

**Committee:** Cabinet

**Date:** Thursday, 8  
May 2025

**Title:** Internal Audit Annual Report and Opinion  
2024-25

**Report Author:** Philip Honeybone, Internal Audit Manager

**Key Decision:**  
No

**Portfolio Holder:** Councillor Petrina Lees, Leader of the Council

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### Summary

1. This report summarises the work that Internal Audit has undertaken during the 2024/25 financial year and provides details of the high risk and priority issues which could impact on the effectiveness of the risk management and governance processes across the Council.

### Recommendations

2. Cabinet is requested to note the contents of this report.

### Financial Implications

3. None

### Background Papers

4. The following papers were referred to by the author in the preparation of this report and are available for inspection from the author of the report.
  - [Internal Audit Strategy and Plan 2024/25](#)
  - [Internal Audit Update \(September 2024\)](#)
  - [Internal Audit Update \(February 2025\)](#)

### Impact

Communication/Consultation	This report was presented to CMT on 16 April 2025
Community Safety	None
Equalities	None
Health and Safety	None
Human Rights/Legal Implications	None

Sustainability	None
Ward-specific impacts	None
Workforce/Workplace	None

## Situation

5. The Council has a duty to maintain an effective Internal Audit service that is compliant with the Global Internal Audit Standards so that the Audit Manager can provide an annual report and opinion on the adequacy and effectiveness of the organisation's corporate governance, risk management and internal control. This can be used by the organisation to inform its annual governance statement.
6. This report summarises the work that Internal Audit has undertaken during the 2024/25 financial year. It provides details on the high priority issues which could impact on the effectiveness of the internal control environment, risk management and governance arrangements across the Council. As such, it informs the Council's annual governance statement.

## Risk Analysis

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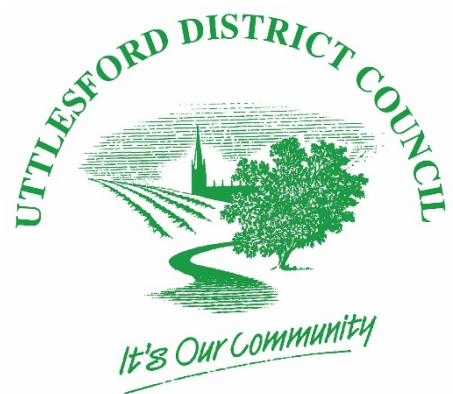
Risk	Likelihood	Impact	Mitigating actions
Inadequate audit coverage may lead to failure to provide an annual opinion of the Council's governance, risk and control arrangements; reputational damage and failure to comply with PSIAS	2	2	Monitoring of plan delivery and reporting to CMT and Audit and Standards Committee, contingency built into plan for additional days if required; Quality Assurance and Improvement Programme including an External Quality Assessment of the Internal Audit Service.

1 = Little or no risk or impact

2 = Some risk or impact – action may be necessary.

3 = Significant risk or impact – action required

4 = Near certainty of risk occurring, catastrophic effect or failure of project.



## **INTERNAL AUDIT**

## **ANNUAL REPORT AND OPINION**

**2024-2025**

## 1. Introduction

### 1.1. Purpose of this report

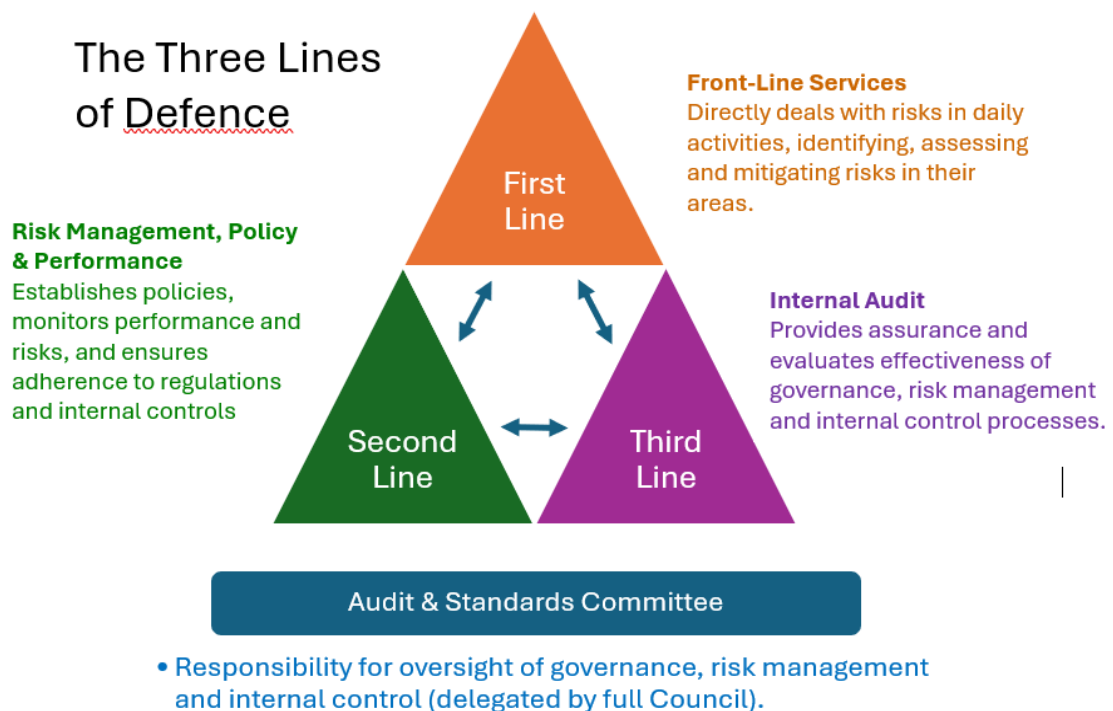
1.1.1. The purpose of the report is to provide an independent opinion on the adequacy and effectiveness of Council's framework of governance, risk management and internal control based on the work carried out by internal audit for the financial year ending 31 March 2025. This report and opinion informs the Annual Governance Statement but it remains only one element of the wider assurance process.

### 1.2. The Role of Internal Audit

1.2.1. Internal auditing strengthens the Council's organization's ability to create, protect, and sustain value by providing the board and management with independent, risk-based, and objective assurance, advice, insight, and foresight. Internal auditing enhances the organization's:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

1.2.2. UDC's Internal Audit uses the "Three Lines of Defence"<sup>1</sup> in its assurance provision:



<sup>1</sup> [Three Lines Position Paper - IIA Sept. 2024 Update](#)

1.2.3. UDC's Internal Audit service are guided by professional standards. The applicable standards for 2024/25 were the Public Sector Internal Audit Standards<sup>2</sup> (PSIAS). These are replaced by the Global Internal Audit Standards<sup>3</sup> (GIAS), and UK application note which came into from 1 April 2025.

1.2.4. The Internal Audit Charter operating in 2024/25 was presented to Audit and Standards Committee in March 2024. An updated Internal Audit Charter (compliant with GIAS) was presented to Audit and Standards Committee in March 2025. It will continue to be updated and appended to the annual Internal Audit Plan each year.

### 1.3. Overview of the Internal Audit Approach

1.3.1. The PSIAS and GIAS require that the Audit Manager provides an annual audit opinion and a report that can be used by the organisation to inform its governance statement in respect of the overall adequacy and effectiveness of the organisation's framework of governance, risk management and internal control.

1.3.2. This is achieved through a risk-based plan of work, agreed with management and approved by the Audit and Standards Committee. Each year, we seek to adapt and enhance our audit approach in order to take in to account the Council's risk profile and changes in the system of internal control. This ensures that our work remains focused on the areas of high risk and seeks to avoid duplication of effort, where there are other sources of assurance in operation, for example, External Audit. This should provide a reasonable level of assurance, subject to the inherent limitations set out in Appendix G. The opinion does not imply that Internal Audit has reviewed all risks relating to the organisation.

1.3.3. Internal audit work was performed in accordance with the Council's Internal Audit methodology. The External Quality Assessment (EQA) of the service by Havering Council confirms the service generally conformed to the PSIAS. The Audit Manager's Internal Quality Assessment (IQA) against GIAS identified additional measures the service needs to take to be fully compliant with the new standards. The action plan arising from this assessment is found in section 6.3 below.

1.3.4. Internal Audit remains free from all conditions that threaten the ability of the Council's Internal Auditors to carry out their responsibilities in an unbiased manner, including matter of audit selection, scope, procedures, frequency, timing and report content. If the Audit Manager determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties. This has not arisen for 2024/25. The Council's Internal Auditors also maintain

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<sup>2</sup> [PSAIS\\_1\\_April\\_2017.pdf](#)

<sup>3</sup> [globalinternalauditstandards\\_2024january9\\_editable.pdf](#)

an unbiased mental attitude that allows them to perform engagements objectively. Internal Auditors have had no direct operational responsibility or authority over any of the activities audited.

1.3.5. The audit plan for 2024/25 was approved by the Audit and Standards Committee in March 2024. Minor revisions were approved by Audit and Standards Committee in September 2024 and February 2025. The Internal Audit Team was made up of the following resources during 2023/24:

- 1 FTE Audit Manager
- 1.6 FTE Auditor

## 2. Internal Audit Opinion

2.1. Internal Audit is satisfied that sufficient internal audit work has been undertaken to allow an opinion to be given as to the adequacy and effectiveness of governance, risk management and internal control. In giving this opinion, it should be noted that assurance can never be absolute. The most that the internal audit service can provide to the organisation is reasonable assurance there are not major weaknesses in the Council's corporate governance, risk management and internal control processes.

2.2. In assessing the level of assurance to be given, the following has been considered:

- Written reports on all internal audit work completed during the year
- Any follow up action taken in respect of recommendations from previous periods
- The effects of any significant changes in the Council's systems or objectives
- Any limitations which may have been placed on the scope of internal audit
- The extent to which resource constraints may impact on the Audit Manager's ability to meet the full needs of the organisation.
- The results of work performed by other assurance providers, such as External Audit.

<p><b>OVERALL OPINION</b></p>	<p><b>Limited Assurance</b></p> <p>Internal Audit has seen significant improvements in the control environment in 2024/25 but not enough progress to move from Limited to moderate. If progress continues on the same trajectory, we expect a moderate opinion next year.</p> <p>The Internal Audit opinion is based on the audits and follow-up work completed since the last annual report and opinion to Audit and Standards Committee in June 2024.</p> <p>Just over half the internal audit reports issued in 2024/25 were given “substantial” or “moderate” opinions, with the remainder being “limited”. Internal audit recommendation tracking shows that most of the historic issues have been cleared (80 recommendations were closed in 2024/25).</p> <p>Key issues resolved in the year include bringing sign off the Council’s accounts up to date, updating the risk management policy and corporate risk register, and improvements to procurement and contract management processes.</p> <p>Audits of the core financial systems indicate sound control in these areas. The IT governance and contract audits, supplemented with PSN certification provide positive assurance in this area.</p> <p>There are, however, important issues that the Council needs to address in 2025/26:</p> <ul style="list-style-type: none"> <li>• Ensuring appropriate oversight arrangements for partnership working.</li> <li>• Senior management need to take a lead to ensure coherent Business Continuity arrangements across the organisation.</li> <li>• A few audits show that whilst procurement and contract management processes have been refreshed, there remain issues in some parts of the Authority.</li> <li>• The Biodiversity Net Gain audit acts as a reminder ensure to follow through when implementing new initiatives.</li> </ul> <p>Internal Audit considers that corporate governance, risk management and internal control processes have improved in 2024/25, but they have not improved sufficiently to raise the overall opinion from “limited” to “moderate”. The evidence-base to support the opinion can be found in sections 3-5 below.</p>
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### 3. Audit Reviews

3.1. There have been fifteen internal audit reports finalised for 2024/25. Two received an audit opinion of “substantial”, seven were “moderate” and the other six were limited “limited”. The table below shows the current status of all audits on the 2024/25 audit plan together with the dates the executive summary or full report was reported to the Audit and Standards Committee.

Audit Title	Current Status	Audit Opinion	Audit & Standards Committee
2023/24 Plan			
IT Governance (formerly Cyber Security)	Complete	Moderate	Sept 24
Corporate Property & Asset Management	Complete	Moderate	Sept 24
Temporary Accommodation	Complete	Limited	Feb 25
Housing Rents	Complete	Moderate	Sept 24
Accounts Payable	Complete	Substantial	Sept 24
Key Health and Safety Landlord Duties	Complete	Limited	Sept 24
2024/25 Plan			
Corporate Governance (2023/24)	Complete	Limited	Sept 24
Consultants and Agency Staff	Deferred to 2025/26		
Capital Expenditure	Transferred to reserve plan		
Income Receipting and Allocation (Cash and Banking)	Complete	Moderate	May 25
Payroll – Overtime and Expenses	Complete	Substantial	May 25
Grant Funding	Deferred to 2025/26		
Recruitment Vetting	Deferred to 2025/26		
IT Inventory	Transferred to reserve plan		
Idox Contract	Complete	Moderate	Feb 25
Northgate Contract	Complete	Moderate	Feb 25
CCTV	Complete	Limited	Feb 25
Blueprint Uttlesford Cross Cutting Workstreams	Cancelled due to Local Government Review		
Biodiversity Net Gain	Complete	Limited	May 25
Business Continuity	Complete	Limited	May 25
Health and Safety	Fieldwork		



Audit Title	Current Status	Audit Opinion	Audit & Standards Committee
Development Management	Complete	Moderate	Feb 25
Tenant Satisfaction Measures	Fieldwork		
Corporate Governance 2024/25	Draft Report		

3.2. Appendix A contains Executive Summaries for the Income Receipting and Allocation, Payroll Overtime and Expenses and Development Management audits. Appendix B shows the full audit reports for the Biodiversity Net Gain and Business Continuity audits.

3.3. The Internal Audit opinion considers the number of limited assurance reports / high priority findings and their overall impact on the control environment.

#### 3.3.1. Corporate Governance (2023/24)

This is a key piece of assurance work that identified a critical priority recommendation relating to sign-off of the accounts and high priority recommendations relating to risk management (see section 5 below) and oversight of partnership arrangements. Of the critical and high priority recommendations, all but the partnership issue was resolved in 2024/25 financial year (see section 4 below).

#### 3.3.2. Temporary Accommodation

This audit provided assurance over the provision of temporary accommodation for those in need. Four high priority recommendations were made to ensure value for money. Two of these have been implemented and two remain outstanding (see section 4 below).

#### 3.3.3. Key Health and Safety Landlord Duties

This audit sought to provide assurance that the health and safety inspections required for our housing stock were up to date prior to the ending of the arrangements with Uttlesford Norse. The audit showed that considerable progress had been made since previous work (first reported to the Governance, Audit and Performance Committee in August 2022). Three high priority recommendations were raised relating to roles and responsibilities, inspections and oversight. One has been implemented and two are not yet due.

#### 3.3.4. CCTV

This audit sought to provide assurance that recommendations made in a consultants' review of the Council's CCTV in February 2023 had been implemented. The audit noted that implementation had been delayed as the former Communities Manager left the Council shortly after and her replacement did not start until June 2024. As a result, the audit raised five high priority recommendations. Two of these have been implemented and three remain overdue (see section 4 below).

### 3.3.5. Business Continuity

This audit sought to provide assurance over the Council's Business Continuity arrangements. The audit found inconsistencies in engagement across UDC and made five high priority recommendations to address the issues. This audit has been reported in full in this report (see Appendix B)

### 3.3.6. Biodiversity Net Gain

The Environment Act (2021) made provision for Biodiversity Net Gain a mandatory requirement in relation to planning permission in England. The audit provided assurance over the initial implementation of the new regulations which came into force in 2024. This audit has been reported in full in this report (see Appendix B)

### 3.3.7. Climate Change

The Council has identified climate change as a strategic risk and has a commitment to net zero by 2030. Although there was no specific audit in this year's plan to address the issue, audits on two of the Council's key software contracts included scope 3 emissions (those generated within the supply chain). Although the audits given moderate overall assurance ratings, it was established that the Council has yet to determine its approach to these emissions. A high priority recommendation has been made.

3.4. High priority issues that remain overdue at the start of the 2025/26 financial year are discussed in more detail in the next section (follow-up work).

## 4. Follow-up Work

- 4.1. In 2024/25, Internal Audit introduced a new system for following up on audit recommendations. Recommendations are followed up (and reported on) as they become due, rather than following up on all recommendations from an audit at once.
- 4.2. On 1 April 2024, there were 59 recommendations (including 10 high priority), 44 of which were overdue (including 7 high priority). At the start of the year there were a significant number of historic recommendations that had not been addressed. 80 recommendations have been closed in-year, including almost all of those that are long-standing. At the end of the year most of these have been cleared and only 4 medium priority recommendations over a year old remain. The table in Appendix C shows the status of all recommendations tracked from 1 April 2024 to 31 March 2025 broken down by audit<sup>4</sup>.
- 4.3. On 1 April 2025, there were 50 recommendations (including 20 high priority) but only 26 recommendations were overdue (including 8 high priority). Whilst the overall total is similar to the equivalent figures from the start of the year, this is due to increased internal audit activity rather than delays in implementation.
- 4.4. High priority recommendations that were overdue at the end of the financial year are summarised on the next page:

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<sup>4</sup> The final reports for the Payroll Overtime and Expenses audit was issued in the 2025/26 financial year, so these recommendations do not appear in this table.

- 4.4.1. Housing Rents – Debt Recovery. Housing debt has been escalated to the Corporate Risk Register. The Housing team has been restructured, and a new Housing Income Officer is in post. Staff are being recruited to clear the backlog. The potential use of tracing agents is being investigated.
- 4.4.2. Temporary Accommodation – Two high priority recommendations relating to procurement remain outstanding. One relates to ensuring that Bed & Breakfast providers are committed to appropriate Health and Safety standards. Providers appear willing, but there is difficulty in ensuring that they understand the requirements fully. The second relates to the contract for weekly provision. The team is bringing in additional resource in the first quarter of 2025/26 in order to reduce demand. They have plans to go to tender in the third quarter of 2025/26 once they know the residual demand.
- 4.4.3. Corporate Governance – Local Strategic Partnership / Responsible Authorities Group. The Council met with its strategic partners in February 2025. More work is required before the terms of reference for the group can be finalised.
- 4.4.4. Three recommendations relate to CCTV – The CCTV policy has been reviewed and a maintenance budget agreed in principle. Audit understands procurement for a contractor is in progress. Once contract commences, the deployment strategy, code of practice and standard operating procedures can be finalised. The maintenance budget is planned to cover CCTV in waste vehicles.
- 4.4.5. The final overdue high priority recommendation relates to the services (Housing and Revenues & Benefits) formally recognising their ownership for the Northgate contract rather than defaulting to an ICT lead.

## 5. Other Sources of Assurance

### 5.1. Risk Management Framework

- 5.1.1. The Council reviewed its approach to risk in 2024/25. A new risk management policy was approved by Cabinet in October 2024. As part of this process the Corporate Risk Register was reviewed and updated. A lower-level risk register is also maintained that captures risks at service level. These are reviewed and, where necessary, escalated to the Corporate Risk Register.
- 5.1.2. Audit and Standards Committee received a copy of the Corporate Risk Register in November 2024. The Corporate Risk Register has been reviewed and presented to CMT in April 2025. Audit and Standards Committee and Cabinet will receive an update in May 2025.

### 5.2. Internal Audit View on the Risk of Fraud

- 5.2.1. The 2022-24 Counter Fraud Strategy encompasses key principles such as acknowledging the responsibility for countering fraud and corruption, identification of fraud and corruption risks, provision of resources to implement the strategy and the action to be taken in response to fraud and corruption. This was approved by the Governance, Audit and

Performance Committee (GAP) in March 2022. A review in 2024/25 confirmed the underlying principles are still sound.

5.2.2. Supplementing the Strategy is an action plan which sets out how Counter Fraud Strategy will be delivered. This was reviewed and an updated action plan was presented to Audit and Standards Committee in November 2024. The Council's Counter Fraud Working Group (CFWG) provides operational oversight of the Council's counter-fraud activities across all areas of the Council, including those specifically recognised as high-risk areas i.e., Revenues, Benefits, Internal Audit, HR, Cyber Security/Information Governance, Democratic Services, Finance, Procurement, Housing, Insurance and Risk. This group met quarterly in 2024/25.

### 5.3. External Audit

5.3.1. In February 2025, the External Auditor provided a disclaimer opinion for the 2023/24 accounts. This is consistent with other councils who had a backlog of audits from previous years. He noted there was nothing of urgent concern in the accounts. Their report did not identify any priority one issues (fundamental and material to the system of internal control) but identified five priority two issues (having an important effect on internal controls but not needing immediate attention) and one priority three issue (best practice).

### 5.4. Corporate Peer-Review

5.4.1. The Council played host to a team of six highly experienced colleagues from other local authorities who visited UDC to carry out a Local Government Association Corporate Peer Challenge. They explored the following areas:

- Local priorities and outcomes
- Organisational and place leadership
- Governance and culture
- Financial planning and management
- Capacity for improvement
- Growth and sustainability in Uttlesford
- Rural communities

5.4.2. The peer-review highlighted the strong sense of a "maturing" administration. Recommendations include improving engagement with partners at the regional level, enhancing leadership by CMT, empowering SMT and improving communications with staff.

### 5.5. Other Assurance Providers

5.5.1. The Local Government and Social Care Ombudsman's annual review letter for 2023/24 did not identify any issues for UDC.

5.5.2. A Housing Options Service Review was commissioned in partnership with the East of England Local Government Association. This made 20

recommendations to improve strategy and operational service delivery. Some of these echo recommendations made through internal audit work.

5.5.3. UDC has demonstrated to the Cabinet Office that its ICT infrastructure is sufficiently secure to connect to the Public Service Network.

5.5.4. Saffron Walden Museum has received full accreditation from Arts Council England.

## 6. Quality Assurance Improvement Programme (QAIP)

6.1. GIAS Standard 12.1 requires the Audit Manager to develop and conduct internal assessments of the internal audit function's conformance with the Global Internal Audit Standards and progress towards performance objectives. Action plans must be developed where appropriate. The results of these assessments must be communicated to the board (Audit and Standards Committee) and senior management.

6.2. There are five key elements of UDC's QAIP:

- Internal quality reviews of each audit assignment to ensure it meets the required standards. 1:1s incorporate an opportunity to reflect on each audit to identify successes and learn lessons for future audit work.
- Monitoring against KPIs. KPIs are in place to measure quality as well as quantity of audit work. These are key client questionnaires for each assignment and a senior stakeholder survey to measure the overall standing and impact of Internal Audit.
- UDC's annual appraisal process.
- Annual Internal Quality Assessment (IQA) to demonstrate conformance with internal audit standards. The most recent IQA was completed in January 2025 which assessed Internal Audit processes against the Global Internal Audit Standards which came into force on 1 April 2025. The table in paragraph 6.3 below presents the actions identified as a result of the exercise and progress to date.
- An External Quality Assessment (EQA) to provide independent verification that internal audit standards have been complied with. UDC's most recent EQA was completed by Havering Council in November 2024 and reported to Audit and Standards Committee in February 2025. Recommended actions have been incorporated into the IQA action plan in the table at 6.3 below.

6.3. The table below shows all actions arising from the IQA and EQA. The Audit Manager is responsible for overseeing the delivery of each item.

Ref	Area	Action	Current Status	Target Date
1.	GIAS Briefing Note	Brief CMT and Audit and Standards Committee on GIAS.	Audit and Standards Committee briefed in March 2025.	Complete

Ref	Area	Action	Current Status	Target Date
2.	Audit Charter	Update the Internal Audit Charter in line with GIAS	GIAS compliant Internal Audit Charter approved by Audit and Standards Committee in March 2025	Complete
3.	Audit Methodology	Update Internal Audit methodology in line with GIAS	Internal Audit Team reviewed current processes and identified the adjustments required to comply with GIAS. These need to be captured in the Audit Methodology procedure document.	May 2025
4.	Internal Audit Report Format	Update the Internal Audit report format to address feedback received and to increase clarity of reporting. Also to update the definition for recommendation priorities in line with the updated Risk Management Policy	Example audit with old and new report formats circulated to CMT for comment. Once consultation complete, this will be adopted for 2025/26 audits.	April 2025
5.	Counter-fraud safeguards	Document the safeguards regarding the Audit Manager's lead on Counter-fraud within the Council.	Updated audit charter identifies the Statutory Officers Group as best place to ensure appropriate independent assurance over the fraud risk is obtained.  Audit Manager to brief the Statutory Officers Group and operational procedures to be determined.	May 2025
6.	Audit Manager performance assessment	The Audit and Standards Committee Chair should be consulted during the Audit Manager's U-perform target setting and assessment to ensure Internal Audit is meeting the Committee's needs.	The Director of Business Performance and People has been briefed on this requirement. It is understood this will be retrospectively incorporated in the U-perform for March 2025 and will apply this moving forward.	March 2025
7.	Customer Satisfaction Survey	Update the Customer Satisfaction Survey to include a question on ethics.	Plan to amend the customer satisfaction survey for use in the new financial year.	April 2025

Ref	Area	Action	Current Status	Target Date
8.	Audit job descriptions	The job descriptions of the audit team should be updated as a result of GIAS.	This change is deferred due to Local Government Review	March 2028
9.	Audit Strategy – Future Skills	Incorporate more detail on audit resourcing and skill requirements to deliver the current and future audit plans in the Audit Strategy.	Current initiatives will be focused on requirements to deliver current year plans. Full compliance likely to be delayed due to Local Government Review.	Ongoing
10	Audit – Use of Technology	Enhance the Internal Audit Strategy with initiatives re: use of technology.	Current initiatives will need to be focused on getting the most out of UDC's current technologies.  Future developments will need to consider synchronisation with those Councils we will merge with.	Ongoing
11.	Assurance Map	Further develop an assurance map for UDC	Working with senior management to capture all forms of external assurance.	Ongoing

6.4. Our performance against Key Performance Indicators (KPIs) used to demonstrate the effectiveness of the internal audit function during 2024/25 is shown in the table below.

KPI	Target	Result 2024/25	Comments
Percentage of internal audits completed to draft report stage	90%	76%	Significant improvements on 2023/24. Further efficiencies expected in 2025/26.
Percentage of internal audits completed to final report stage	75%	67%	Significant improvements on 2023/24. Further efficiencies expected in 2025/26.
Number of overdue critical and high priority recommendations	5	8	See section 4 above.
Customer Satisfaction results: overall average	80%	74%	Average dragged down by one survey that did not explain the reasons for the scoring
Compliant with Public Sector Internal Audit Standards	Yes	Yes	







## 7. Annual Opinion Categories

The table below sets out the four types of annual opinion that Internal Audit use, along with the types of findings that may determine the annual opinion given. The Audit Manager will apply their judgement when determining the appropriate annual opinion, so the guide given below is indicative rather definitive.





Type of Annual Opinion	When to use this type of annual opinion
Substantial	<ul style="list-style-type: none"> <li>• Generally, only low risk rated weaknesses found in individual assignments; and</li> <li>• None of the individual assignment report have an overall report classification of either high or critical risk</li> </ul>
Moderate	<ul style="list-style-type: none"> <li>• Medium risk rated weaknesses identified in individual assignments that are <i>not significant in aggregate</i> to the system of internal control; and/or</li> <li>• High risk rated weaknesses identified in individual assignments that are <i>isolated</i> to specific systems or processes; and</li> <li>• None of the individual assignment reports have an overall classification of critical risk</li> </ul>
Limited	<ul style="list-style-type: none"> <li>• Medium risk rated weaknesses identified in individual assignments that are <i>significant in aggregate but discrete</i> parts of the system of internal control remain unaffected; and/or</li> <li>• High risk rated weaknesses identified in individual assignments that are <i>significant in aggregate but discrete</i> parts of the system of internal control remain unaffected; and/or</li> <li>• Critical risk rated weaknesses identified in individual assignment that are <i>not pervasive</i> to the system of internal control; and</li> <li>• A <i>minority</i> of the individual assignment reports may have an overall report classification of either high or critical risk.</li> </ul>
No	<ul style="list-style-type: none"> <li>• High risk rated weaknesses identified in individual assignments that <i>in aggregate are pervasive</i> to the system of internal control; and/or</li> <li>• Critical risk rated weaknesses identified in individual assignments that are <i>pervasive</i> to the system of internal control; and/or</li> <li>• <i>More than a minority</i> of the individual assignment reports have an overall report classification of either high or critical risk.</li> </ul>



## • Key to Risk Ratings for Individual Findings in Reports

<b>Critical</b> 	<p><b>Financial:</b> Severe financial loss; <b>Operational:</b> Cessation of core activities</p> <p><b>People:</b> Life threatening or multiple serious injuries to staff or service users or prolonged work place stress. Severe impact on morale &amp; service performance. Mass strike actions etc</p> <p><b>Reputational:</b> Critical impact on the reputation of the Council which could threaten its future viability. Intense political and media scrutiny i.e. front-page headlines, TV.</p> <p><b>Legal and Regulatory:</b> Possible criminal, or high-profile civil action against the Council, members or officers. Statutory intervention triggered impacting the whole Council. Critical breach in laws and regulations that could result in material fines or consequences</p> <p><b>Projects:</b> Failure of major Projects and/or politically unacceptable increase on project budget/cost. Elected Members required to intervene.</p>
<b>High</b> 	<p><b>Financial:</b> Major financial loss. Service budgets exceeded; <b>Operational:</b> Major disruption of core activities. Some services compromised. Management Team action required to overcome medium-term difficulties.</p> <p><b>People:</b> Serious injuries or stressful experience (for staff member or service user) requiring medical attention/ many workdays lost. Major impact on morale and performance of staff.</p> <p><b>Reputational:</b> Major impact on the reputation of the Council. Unfavourable media coverage. Noticeable impact on public opinion.</p> <p><b>Legal and Regulatory:</b> Major breach in laws and regulations resulting in significant fines and consequences. Scrutiny required by external agencies</p> <p><b>Projects:</b> Key targets missed. Major increase on project budget/cost. Major reduction to project scope or quality.</p>
<b>Medium</b> 	<p><b>Financial:</b> Moderate financial loss. Handled within the team; <b>Operational:</b> Significant short-term disruption of non-core activities. Standing Orders occasionally not complied with, or services do not fully meet needs. Service Manager action will be required.</p> <p><b>People:</b> Injuries (to staff member or service user) or stress levels requiring some medical treatment, potentially some work days lost. Some impact on morale and performance or staff.</p> <p><b>Reputational:</b> Moderate impact on the reputation or brand of the organisation. Limited unfavourable media coverage</p> <p><b>Legal and Regulatory:</b> Moderate breach in laws and regulations resulting in fines and consequences. Scrutiny required by internal committees or internal audit to prevent escalation.</p> <p><b>Projects:</b> Delays may impact project scope or quality (or overall project must be re-scheduled). Small increase on project budget/cost. Handled within the project team.</p>
<b>Low</b> 	<p><b>Financial:</b> Minor financial loss; <b>Operational:</b> Minor errors in systems/operations or processes requiring Service Manager or Team Leader action. Little or no impact on service users.</p> <p><b>People:</b> Minor injuries or stress with no workdays lost or minimal medical treatment. No impact on staff morale.</p> <p><b>Reputational:</b> Minor impact on the reputation of the organisation.</p> <p><b>Legal and Regulatory:</b> Minor breach in laws and regulations with limited consequences.</p> <p><b>Projects:</b> Minor delay without impact on overall schedule. Minimal effect on project budget/cost or quality.</p>

## • Key to Assurance Levels

<b>No</b> 	<p>There are fundamental weaknesses in the control environment which jeopardise the achievement of key service objectives and could lead to significant risk of error, fraud, loss or reputational damage being suffered.</p> <p>[Weighted average &gt; 3.5 on the audit scoring]</p>
<b>Limited</b> 	<p>There are a number of significant control weaknesses which could put the achievement of key service objectives at risk and result in error, fraud, loss or reputational damage. There are High recommendations indicating significant failings. Any Critical recommendations would need to be mitigated by significant strengths elsewhere.</p> <p>[Weighted average 2.51-3.5 on the audit scoring]</p>
<b>Moderate</b> 	<p>An adequate control framework is in place but there are weaknesses which may put some service objectives at risk. There are Medium priority recommendations indicating weaknesses, but these do not undermine the system's overall integrity. Any Critical recommendation will prevent this assessment, and any High recommendations would need to be mitigated by significant strengths elsewhere.</p> <p>[Weighted average 1.51-2.5 on the audit scoring]</p>
<b>Substantial</b> 	<p>There is a sound control environment with risks to key service objectives being reasonably managed. Any deficiencies identified are not cause for major concern. Recommendations will normally only be advice and best practice.</p> <p>[Weighted average 1-1.5 on the audit scoring]</p>

## **Limitations and Responsibilities**

### **Responsibilities of management and internal auditors**

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems. Internal Audit shall endeavour to plan its work so that there is a reasonable expectation of detecting significant control weaknesses and, if detected, Internal Audit shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, Internal Audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected. Accordingly, the examinations of Internal Audit should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist, unless Internal Audit is requested to carry out a special investigation for such activities in a particular area.

### **Limitations inherent to the internal auditor's work**

Internal Audit work has been performed subject to the limitations outlined below:

- **Opinion**

The opinion is based on the work completed as part of the agreed internal audit plan, follow-up of recommendations and activity internal audit has been involved in. There might be weaknesses in the system of internal control that Internal Audit are not aware of because they did not form part of our programme of work, were excluded from the scope of individual internal audit assignments or were not brought to our attention. As a consequence, management and Audit and Standards Committee should be aware that the opinion may have differed if the programme of work or scope for individual reviews was extended or other relevant matters were brought to Internal Audit's attention.

- **Internal control**

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

- **Future periods**

Historic evaluation of effectiveness may not be relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in operating environment, law, regulation or other; or
- The degree of compliance with policies and procedures may deteriorate.