                |           |             |                       |        |     |                 |
| Other Work   |                                |           |             |                       |        |     |                 |
|  | Audit Follow-up Activity       | 40        | 34          |                       |        |     |                 |
|  | 11-12 work carried forward     | 10        | 7           |                       |        |     |                 |
|  | Computer Audit                 | 20        | 8           |                       |        |     |                 |
|  | Contract (Final Check)         | 10        | 8           |                       |        |     |                 |
|  | Contingency / Investigations   | 56        | 82          |                       |        |     |                 |
|  |                                |           |             |                       |        |     |                 |
|  |                                |           |             |                       |        |     |                 |
|  |                                |           |             |                       |        |     |                 |
| Work carried forward to 2013-14                          |                                |           |             |                       |        |     |                 |
|  |                                |           |             |                       |        |     |                 |
| Grand Totals   |                                | 341       | 334         |                       |        |     |                 |

Assurance definitions are provided in **Appendix B**.

### Trend Analysis of Audit Activity

- 3.5 The table below highlights the trend in assurance levels provided from internal audit reviews completed over the last seven financial years. The assurance provided from internal audit activity shows a sustained improvement in the control environment reviewed.

| Assurance | Substantial | Limited | No |
|-----------|-------------|---------|----|
| 2012-13   | 13          | 2       | 0  |
|           | 86.7%       | 13.3%   |    |
| 2011-12   | 15          | 1       | 0  |
|           | 93.8%       | 6.2%    |    |
| 2010-11   | 16          | 0       | 0  |
|           | 100%        | 0%      |    |
| 2009-10   | 16          | 2       | 0  |
|           | 88.9%       | 11.1%   |    |
| 2008-09   | 14          | 2       | 0  |
|           | 87.5%       | 12.5%   |    |
| 2007-08   | 17          | 4       | 0  |
|           | 81%         | 19%     |    |
| 2006-07   | 14          | 7       | 0  |
|           | 67%         | 33%     |    |

The table below summarises the total number of audit recommendations by risk category emanating from completed audit reviews over the last seven financial years.

| Recommendations | High | Medium | Low   |
|-----------------|------|--------|-------|
| 2012-13         | 2    | 12     | 35    |
|                 | 4%   | 24.5%  | 71.5% |
| 2011-12         | 0    | 11     | 46    |
|                 |      | 19.3%  | 80.7% |
| 2010-11         | 0    | 6      | 46    |
|                 |      | 11.5%  | 88.5% |
| 2009-10         | 0    | 17     | 62    |
|                 |      | 21.5%  | 78.5% |

|                |    |     |     |
|----------------|----|-----|-----|
|                |    |     |     |
| <b>2008-09</b> | 0  | 14  | 39  |
|                |    | 26% | 74% |
|                |    |     |     |
| <b>2007-08</b> | 2  | 40  | 76  |
|                | 2% | 34% | 64% |
|                |    |     |     |
| <b>2006-07</b> | 1  | 50  | 81  |
|                | 1% | 38% | 61% |

The table highlights an overall slight decrease in the total number of recommendations (49 in comparison to 57 during 2011-12).

However, there is a slight increase in the number of medium and high risk recommendations (28.5% compared to 19.3% in 2011-12). This is predominantly due to the two audit reviews that provided limited assurance on the control environment.

Details relating to the first of these, the review of Fuel Stocks, is outlined above in section 3.3.

In addition, limited assurance was provided in the debtors review. The majority of the issues raised in this report were a direct consequence of bringing the debtor facility back in house from Rushcliffe Borough Council and have also been addressed.

The overall general trend is that of a sustained improvement in the control environment.

## **4: Conclusion**

- 4.1 Internal Audit can confirm that adequate resources have been made available to allow sufficient internal audit activity to be undertaken so as to provide reasonable assurance regarding the adequacy and effectiveness of Gedling Borough Council's risk management, governance and control processes.
- 4.2 Overall, internal audit activity identifies a sustained improvement in the control environment during 2012-13.

## Annual Review of the Effectiveness of the System of Internal Audit 2012-13

### Assessment Definitions

| Level |  | Requirement                              | Standard                             |
|-------|--|--|--------------------------------------|
| 1     |  | Not all green criteria achieved.         | Performing below minimum standards.  |
| 2     |  | All green criteria achieved.             | Performing at minimum standards.     |
| 3     |  | All green criteria plus 70% of the pink. | Performing at a good standard.       |
| 4     |  | All pink criteria plus 50% of the blue.  | Performing at an excellent standard. |

### Assessment Summary

#### CiPFA Standards

| Criteria | Total Number | Total Achieved | Percentage |
|----------|--------------|----------------|------------|
|          | 26           | 26             | 100%       |
|          | 24           | 24             | 100%       |
|          | 13           | 12             | 92.3%      |

Internal Audit is currently achieving Level 4 with respect to Standards.

#### CiPFA Effectiveness

| Criteria | Total Number | Total Achieved | Percentage |
|----------|--------------|----------------|------------|
|          | 2            | 2              | 100%       |
|          | 7            | 7              | 100%       |
|          | 4            | 2              | 50%        |

Internal Audit is currently achieving Level 4 with respect to Effectiveness.

# Overall Performance Assessment

## Standards

|   |   |   |                  |                             |
|---|---|---|------------------|-----------------------------|
| 4 | A | C | D<br>(GBC 07-08) | D<br>(GBC 08-09 -<br>12-13) |
| 3 | A | B | C<br>(GBC 06-07) | D                           |
| 2 | A | B | B                | C                           |
| 1 | A | A | A                | A                           |
|   | 1 | 2 | 3                | 4                           |

Effectiveness

A = Unacceptable – performing below minimum standards.

B = Satisfactory – performing at minimum standards.

C = Good – performing to a good standard.

D = Excellent – performing to an excellent standard.

## Risk & Assurance – Standard Definitions

### Audit Recommendations

Audit recommendations are categorised, depending upon the level of associated risk, as follows:

| Level | Category      | Definition   |
|-------|---------------|--|
| 1     | <b>High</b>   | Action is essential to manage exposure to fundamental risks.                         |
| 2     | <b>Medium</b> | Action is necessary to manage exposure to significant risks.                         |
| 3     | <b>Low</b>    | Action is desirable and should result in enhanced control or better value for money. |

### Assurance Statement

Each report will provide an opinion on the level of assurance that is provided with respect the risk emanating from the controls reviewed. The categories of assurance are as follows:

| Category           | Definition   |
|--------------------|--|
| <b>No</b>          | The majority of the significant risks relating to the area reviewed are not effectively managed.                       |
| <b>Limited</b>     | There are a number of significant risks relating to the area reviewed that are not effectively managed.                |
| <b>Substantial</b> | The risks relating to the objectives of the areas reviewed are reasonably managed and are not cause for major concern. |