



Internal Audit Report
Review of Controls Operating Over xx
Issued: xx

Level of Assurance	
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Table of Contents	
Page 1	Executive Summary
Page 4	Audit Issues and Management Action Plan
Page 17	Definitions of Ratings and Distribution List (Appendix 1)
Page 18	Terms of Reference (Appendix 2)

Executive Summary

1.0 Introduction

Instructions for completion

The introduction should be designed to provide an overview of the area under review. It should contain for example: where the section fits within the Council; Reporting lines of senior staff; the main objectives of the section and how these are achieved; the legal or regulatory environment in which it operates; and any relevant statistics obtained (eg SPI or PI performance etc).

The background section should be short and certainly not be longer than about half a page.

2.0 Objectives of the Audit

Instructions for completion

The objectives should be taken directly from the ToR but the detailed scope / exclusions do not need to put here. Reference should however be made to the terms of reference as follows:

A copy of the terms of reference for the review is attached on page

3.0 Conclusion

Instructions for completion

It is important that the internal audit conclusion should provide appropriate balance and therefore a brief description should be given of the major controls that were found to be operating satisfactorily. Strengths, where possible, should be linked to the COSO elements eg where it was found that risk management or monitoring controls were adequate. Long lists of minor controls that were seen to be operating in bullet format should be avoided.

Midlothian Council - Internal Audit – xx

The audit conclusion then needs to detail the key control failings that were identified from the review. This should focus on only the high risk findings and should provide sufficient detail for the reader to understand the weakness identified and the potential consequence but should not be as detailed as the recommendation / management action section of the report. Again long lists in bullet form of minor control failings should be avoided.

Finally the auditor should give their overall opinion on the control framework. This should be taken from the definitions provided but need to explain the major control strengths or failings that have led to the rating. This will allow management / elected members to see how we have arrived at the conclusion we have.

Audit conclusions should be kept as brief as possible and should not be more than one page where possible.

Reference should also be made to the risk scores at Appendix 2.

4.0 Findings

Instructions for completion

Findings need to provide sufficient detail for the reader so that someone who is not familiar with the area understands the process, the control, the weakness with the control and what the consequences (risk) of not having a strong control over the process might be. Care must be taken when stating the risks given that the report has a wide audience and it should therefore not just be seen from the Council's perspective but also from the people who the Council serve (eg poor service). Risk should also not be confused with control failings.

The auditor also needs to look for any root causes as to why the situation may have arisen and this may cross a number of issues (eg lack of resource).

4.1

No	Recommendation	Priority	Manager	Target Date
	The recommendation needs to be SMART ie specific, measurable, achievable, relevant and time-bound.	See Recommendation rating below	Job title not name	High risks should have where possible short timeframes to resolve.

4.2

No	Recommendation	Priority	Manager	Target Date

Midlothian Council - Internal Audit – xx

4.3

No	Recommendation	Priority	Manager	Target Date

4.4

No	Recommendation	Priority	Manager	Target Date

4.5

No	Recommendation	Priority	Manager	Target Date

Definitions of Ratings

Audit Opinion

Level of Control	Reason for the level of Assurance given
Excellent	The control framework is of a high standard with no unacceptable risks identified.
Good	The control framework is of a good standard with only minor elements of risk identified which are either accepted or being dealt with by management.
Average	The control framework is of average standard and improvements are possible. These improvements are not currently being dealt with by management and have not been accepted to be within the risk appetite of the Council.
Weak	The control framework is weak and requires improvement as significant issues exist with the adequacy and effectiveness of the Internal Control arrangements. These control deficiencies could result in delivery of poor service or disruption to service to the residents of Midlothian, financial loss or reputational damage to the Council.
Poor	The control framework is inadequate or ineffective and the issues identified require immediate attention to prevent the delivery of poor service or disruption to service to the residents of Midlothian, financial loss or reputational damage to the Council.

Recommendation Rating

Priority	Risk Definition
High	Legal / regulatory issues would normally be regarded as high risks. Strategic risks would normally be regarded as high risks. Financial impact - £50K plus and / or national press interest
Medium	£5K - £49K and / or local press interest
Low	Under £5K and / or no press interest.

Distribution

- Members of the Audit Committee
- Kenneth Lawrie, Chief Executive
- Other members of the Corporate Management Team
- Grant Thornton, External Audit

Audit Team

Author:

Reviewer:

TERMS OF REFERENCE:

Audit Objective and Scope

The following headings need to be included:

Audit Objective

A high level overview of the objective of the review

Scope of Audit

The detailed scope of the review

Excluded from the scope of the audit

List those areas not covered – and where not obvious for the reason for the exclusion say why (eg covered in a separate review).

Potential Risks

Potential risk must be high level and must NOT be control failings (eg X is not doing a reconciliation).

Audit Approach

Standard text to include:

The audit approach consists of:

- fact finding interviews with key employees;
- review of appropriate documentation which includes any risk reviews that have been conducted and risk registers that are in place;
- access to and interrogation of any relevant systems and sample testing as required;

Midlothian Council - Internal Audit – xx

- closure meeting with local management to discuss the findings and any recommendations from the review;
- draft and final reporting; and
- presentation of the final report to the Audit Committee.

Internal Audit in every review will consider whether best value is being delivered and will also review the potential for fraud in the area and the strength of controls to mitigate fraud.

All Internal Audits are subject to Internal Audit quality reviews by the Internal Audit Manager.

Timescales & Reporting

Provide details of when the audit is expected to start and which Audit Committee the report should be delivered to.

Information Requirements

Standard text to include:

Access to all relevant systems, documentation and employees (as defined in Internal Audit's Charter).

Audit Resource

Add the audit team – this should include a reviewer.