

AUDIT COMMITTEE

11 December 2012

APPENDIX

INTERNAL AUDIT REPORTING AND OPINION

Purpose of this report: The Audit Committee and External Audit have asked for further clarity in the rating of assurance at the final report stage of internal audits. They have also asked for certainty in the monitoring of the implementation of Internal Audit recommendations. This new template addresses these requirements and is submitted for approval by the Audit Committee.

Note for Internal Auditors - the 'Conclusion' part of the Internal Audit report must clearly demonstrate in detail the level of assurance in the audit findings and why a particular rating has been given. A particular focus has to be made towards the agreed scope of the audit assignment and the control objectives/risks being reviewed.

Colour	Level of Assurance	Reason for the level of Assurance given
Blue	Very High	Internal Control, Governance and the Management of Risk are at a very high standard with no residual risk existing
Green	High	Internal Control, Governance and the Management of Risk are at a high standard with only marginal elements of residual risk, which are either being accepted or dealt with.
Yellow	Moderate	Internal Control, Governance and the Management of Risk have displayed a mixture of little residual risk, but other elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale.
Amber	Limited	Internal Control, Governance and the Management of Risk are displaying a general trend of unacceptable residual risk and weaknesses must be addressed within a reasonable timescale, with management allocating appropriate resource to the issues.
Red	Very Limited	Internal Control, Governance and the Management of Risk are displaying key weaknesses and extensive residual risk above an acceptable level which must be addressed urgently, with management allocating appropriate resource to the issues.

Management Action Plan

Each Internal Audit report, except perhaps a blue rated report, is likely to result in internal audit recommendations (Management Action Plan). The Head of Service in charge of the service/operation/system/process/risk which has been audited will be in charge of the Action Plan. If the

audit assignment examined a corporate matter (impacting on more than one services, or perhaps all services), then a Head of Service will be designated by the Corporate Management Team to take charge of the Action Plan, across services.

At the conclusion of an audit assignment, the Internal Audit Manager and Head of Service will agree recommendations and timescales for these, along with priority ratings (High, Medium or Low). These recommendations will then be included by Internal Audit in covalent (the Council's performance management system) and will be subject to quarterly performance reporting and Audit Committee scrutiny.

High priority recommendations: These can only be closed down in covalent after management has provided Internal Audit with robust evidence and assurance can be given as to the achievement of the recommendations aims.

Medium and low priority recommendations: Implementation of these will be reviewed during routine, sample follow-up by Internal Audit, which can be a time span of between 6 months to a year after the conclusion and reporting of Internal Audit findings. Medium rated recommendations will be given priority.

During the Management Action Plan period for Red and Amber rated reports, Heads of Service are expected to discuss progress with **Amber** reports at Divisional Management Team. For **Red** rated reports, it is expected that Corporate Management Team will receive progress reports from Heads of Service.

Internal Audit &
Corporate Management Team

3rd December 2012