

APPENDIX 3

Audit report opinions and criteria A) Systems and Establishment Audits

Opinion	Rationale or criteria
Effective	<p>All internal high risk controls are in place and are operating effectively</p> <p>No high or medium findings noted</p> <p>Very small number of “merits attention” findings</p> <p>All high level risks are controlled</p> <p>No safeguarding risks identified</p>
Effective with opportunity for improvement	<p>Controls considered adequate but some exceptions exist</p> <p>Small number of medium or low risk / medium or low impact weaknesses noted e.g. minor administrative breaches, which should be relatively straightforward to resolve.</p> <p>Some areas for improvements noted which should be relatively straightforward to implement.</p> <p>All high level risks adequately controlled</p> <p>No immediate risk to assets property, cash, or revenue or risk of breach of Code of Practice, regulations or legislation.</p> <p>No safeguarding risks identified</p>
In need of Improvement	<p>At least one high level risk noted</p> <p>A relatively high number of medium risk weaknesses noted</p> <p>A large number of areas for improvements noted</p> <p>Risk of fraud, theft, loss or misappropriation of assets, cash or data or other regulatory/ legislation or code or practice breach if improvements are not implemented within relative short term. In general these will be reported to Service Managers or Head of Service before finalising report.</p> <p>Potential for illegal or unlawful activity</p> <p>No immediate safeguarding risks</p> <p>System improvements are not immediately required, but there is a need for improvement identified by the findings noted</p> <p>Processes are considered inefficient, ineffective or poor value for money</p> <p>Non-financial risks identified as a result of poor practice e.g. reputational or impact on other stakeholders.</p> <p>Performance or practices identified does not conform to corporate plan or conflict with improvement plans.</p> <p>Some non-compliance with policy and procedures</p>
Inadequate and needs immediate improvements	<p>At least one or more high risk noted together with a number of medium risk findings over a number of separate areas.</p> <p>Safeguarding risk issues noted</p> <p>Actual fraud, theft, losses of assets or cash, overpayments or loss of revenue reported. In general these will be reported to Service Managers or Head of Service before finalising report, and may lead to additional reviews or investigations.</p> <p>Actual illegal or unlawful activity identified</p> <p>Actual breach of regulatory processes, codes of practice or legislation noted</p> <p>Control systems considered not fit for purpose, inadequate/ non-existent and below standard with significant exceptions or unfit for purpose</p> <p>Large scale noncompliance with policies and procedures.</p> <p>Immediate improvements are required to systems and controls</p> <p>High non-financial risks identified or risk of impact on stakeholders</p>

B) Grants and Contract Audits

Compliant	No issues of non compliance noted with regard to either T&Cs (grant) or Financial Regulations /Standing Orders for Contacts (Contract)
Substantially compliant	A small number of minor non compliance issues noted (eg in relation to issues such as admin and records on file)
Partially compliant	A number of non compliance issues noted but no major non compliance issues
Non compliant	At least one major non compliance issue noted

C) Points noted and risk ratings

High Risk Issues (HR)	<p>These are defined as issues where key / fundamental controls are absent, inadequate or ineffective. The risks have not been managed properly. Impact of control failure is/will be high e.g. financial loss, theft or loss of property or reputational risk or safeguarding issues have been noted.</p> <p>Recommendations in this category must be implemented as the risk is identified as unacceptably high. HR recommendations that cannot be agreed are referred up to the Section 151 officer for final determination.</p>
Medium Risk Issues (MR)	<p>These are defined as issues where some controls are absent or existing controls need to be improved or enhanced. Impact of control failure is/will be relatively lower, and will not be immediate.</p> <p>Recommendations in this category should be implemented to address system risks and weaknesses. MR recommendations that cannot be agreed will be referred to the appropriate level of management for consideration or the S151 if agreement cannot be reached.</p>
Merits Attention (MA)	<p>These are issues which have been identified which are one off minor administrative issues or relate to best practice improvements in procedures, which managers may wish to consider.</p> <p>Recommendations in this category are included for management to consider and deal with as appropriate</p>