

**REPORT TO:** Audit and Governance Committee

**MEETING DATE:** 12 June 2018

**BY:** Depute Chief Executive (Resources & People Services)

**SUBJECT:** External Quality Assessment – Internal Audit

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**1 PURPOSE**

- 1.1 To inform the Audit and Governance Committee of the findings from the recent external quality assessment of the Council's Internal Audit service.

**2 RECOMMENDATION**

- 2.1 That the Audit and Governance Committee note the contents of the report.

**3 BACKGROUND**

- 3.1 The Public Sector Internal Audit Standards (PSIAS) require the Council's Internal Audit Manager to develop a Quality Assurance and Improvement Programme (QAIP). The purpose of the QAIP is to enable the evaluation of Internal Audit's conformance to the PSIAS. The QAIP must include annual internal self-assessments and a five yearly external assessment, carried out by an independent assessor.
- 3.2 The Scottish Local Authorities Chief Internal Auditors' Group has developed an external quality assessment framework to satisfy the requirement for a five yearly external assessment. The attached report sets out the findings from the external quality assessment of East Lothian Council's Internal Audit service, which was recently undertaken by the Chief Internal Auditor of Argyll and Bute Council.

**4 POLICY IMPLICATIONS**

- 4.1 None

## **5 INTEGRATED IMPACT ASSESSMENT**

- 5.1 The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy.

## **6 RESOURCE IMPLICATIONS**

- 6.1 Financial - None  
6.2 Personnel - None  
6.3 Other - None

## **7 BACKGROUND PAPERS**

- 7.1 None

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<b>DATE</b>	31 May 2018

Argyll and Bute Council  
Internal Audit Report  
May 2018  
FINAL

East Lothian Council Internal Audit  
External Quality Assessment

Audit Opinion: **High**

	High	Medium	Low
Number of Findings	0	2	6

## Contents

<b>1. Executive Summary</b> .....	3
<b>Introduction</b> .....	3
<b>Scope and Methodology</b> .....	3
<b>Audit Opinion</b> .....	4
<b>Key Findings</b> .....	4
<b>2. PSIAS Standards Assessment</b> .....	4
<b>3. Detailed Findings</b> .....	5
<b>Appendix 1 – Action Plan</b> .....	13
<b>Appendix 2 – Audit Opinion</b> .....	16

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## 1. Executive Summary

### Introduction

1. East Lothian Council (the Council) has an internal audit function which provides an internal audit service to the Council, based on the Public Sector Internal Audit Standards (PSIAS) that became effective in April 2013. These Standards replaced the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom and compliance with them is mandatory for all public sector internal audit service providers, whether in-house, shared services or outsourced.
2. PSIAS require the Council's internal audit manager to develop a Quality Assurance and Improvement Programme (QAIP). The purpose of the QAIP is to enable evaluation of internal audit's conformance to the PSIAS. The QAIP must include annual internal self-assessments and a five yearly external assessment, carried out by an independent external assessor.
3. The Scottish Local Authorities Chief Internal Auditors' Group (SLACIAG) has developed an external quality assessment framework to satisfy this requirement for a five yearly external assessment.
4. This report sets out the findings arising from the external assessment undertaken by Argyll and Bute Council's chief internal auditor in April 2018.
5. The contents of this report have been agreed with the appropriate council officers to confirm factual accuracy and appreciation is due for the cooperation and assistance received from all officers over the course of the audit.

### Scope and Methodology

6. The scope of the review was to establish whether the Council's internal audit function is complying fully with PSIAS and identify any recommendations for improvement.
7. In order to reach an opinion on the compliance with PSIAS a range of activities were undertaken including:
  - an external assessment of internal audit's PSIAS self-assessment
  - issuing questionnaires to seven key stakeholders, returns for which were received from the:
    - i. Chief Executive
    - ii. Depute Chief Executive – Partnerships and Community Services and also the Council's Monitoring Officer
    - iii. Head of Council Resources and also the Council's Section 95 Officer
    - iv. Depute Convenor of the Audit and Governance Committee (A&GC)
  - discussions with the internal audit manager and the internal audit team
  - review of the internal audit charter, manual and other relevant governance documents

- review of internal audit planning records, reports, and other working papers/records.

### Audit Opinion

8. We provide an overall audit opinion for all the audits we conduct. This is based on our judgement on the level of assurance which we can take over the established internal controls, governance and management of risk as evidenced by our audit work. Full details of the five possible categories of audit opinion is provided in Appendix 2 to this report.
9. Our overall audit opinion for this audit is that we can provide a high level of assurance on internal audit's compliance with PSIAS. We found they fully conform to twelve standards and generally conform to the remaining one.

### Key Findings

10. We have highlighted no high priority recommendations, two medium priority recommendations and six low priority recommendations where we believe there is scope to strengthen PSIAS compliance. The two medium priority recommendations that consideration should be given to are summarised below:
  - increasing the level of engagement between internal audit and the Council's Corporate Management Team (CMT)
  - implementing a sliding scale of assurance categories when determining the overall audit opinion on the adequacy of arrangements in an area being audited.
11. Full details of the recommendations and management responses can be found in Section 3 of this report and in the action plan at Appendix 1.

## 2. PSIAS Standards Assessment

12. Exhibit 1 sets out the 13 PSIAS assessment standards and our assessment against each standard.

### Exhibit 1 – Summary Assessment of Control Objectives

	PSIAS Assessment Standard	Assessment
1	Definition of internal auditing	Fully Conforms
2	Code of ethics	Fully Conforms
3	Purpose, authority and responsibility	Fully Conforms
4	Independence and objectivity	Generally Conforms
5	Proficiency and due professional care	Fully Conforms
6	Quality assurance and improvement programme	Fully Conforms
7	Managing the internal audit activity	Fully Conforms
8	Nature of work	Fully Conforms
9	Engagement planning	Fully Conforms
10	Performing the engagement	Fully Conforms
11	Communicating results	Fully Conforms
12	Monitoring progress	Fully Conforms
13	Communicating the acceptance of risks	Fully Conforms

### 3. Detailed Findings

#### *Definition of internal auditing*

13. Internal audit fully conforms to the definition of internal auditing, as evidenced by the findings set out in subsequent sections of this report.

#### *Code of ethics*

14. Members of internal audit are supported by the Council and internal audit management to perform their work in a manner which demonstrates:

- honesty, diligence and responsibility
- objectivity
- respect for the confidentiality of the data and information they acquire
- the application of appropriate knowledge, skills and experience
- a regard for Nolan's seven principles of public life.

15. All members of internal audit have signed a code of ethics declaration in which they are confirming they are fully conversant with their ethical responsibilities. This is considered an example of good practice.

#### *Purpose, authority and responsibility*

16. This standard is designed to ensure clarity of the role and scope of internal audit and to provide a firm foundation for its powers and rights of access. It is a requirement of the PSIAS that there is a formal Internal Audit Charter (the charter) in place that clearly sets out the purpose, authority and responsibility of the internal audit function, and that this is reviewed annually and presented to the A&GC for approval.

17. There is a well written and comprehensive charter that fully complies with the requirements of PSIAS. In particular the charter clearly defines:

- the purpose, authority and responsibility of internal audit
- the definition of "board" and "senior management" in relation to internal audit
- internal audit's position within the Council and its organisational independence
- the internal audit manager's reporting relationship with the A&GC
- the scope of internal audit's remit
- internal audit's rights of access to records, assets, personnel etc
- the arrangements for resourcing the internal audit function
- internal audit's responsibility for fraud and corruption.

18. There were two minor areas where it was considered the charter could be further improved. These are that PSIAS requires the:

- Nature of assurance services provided to the Council to be formally defined in the charter and, if applicable, the nature of any assurances provided to external parties to

be documented. The charter does not define the nature of assurance services or make reference to third party assurances.

- Mandatory nature of PSIAS to be recognised in the charter. Paragraph 1.1 of the charter confirms that internal audit activity is governed by PSIAS however that language could be strengthened to specifically reference its mandatory nature.

#### **Action Plan 1**

19. The charter was last approved by the A&GC in January 2017 and is currently being reviewed with an intention to present it to the AG&C for approval in June 2018. After it was approved by the A&GC in January 2017 there was a delay in excess of one year before it was presented to the CMT in March 2018. PSIAS requires the charter to be approved by both the A&GC and the CMT.

#### **Action Plan 2**

20. These are only considered to be minor issues and hence it has been concluded that internal audit fully conforms to the standard on purpose, authority, and responsibility.

#### *Independence and objectivity*

21. This standard sets out the organisational and reporting lines required to promote and preserve the organisational independence of internal audit. It also sets out the arrangements expected to achieve individual objectivity and for dealing with potential and actual conflicts of interest.
22. The internal audit manager attends all meetings of the A&GC and is actively involved in agenda items and presenting papers. However internal audit reports presented to the A&GC are in the name of the Depute Chief Executive - Resources & People Services. To clearly demonstrate organisational independence it is recommended that internal audit reports, and other internal audit related papers, are in the name of the internal audit manager.

#### **Action Plan 3**

23. The four responses to the stakeholder questionnaires all confirmed that the internal audit manager has unrestricted access to the Chief Executive and Chair of the A&GC as is appropriate.
24. Responses to the questionnaire mainly confirmed that the priorities and objectives of audit engagements were discussed with senior management and stakeholders. However it was suggested there may be benefit in establishing better links between internal audit and the CMT to make them more of a strategic partner within the Council and provide for increased engagement to help ensure audit activity is focused on those areas most likely to add value to the Council. Whilst the internal audit manager has monthly meetings with the Depute Chief Executive – Resources and People Services, wider engagement with the CMT tends to be on an 'as required' basis. Consideration should be given to whether there would be benefit in the internal audit manager attending CMT meetings more regularly.

#### **Action Plan 4**

25. Internal audit has no responsibility for operational activities and it is clear the internal audit manager is provided with appropriate opportunity to discuss the audit plan, reports and findings with the A&GC.



26. The internal audit manager's annual performance review includes input from the Depute Chief Executive – Resources and People Services in their role as the internal audit manager's line manager. PSIAS suggests that best practice would be for there to also be input from the Chief Executive and the Chair of the A&GC thus providing a degree of independence between the internal audit manager's performance assessment and an officer who may be subject to audit.

#### **Action Plan 5**

27. It is clear that internal audit operates independently of management and that the audit team are actively supported to act objectively. This could, however, be enhanced by the improvements suggested at paragraphs 22, 24 and 26. Therefore it has been concluded that internal audit generally conforms to the standard on independence and objectivity.

#### *Proficiency and due professional care*

28. This standard seeks to ensure that internal audit possesses the knowledge, skills, and competencies to carry out their role with due professional care.
29. The internal audit manager holds a relevant qualification, has 20 years post qualification experience and has been in post for 15 years. In total, four of the five internal audit team members have relevant professional qualifications. This is a high ratio for an internal audit team.
30. Job descriptions exist which set out the post requirements for team members. The senior auditor job description has post requirements and a person specification whereas the senior audit assistant job description only details post requirements. These, and other audit job descriptions may benefit from a review to ensure they are consistent and remain relevant to the posts. However, as there is very low turnover in the team with the current team all being in post for approximately 13 years, this is not considered a significant concern.
31. The stakeholder questionnaires confirm that the internal audit manager demonstrates the appropriate level of knowledge and experience to perform the role and that internal audit collectively possess the competencies required to meet audit objectives and comply with PSIAS.
32. Internal audit have adopted CIPFA's '*The Excellent Internal Auditor*' guidance to frame the skills and competencies required for each level of auditor within the team. The team assess their competency against this framework and identify areas for development. This is used instead of the Council's PRD template for all team members with the exception of the internal audit manager who uses the Council's template. Training logs are maintained for all audit team members which detail the course attended and/or delivered.
33. The team have a structured methodology in place which supports the exercise of due professional care when planning audit assignments. This includes having an audit manual which includes appropriate sections on understanding the business, setting audit objectives, identifying audit risks, scoping and planning.
34. It has been concluded that internal audit fully conforms to the standard on proficiency and due professional care.

*Quality assurance and improvement programme (QAIP)*

35. This standard sets out the requirements for the internal and external assessment of performance and compliance with PSIAS.
36. The internal audit manager actively and openly participated in this external quality assessment and has confirmed that this report, as the outcome to the assessment, will be reported to the June 2018 A&GC.
37. The Council have key performance indicators for internal audit which are monitored on a quarterly basis and reported annually in the annual internal audit report. Client survey questionnaires are issued at the end of each audit assignment to assess management's opinion on the manner in which the assignment was conducted.
38. Internal audit have a QAIP which is subject to annual review. This is designed to provide assurance to stakeholders that internal audit performs its work in accordance with PSIAS, is operating effectively and is perceived as adding value and focused on improvement. The QAIP is very comprehensive and could be considered as good practice.
39. It has been concluded that internal audit fully conforms to the standard on QAIP.

*Managing the internal audit activity*

40. This standard sets out the requirements for the preparation, delivery, and reporting of the internal audit plan.
41. Internal audit has a documented process setting out how they gain an understanding of the corporate objectives and associated risks and define the 'audit universe.' They also have a planning document which aligns audit reviews, and the scope of those reviews, with identified risks which are assessed using an established criteria for impact and likelihood. The internal audit manual, last reviewed in December 2017, provides guidance to the team on the audit process at an assignment level however it may benefit from a review to better align it to the PSIAS requirements. This would provide further assurance to the A&GC that the audit process adopted by internal audit complies with the requirements of PSIAS.

**Action Plan 6**

42. The internal audit manager consults with the CMT as part of the process to prepare the annual audit plan and takes cognisance of areas they feel may benefit from audit coverage. There is also evidence of engagement with external audit regarding the content of the internal audit plan and consideration of the outputs from other scrutiny bodies such as the Scottish Housing Regulator, Education Scotland and the Care Inspectorate.
43. The Council have a high level assurance checklist which is used to confirm the existence of key governance documents, appropriate arrangements for reporting and scrutiny and assessing the control environment. This is completed on an annual basis.

44. The 2017/18 annual audit plan was approved by the A&GC on 14 March 2017 with progress reports routinely considered by the A&GC as a standard agenda item. The progress reports detail all the reviews in the annual audit plan and whether they are complete or in progress. The progress reports provide the target dates for completion to enable the A&GC to assess if the audit team is on track, or otherwise, to deliver the plan.
45. The internal audit manager confirmed that, whilst she takes cognisance of the views of the CMT when creating the plan, the plan itself is prepared on an independent and objective basis and it is therefore not submitted to CMT for approval. Whilst this is not consistent with the requirements of PSIAS it is considered a reasonable position to adopt. However taking the plan to the CMT for endorsement as part of the wider engagement between internal audit and the CMT (as per paragraph 24 and action plan 4) should be considered.
46. A review of the 2017/18 internal audit plan confirmed it incorporates the key information that would be expected to be detailed in it including:
- how internal audit will be delivered
  - references to council plans and objectives when creating the plan
  - audit assignments to be carried out with an identified risk profile for each
  - estimated resources required to perform audit assignments
  - degree of built in contingency
  - recognition of the need for the plan to be flexible to reflect changing risks and priorities.
47. Whilst the audit team's resource allocation spreadsheet builds in time for the overall management of the department (i.e. planning, development of the annual report, attendance at committees etc.) this is not reflected in the audit plan.

#### **Action Plan 7**

48. The internal audit manager is responsible for securing the resources required to deliver the annual audit plan. This review confirmed that the governance structures and documentation that shape the operation of the team are clear and that the team is well established. Audits are assigned to the team based on competencies, skills and experience and the department's resource allocation spreadsheet confirms that, for each assignment, there is an allocated team member with time built in for management review.
49. It is clear that internal audit is actively managed and the process for delivering and reporting the plan is sound. This could be further enhanced by the improvements suggested at paragraphs 41 and 47 however these are considered minor improvements and, on that basis it has been concluded that internal audit fully conforms to the standard on managing the internal audit activity.

#### *Nature of work*

50. This standard relates to the adequacy and effectiveness of the arrangements necessary for internal audit to contribute to the improvement of risk management, governance, and control processes.

51. Internal audit is a key element of the Council's governance structures, and the 2016/17 Annual Governance Statement (which forms part of the Council's annual accounts) specifically refers to the role of internal audit.
52. As mentioned previously the approach to audit planning has an appropriate focus on key risks. IT risks are also considered and one of the audit team is a member, and Chair, of the SLACIAG computer audit sub group.
53. All four stakeholder questionnaires returned confirmed that, overall, internal audit adds value to the organisation leading to improved organisational processes and operations.
54. It is clear internal audit forms a key element of the Council's governance structures, and plays a valued role in further improving those structures. On that basis it has been concluded that they fully conform to the standard on nature of work.

#### *Engagement planning*

55. This standard relates to the requirements necessary to develop and plan individual audit assignments including setting the objectives, scope, timing and resource allocation.
56. To assess compliance with this standard working papers were reviewed for the 2017/18 audits of:
- arm's length external organisations
  - non-residential charging
  - training.
57. For each audit there was a terms of reference setting out the background, objective, scope, resources, timescales and reporting arrangements. Furthermore there was an engagement planning document providing further information on:
- areas for the audit to consider
  - services delivered by the area being audited
  - financial information
  - performance
  - governance
  - controls
  - risk management.
58. For each of the three audits sampled there were audit programmes in place which set out the expected controls and the compliance testing to be performed. The controls in the programmes could be easily linked to the scope detailed in the terms of reference.
59. It has been concluded that internal audit fully conforms to the standard on engagement planning.

#### *Performing the engagement*

60. This standard covers arrangements for gathering, documenting, analysing, and evaluating audit evidence, and for the supervision of staff undertaking audit assignments.
61. To assess compliance with this standard the fieldwork for the three audits detailed at para 56 was reviewed. For all three audits there was clear evidence that:
- files were comprehensive, well documented and cross referenced
  - fieldwork was clearly aligned to the audit programme
  - audit judgement was documented
  - audit findings were clear and reflected in the final report
  - fieldwork had been subject to appropriate management review.
62. There is an established internal audit records management policy which provides general advice about the management, control and disposal of internal audit information. It also makes clear the approval required before audit records can be released to external parties. This is considered an example of good practice.
63. It has been concluded that internal audit fully conforms to the standard on performing the engagement.

#### *Communicating results*

64. This standard relates to the communication of results from individual assignments and the internal audit manager's overall annual opinion.
65. To assess compliance with this standard the fieldwork for the three audits detailed at para 56 were reviewed. This confirmed that findings are clearly reported with the reports setting out the audit objective, scope, conclusions, risk assessed and recommendations with an associated action plan and management responses.
66. While reports do include a 'Conclusions' section, consideration should be given to implementing a sliding scale of assurance categories to provide an overall opinion on the adequacy of arrangements for risk management, governance, and control in the area subject to audit.

#### **Action Plan 8**

67. The internal audit manager is also responsible for reporting on findings and conclusions to the A&GC. On an annual basis she presents the 'Annual Internal Audit Report' to the A&GC which summarises the work undertaken by the team over the course of the year. She also presents the annual 'Controls Assurance Statement' in which she documents her overall opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control.
68. Assignment and annual reporting processes are well defined. It is clear how findings flow through from working papers into assignment reports and subsequently into reports to A&GC. Whilst a recommendation has been raised at paragraph 66 it is not considered a major weakness and it has been concluded that internal audit fully conforms to the standard on communicating results.

*Monitoring progress and communicating the acceptance of risk*

69. These standards relate to arrangements for monitoring the implementation of agreed recommendations or the acceptance of the risk of not implementing, and for the escalation of unacceptable risk to the A&GC.
70. The annual audit plan clearly allocates time for audit follow up to be carried out to ensure that recommendations from completed audits have been implemented. Internal audit follow up on agreed action plans to ensure actions are properly implemented. Prior to a meeting of the A&GC services are expected to update the internal audit database with an update on progress against all action plan points with an imminent due date. The reminder to services is an e-mail which is automatically triggered by the database. Services are expected to update the status of their action and attach evidence where they consider the action to be complete. Internal audit then confirm if the provided evidence is sufficient. Asking services to update the database, rather than internal audit doing it, places greater ownership for the issue with the service. This is considered an example of good practice.
71. Follow up reports are submitted to the A&GC however consideration should be given to reporting overdue matters to the CMT. This has been incorporated into the action plan point about wider engagement with the CMT highlighted at paragraph 24.
72. Should there be any need to escalate unacceptable risk it is clear that, as per paragraph 23, the internal audit manager has unrestricted access to the Chief Executive and the Chair of the A&GC.
73. In summary, the reporting of follow up actions is well defined, embedded, and transparent, and the internal audit manager is clearly able to escalate unacceptable risk. On that basis, it has been concluded that internal audit fully conforms to both the monitoring progress standard and the communicating the acceptance of risk standard.

## Appendix 1 – Action Plan

	No.	Recommendation	Agreed Action	Responsibility / Due Date
Low	1	<p><b>Internal Audit Charter Update</b></p> <p>The charter could be further improved by:</p> <ul style="list-style-type: none"> <li>• defining the nature of assurance services provided by internal audit</li> <li>• defining the nature of any assurances provided to external parties (if applicable)</li> <li>• strengthening the language to specifically recognise the mandatory nature of PSIAS.</li> </ul>	Agreed – Internal Audit Charter to be updated	Internal Audit Manager June 2018
Low	2	<p><b>Internal Audit Charter Approval</b></p> <p>After the charter was approved by the A&amp;GC in January 2017, 14 months elapsed before it was approved by the CMT. The Charter is currently being reviewed, once this is complete it should be subject to timely approval by both the A&amp;GC and CMT in compliance with PSIAS.</p>	Agreed	Internal Audit Manager June 2018
Low	3	<p><b>Internal Audit Reports to A&amp;GC</b></p> <p>The organisational independence of internal audit could be further strengthened and evidence by all internal audit reports and papers being presented to the A&amp;GC in the name of the internal audit manager rather than the Depute Chief Executive (Resources &amp; People Services).</p>	Noted and will be considered by CMT	Chief Executive June 2018
Medium	4	<p><b>Internal Audit and CMT Engagement</b></p> <p>Engagement between the internal audit manager and CMT tends to be ad hoc. More regular engagement would help ensure internal audit is more of a strategic partner within the Council and help ensure the internal audit manager is well cited on areas of concern or development for the Council.</p>	Noted and will be considered by CMT	Chief Executive June 2018

		<p>This, in turn, will help ensure that internal audit activity is focused on those areas most likely to add value to the Council.</p> <p>Furthermore it is recommended that the internal audit manager presents the annual internal audit plan to the CMT for endorsement and considers the benefit of reporting overdue audit action points to the CMT on a periodic basis.</p>	Agreed	Internal Audit Manager September 2018
Low	5	<p><b>Internal Audit Manager's Performance Review</b></p> <p>Consideration should be given to incorporating feedback from the Chief Executive and the Chair of the A&amp;GC in the internal audit manager's annual performance review.</p>	Agreed	Internal Audit Manager March 2019
Low	6	<p><b>Internal Audit Manual</b></p> <p>For the December 2018 review of the internal audit manual consideration should be given to better aligning it to the requirements of the PSIAS.</p>	Agreed	Internal Audit Manager December 2018
Low	7	<p><b>Allocation of Resource in Annual Audit Plan</b></p> <p>The time required for the overall management of internal audit (i.e. planning, development of the annual audit report, committee attendance etc.) should be reflected in the annual audit plan.</p>	Agreed	Internal Audit Manager March 2019
Medium	8	<p><b>Audit Opinion in Reports</b></p> <p>Consideration should be given to implementing a sliding scale of assurance categories when determining the overall audit opinion on the adequacy of arrangements for risk management, governance and controls in an area being audited. This overall opinion should be clearly stated in the final audit report.</p>	Agreed – consideration will be given	Internal Audit Manager September 2018



In order to assist management in using our reports a system of grading audit findings has been adopted to allow the significance of findings to be ascertained. The definitions of each classification are as follows:

Grading	Definition
High	A major observation on high level controls and other important internal controls or a significant matter relating to the critical success of the objectives of the system. The weakness may therefore give rise to loss or error.
Medium	Observations on less significant internal controls and/or improvements to the efficiency and effectiveness of controls which will assist in meeting the objectives of the system. The weakness is not necessarily substantial however the risk of error would be significantly reduced if corrective action was taken.
Low	Minor recommendations to improve the efficiency and effectiveness of controls or an isolated issue subsequently corrected. The weakness does not appear to significantly affect the ability of the system to meet its objectives.

## Appendix 2 – Audit Opinion

Level of Assurance	Definition
<b>High</b>	Internal control, governance and the management of risk are at a high standard. Only marginal elements of residual risk have been identified with these either being accepted or dealt with. A sound system of control designed to achieve the system objectives is in place and being applied consistently.
<b>Substantial</b>	Internal control, governance and the management of risk is sound. However, there are minor areas of weakness which put some system objectives at risk and specific elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale.
<b>Reasonable</b>	Internal control, governance and the management of risk are broadly reliable. However, whilst not displaying a general trend, there are a number of areas of concern which have been identified where elements of residual risk or weakness may put some of the system objectives at risk.
<b>Limited</b>	Internal control, governance and the management of risk are displaying a general trend of unacceptable residual risk above an acceptable level and placing system objectives are at risk. Weakness must be addressed with a reasonable timescale with management allocating appropriate resources to the issues raised.
<b>No Assurance</b>	Internal control, governance and the management of risk is poor. Significant residual risk and/or significant non-compliance with basic controls exists leaving the system open to error, loss or abuse. Residual risk must be addressed immediately with management allocating appropriate resources to the issues.