Audit Report for South Lakeland District Council

People and Places Directorate – Strategic Development

Audit of Housing Standards

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Internal Audit Services are delivered to South Lakeland District Council under contract by Cumbria Shared Internal Audit Service, Cumbria County Council

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Audit Report Distribution

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Audit Committee	The Audit Committee, which is due to be held on 21 July 2016, will receive the final audit report.

Note: Audit reports should not be circulated wider than the above distribution without the consent of the Audit Manager.

1.   Background

1.1.   This report summarises the findings from the audit of Housing Standards. This audit was a planned audit assignment which was undertaken in accordance with the 2015/16 Audit Plan.

1.2.   The Housing Standards Team administers the enforcement of housing standards in the private sector and disabled facilities grants "DFGs" in accordance with appropriate legislation.
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1.3.   Audit testing focussed on the discussions and information gathered from the relevant staff in the Housing Standards Team and all evidence has been examined and evaluated to form an opinion regarding the controls in operation over the staffing establishment of enforcement of housing standards in the private sector and DFGs.

2.   Audit Approach

2.1.   **Audit Objectives and Methodology**

2.1.1.   Compliance with the mandatory Public Sector Internal Audit Standards requires that internal audit activity evaluates the exposures to risks relating to the organisation's governance, operations and information systems. A risk based audit approach has been applied which aligns to the five key audit control objectives which are outlined in section 4; detailed findings and recommendations are reported within section 5 of this report.

2.2.   **Audit Scope and Limitations**

2.2.1.   The Audit Scope was agreed with management prior to the commencement of this audit review. The Client Sponsor for this review was Ian Hassall, Assistant Director of Strategic Development and the agreed scope was to provide assurance over management's arrangements for governance, risk management and internal control in the following areas:
- the staffing establishment for the enforcement of housing standards in the private housing sector; and
- compliance with DFGs procedures in particular procurement arrangements.

2.2.2. There were no instances whereby the audit work undertaken was impaired by the availability of information.

3. Assurance Opinion

3.1. Each audit review is given an assurance opinion and these are intended to assist Members and Officers in their assessment of the overall level of control and potential impact of any identified system weaknesses. There are 4 levels of assurance opinion which may be applied. The definition for each level is explained in **Appendix A.**

3.2. From the areas examined and tested as part of this audit review, we consider the current controls operating within the enforcement of housing standards and DFGs provide **Partial** assurance.

Note: as audit work is restricted by the areas identified in the Audit Scope and is primarily sample based, full coverage of the system and complete assurance cannot be given to an audit area.

4. Summary of Recommendations, Audit Findings and Report Distribution

4.1. There are three levels of audit recommendation; the definition for each level is explained in **Appendix B**.

4.2. There are 11 audit recommendations are arising from this audit review and these can be summarised as follows:

Control Objective	No. of recommendations		
	High	Medium	Advisory
1. **Management** - achievement of the organisation's strategic objectives achieved (see section 5.1)	0	2	0
2. **Regulatory** - compliance with laws, regulations, policies, procedures and contracts (see section 5.2)	2	2	0
3. **Information** - reliability and integrity of financial and operational information (see section 5.3)	1	3	0
4. **Security** - safeguarding of assets	0	0	0

5. Value - effectiveness and efficiency of operations and programmes (see section 5.5)	0	0	1
Total Number of Recommendations	3	7	1

4.3. **Strengths:** The following areas of good practice were identified during the course of the audit:

- There is an effective arrangement in place to review, challenge and approve the Enforcement Policy and align to the latest legislation.
- Members of the Housing Standards Team attend the newly introduced Principal Network Forum where the Chief Executive and other officers provide briefing on new policies and specific issues that impact on the Council's day to day business.
- Regular team meetings take place to provide guidance to staff that includes new policies and legislation updates etc.

4.4. **Areas for development**: Improvements in the following areas are necessary in order to strengthen existing control arrangements:

4.4.1. *High priority matters:*

- The enforcement officers' schemes of delegations are not all approved and no longer reflects the most up-to-date legislative powers that are used by enforcement officers.
- Within the Housing Standards Team there are no effective procurement and tendering arrangements in place to assess, evaluate and award DFGs work to contractors. In addition there are ineffective arrangements over the preparation, review and update of the existing list of contractors and over the assessment for accrediting contractors to undertake the DFGs work.
- There is no mechanism in place to monitor and report compliance and non-compliance with the Enforcement Policy and DFGs Policy.

4.4.2. *Medium priority matters:*

- The objectives/priorities and performance targets that relate to Enforcement of housing standards and DFGs are neither linked or cross-referenced to the 2015/16 Development Strategy Service Plan. There is no link to personal objectives and targets have not been communicated to staff to enable management to monitor and evaluate delivery of these.
- The Housing Standards Team have yet to be involved in identifying, assessing and managing risks relating to the Enforcement of housing standards and DFGs.
- The DFGs policy and supporting procedures do not reflect all current working practices i.e. procurement and tendering procedures and are not aligned to other related Council procedures in particular; contract procedure rules.
- The Enforcement policy has yet to be supported by procedure notes that detail the expected guidance staff are required to follow to process

enforcement of housing standard cases

- There is no effective arrangement in place to monitor and evaluate the team's performance activity on the enforcement of housing standards cases as a performance target has yet to be set.
- Within the Housing Standards Team there is a lack of awareness of the requirement for staff and contractors that are involved in DFGs procurement and tendering arrangements to declare and report relevant business interests which may lead to conflicts of interests.
- The regular undertaking of site view inspection visits prior to approving contractors' payments has yet to be effectively embedded in the stages of the projects. In addition there has yet to be an effective mechanism in place to review variances in contractors' type of work and pricing.

4.4.3. *Advisory issues:*
- There is no benchmarking with other local authorities in place to identify new opportunities for improvement to the Housing Standards Team's staffing establishment for the enforcement of housing standards in the private sector.

Comment from the Assistant Director of Strategic Development

The Housing Standards service is responsible for delivering on several key elements of the Council plan including those relating to housing, health and well-being and the environment. This is a timely review following the transfer of Housing Standards to the Development Strategy service and the integration of housing standards and housing strategy and delivery. The audit has identified a number of issues which need to be addressed. We have already addressed many of these and the Action Plan sets out a timetable for meeting the recommendations in full. I welcome this report and am confident that its recommendations will enable the Housing Standards team to move forward as a modern, innovative, well-resourced team which is well positioned to meet future challenges.

5. Matters Arising / Agreed Action Plan

5.1. Management - achievement of the organisation's strategic objectives.

● **Medium priority**

Audit finding	Management response
5.1.1. Service Plan A Development Strategy Service Plan for 2015/16 is in place. The plan details the service objectives/actions for the year and is aligned to the Housing Standard Team's plan, staffing establishment, budgets and performance targets. Audit testing confirmed that there is no mechanism in place to align/link the Housing Standards Team's plan that details the enforcement of housing standards and DFGs priorities and their relevant performance targets to the 2015/16 Service Plan. Audit testing also confirmed that the enforcement of housing standard's and DFG's priorities and their relevant performance targets, as detailed in the Team Plan, are not linked to individual personal objectives in the staff appraisal process. The audit confirmed that the review and approval of the 2015/16 Development Strategy Service Plan and the regular review of the Housing Standards Team's plan have yet to be formally documented. The audit review identified that the Housing Standards Team had neither been involved in the compilation of, or had sight of, the 2015/16 Service Plan. We are advised that the 2015/16 Service Plan has since been communicated to the Housing Standards Team. We are advised that staff are unaware of the purpose of the Service Plans once they have been approved by the relevant Director.	**Agreed management action:** a) *The Development Strategy Service Plan for 2016/17 that details objectives and performance targets relating to enforcement of housing standards and DFGs is now completed.* b) *The specific actions and targets from the draft Housing Standards Team Plan 2016/17 will be include in staff's personal objectives and monitored and evaluated as part of the staff appraisal process.* c) *The completed Development Strategy Service Plan was considered by Senior Management Team.* d) *The Development Strategy Service Plan has been communicated to all members of the Housing Standards Team.* e) *The Assistant Director and Development Strategy & Housing Manager will liaise with other officers to provide guidance to managers across the Council on the purpose of the service plans and their responsibilities for establishing internal arrangements for monitoring, evaluating and reporting the*
Recommendation 1: a) The objectives/priorities and performance targets that relate to enforcement of housing standards and DFGs should be included or cross-referenced to the 2015/16 Development Strategy Service Plan in order to monitor and evaluate delivery of these.	

b) Arrangements should be made to link personal objectives to service objectives and these should be monitored and evaluated as part of the staff appraisal process. c) Details of the review and approval of the 2015/16 Development Strategy Service Plan and Housing Standards Team's plan should be formally documented. d) Details of the 2015/16 Development Strategy Service Plan should be communicated for staff to access and understand. e) Training and guidance should be provided to managers on the purpose of the service plan and their responsibilities for establishing a mechanism to check and to formally document the monitoring, evaluation and reporting the delivery of service objectives/actions.	*delivery of the service objectives/actions.*
Risk exposure if not addressed: • Council priorities are not achieved because there is no effective monitoring arrangement to evaluate and deliver these. • Service objectives are not achieved because there is not an effective evaluation process of staff's performance against objectives and performance issues may remain undetected. • Lack of support/evidence of ownership and accountability for objectives. • Service objectives are not achieved because staff lack the knowledge and understanding or are unaware of objectives to be delivered. • Incorrect/inconsistent decision making because staff do not have access to guidance in order to monitor, evaluate and report on delivery of service objectives/actions.	**Responsible manager for implementing** *a) Development Strategy & Housing Manager* *b) Housing Strategy & Delivery Manager* *c) Development Strategy & Housing Manager* *d) Development Strategy & Housing Manager* *e) Assistant Director & Development Strategy & Housing Manager* **Date to be implemented:** a) **April 2016** b) **August 2016** c) **April 2016** d) **April 2016** e) **August 2016**

● **Medium priority**

Audit finding	**Management response**

5.1.2. Service risks Strategic risks and service risks are detailed on the 2015/16 Development Strategy Service Plan. We were advised that there are no identified strategic risks and service risks that relate to enforcement of housing standards and DFGs. Audit testing confirmed that staff within the Housing Standards Team are unaware of the risks included in the Service Plan and have yet to be involved in identifying, assessing and managing risks relating to the enforcement of housing standards and DFGs.	**Agreed management action:** *Identified service risks relating to the enforcement of housing standards and DFGs to assess and manage are included in the Development Strategy Service Plan for 2016/17. The identified risks have been discussed and shared with the Housing Standards Team.*
Recommendation 2: Training and guidance should be provided to managers on their responsibilities for appropriately identifying, assessing and managing risks within their service area.	
Risk exposure if not addressed: ● Service objectives are not delivered because risks relating enforcement of housing standards and DFGs are not effectively identified, managed and reported.	**Responsible manager for implementing:** ***Development Strategy & Housing Manager*** **Date to be implemented:** **April 2016**

5.2.   Regulatory - compliance with laws, regulations, policies, procedures and contracts.

● **Medium priority**

Audit finding	**Management response**
5.2.1 DFGs policy and procedures Audit testing confirmed that a DFGs Policy that details the arrangements for providing mandatory and discretionary grants is in place. We are advised that the policy was last updated in July 2014 and review and approval has yet to be formally documented. DFGs system procedure notes and a process map are in place and are available for staff to follow	Agreed management action: a) *and b) A small working group led by the Housing Strategy & Delivery Manager will be established to review the DFG policy and procedures.* b) *and c) The revised procedures will reflect all*

when processing DFGs applications. The procedures and process map detail the task/steps to be undertaken and documents to use. The audit review identified that the DFGs system procedure notes do not reflect all current working practices and related Council procedures/guidance. In particular the processes followed for procuring and tendering of works, adherence to the Council's contract procedures rules and the process for validation and approval of DFGs. We are advised that the review and approval of the DFGs system procedure notes has yet to be formally documented.

The audit review confirmed that those with responsibility for approving and awarding DFGs, with a value up to £30,000, place reliance on the checks performed by DFGs officers to verify the accuracy, validity and consistency of the procurement and financial information prior to awarding the grants. We are advised that procedures for checking and the checks undertaken are not formally documented.

current working practices. The DFG policy and procedures will be communicated to staff

d) *The revised DFG policy will be submitted to Cabinet for approval by January 2017.*

Recommendation 3:

a) The DFGs Policy should be reviewed and updated and this should be formally documented.

b) The DFGs system procedure notes should be reviewed and updated to reflect all current working practices and to support the DFGs policy. The DFGs procedural notes should clearly define all current working practices that includes; procuring and tendering of works; validation and approval checks and reflect other related Council's procedures and guidance i.e. Council's Contractual Procedural Rules.

c) Those accountable for approving and awarding DFGs should be reminded of their responsibility for being assured that the procedures to follow and the checks to be performed to verify the accuracy, validity and consistency of DFGs procurement and financial information are formally documented.

d) A timescale should be set for the review and update of the DFGs Policy and Procedure notes including the relevant approval arrangements.

Risk exposure if not addressed:	Responsible manager for implementing:
• Council's priorities are not achieved and risks are not effectively managed because the DFGs Policy is not effective to meet the Council's requirements.	**Housing Strategy & Delivery Manager**
• Incorrect/inconsistent decision making because staff do not have access to guidance in relation	Date to be implemented:

	January 2017
to the procurement and tendering of works etc. • Agreed practices and process are not consistently followed because expected practices are not formally documented.	

<div align="right">● **Medium priority**</div>

Audit finding	Management response
5.2.2 Enforcement of housing standards procedures The audit review confirmed that the enforcement policy details the principles and legal requirements to guide and assist with decision making and makes reference to the Health and Safety Rating System used to risk assess and make decisions on housing standards. Audit testing confirmed that the policy has yet to be supported by procedure notes on the expected guidance staff are required to follow to process enforcement of housing standard cases.	Agreed management action: *The same small working group led by the Housing Strategy & Delivery Manager as referred to in Rec 3 will review the enforcement policy to include guidance on the implementation of the policy.*
Recommendation 4: Procedures should be introduced to support the enforcement policy. They should define expected guidance for staff to follow in order to process enforcement of housing standard cases and include: clearly defined the roles and responsibilities; task to be undertaken, timescale requirements; documents to use; and reporting arrangements. A timescale should be set for preparing the procedures including the approval arrangements.	
Risk exposure if not addressed: • Incorrect/inconsistent decision making because staff do not have access to expected guidance to follow in relation to the processing of enforcement intervention cases. • Sanctions, litigation and reputational damage arising from non-compliance with relevant legislation and guidance because staff are unaware of expected guidance to follow.	Responsible manager for implementing: **Housing Strategy & Delivery Manager** Date to be implemented: **January 2017**

● **High priority**

Audit finding	Management response
5.2.3 Monitoring, review and reporting compliance and non-compliance with policies and procedures The audit reviewed confirmed that there is no effective mechanism in place to monitor and report on compliances and non-compliances/deviations from the Enforcement policy and DFGs policies and procedural notes.	Agreed management action: *The Enforcement Policy and DFGs policy will be updated to include the arrangements for monitoring and reporting non-compliances and escalating these.*
Recommendation 5: Arrangements should be introduced for monitoring and reporting compliance and non-compliance with the Enforcement policy and DFGs policy. Arrangements for non-compliance should be clearly defined and documented in each policy. A timescale should be set for documenting and implementing these arrangements.	*Internal arrangements (i.e. 1:1 meetings, Housing Standards Team meetings) will be used to monitor, review and document compliances and non-compliances with policies and procedures.* *Arrangements will be established to monitor and report non-compliances that relate to external parties i.e. DFG contractors.*
Risk exposure if not addressed: • Council's priorities are not achieved because there is no effective monitoring arrangement to evaluate the compliance and non-compliance with the Enforcement policy and DFGs policy. • Non-compliances and deviations from policies and procedures may remain undetected.	Responsible manager for implementing: **Housing Strategy & Delivery Manager** Date to be implemented: **January 2017**

● **High priority**

Audit finding	Management response
5.2.4 Scheme of Delegation for enforcement officers A scheme of delegation detailing enforcement officers' authorised delegated responsibilities and legislative powers to enforce housing standards is in place. Audit testing confirmed that the	Agreed management action: *a)and b) The schemes of delegation have been reviewed and updated. The Legal Department*

delegated responsibilities and legislative powers used by enforcement officers are not all authorised and the list of delegated legislative powers was last reviewed and updated in November 2013. We are advised that the list of legislative powers maintained and used since this date have yet to be incorporated in the enforcement officers' scheme of delegation.	*have reviewed the schemes of delegation and will do so again in April 2017.*
Recommendation 6: a) The scheme of delegation for enforcement officers should be reviewed, updated and authorised by relevant officers including the Legal department to reflect the most up-to-date legislation and to ensure they are correctly specified. b) A timescale should be set for the review and update of the schemes of delegation including the relevant sign-off arrangements.	
Risk exposure if not addressed: • Sanctions, litigation and reputational damage arise from non-compliance with relevant legislation and guidance because of the application of out of date scheme of delegation for enforcement officers. • Unauthorised decision making and action by enforcement officers acting beyond authorised scheme of delegation • Challenge / failure of enforcement action where there is no formal delegated authority.	**Responsible manager for implementing:** **Housing Strategy & Delivery Manager** **Date to be implemented:** **April 2016**

5.3. **Information** - reliability and integrity of financial and operational information.

● **Medium priority**

Audit finding	Management response
5.5.1 Performance monitoring and reporting information The Housing Standards Team's performance activity on enforcement of housing standards cases and DFGs is regularly monitored, reported and reviewed on the Quarter Update Report. Audit testing confirmed that there is insufficient information to monitor and evaluate the team's performance activity on the enforcement of housing standards cases; as a performance target aligned to staffing establishment has yet to be set. The audit review confirmed that regular 1:1 meetings between managers and staff that include discussions on performance activity etc are in place but these are yet to be formally documented.	Agreed management action: *a) Within the Housing Standards Team there is limited resource available to monitor and evaluate its performance activity. Therefore the Housing Standards Team Development Strategy Service Plan for 2016/17 that details objectives and performance targets relating to the enforcement of housing standards and DFGs will be used now and on an ongoing basis as a mechanism to monitor and report on the staffing establishment of the enforcement of housing standards and DFGs. Internal arrangements ie 1:1 meetings, Housing Standards Team meetings will be used to monitor and review staffing establishment of enforcement of housing standards and DFGs.* *b) A record of actions from regular meetings ie 1:1s with staff will be documented.*
Recommendation 7: a) Management should ensure that a timetable is set to review the arrangements for regularly monitoring staffing establishment for the enforcement of housing standards and DFGs that includes setting a target to monitor, evaluate and report the enforcement of housing standards performance activity against target. b) Managers should be reminded of the need to retain a record of regular meetings with staff that supports discussions made regarding the Housing Standards Team performance etc. Any outcomes from such meetings should be reported and escalated and where appropriate corrective action taken should be documented.	
Risk exposure if not addressed: ● Council's priorities are not achieved because there is insufficient management information to effectively monitor and report on achieving these. ● Future challenges and disputes may arise over discussions relating to performance activity.	Responsible manager for implementing: **Development Strategy & Housing Manager** Date to be implemented: **May 2016**

● **High priority**

Audit finding	Management response
5.3.1 Selecting and awarding contracts The audit review confirmed that there are no effective procurement and tendering arrangements in place to assess, evaluate and award DFGs work to contractors. Audit testing confirmed that for DFGs where no schedule of rates is issued to the contractor there is no approved list of contractors' competitive quotes/prices in place to have consistent and transparent decision making when selecting and awarding DFGs work. In addition audit testing confirmed that where a schedule of rates is issued to the contractor there is insufficient evidence to support the checks and decisions taken to select and award contracts. **5.3.2 The list of approved contractors** The audit review confirmed that there is a list of contractors in place that is used to procure and tender for DFGs work. During the audit we were advised that staff are unclear how the list was established and that it has not been reviewed and updated for some time. We are recently advised that the list of contractors has been reviewed and updated and has yet to be approved.	Agreed management action: *a) and b) The DFG procurement and tendering arrangements, including awarding contracts and accrediting contractors, are included in the Corporate Procurement Strategy that has been approved by Cabinet. These arrangements and a list of approved contractors will be undertaken by the end of this financial year.*
Recommendation 8: a) Management should ensure that a timescale is set for the review and update of the procurement and tendering arrangements to select and award work consistently on a competitive basis and to support value for money. All checks performed should be formally documented and decision making clearly defined and transparent. b) Management should ensure that a timescale is set for the review and update of the list of contractors to procure and tender for DFGs work and to introduce a formal system for accrediting contractors to undertake DFGs work.	
Risk exposure if not addressed: • Council's priorities are not achieved because there is a lack of transparency in decision making	Responsible manager for implementing: **Housing Strategy & Delivery Manager**

to support value for money. • Future challenges and disputes regarding award of contracts arise because there is a lack of transparency in the decision making and insufficient evidence to support checks performed when selecting and award work. • Sanctions, litigation and reputational damage arise from non-compliance with legislation and guidance because inappropriate/unqualified contractors are appointed. • Complaints and disputes arise because there is not an effective arrangement for assessing and vetting contractors.	Date to be implemented: **March 2017**

● **Medium priority**

Audit finding	Management response
5.3.3 Inspection of DFGs work and variances in contractors pricing The audit review confirmed that site inspection visits to assess and evaluate contractors' work in progress prior to approving contractors' payments requests were put in place recently. We are advised that a decision is still to be made as to what stage in the project a site view inspection visit is to take place and who will have the necessary skills to perform these prior to approving payments. Audit were advised that there has yet to be an effective mechanism in place to review variances in contractors' type of work and pricing. The audit review confirmed that on occasions where it has been identified that there are different prices for the same type of work the contractor has been requested to provide an explanation for the difference in price.	Agreed management action: *a)and b) A small working group led by the Housing Strategy & Delivery Manager will be established to review the DFG policy and procedures. The revised procedures will reflect the stage of the project when a site inspection visit will take place and the information to be used to monitor variances in contractors' types of work and pricing.*
Recommendation 9: a) Management should ensure that a timescale is set for deciding the stage of the project when a site view inspection visit to assess and evaluate the contractors' work progress and who will perform these visits prior to approving payment requests. b) Management should ensure that a timescale is set for the review of management information to	

use in monitoring the variances in contractors' types of works and pricing to assist in decision making and support value for money.	
Risk exposure if not addressed: • Work is overcharged because there not an effective monitoring arrangement to inspect works prior to approving contractors' payments. • Future disputes over work specification and pricing arise because there is not an effective arrangement to assess and monitor if work is overcharged.	**Responsible manager for implementing:** **Housing Strategy & Delivery Manager** **Date to be implemented:** **January 2017**

● **Medium priority**

Audit finding	Management response
5.3.4 Conflicts of interest The audit review confirmed that members of the Housing Standards Team who are involved in DFGs procurement and tendering arrangements are not aware of the need to declare and report business interests that have the potential to lead to conflict of interest. In addition audit were advised that staff have no knowledge of whether contractors are aware of the need to declare any conflicts of interest.	**Agreed management action:** *We will ask the procurement manager to give a presentation to the Housing Standards Team on their responsibilities and the contractors' responsibilities for declaring conflicts of interest.*
Recommendation 10: Training should be provided to all staff involved in the DFG procurement arrangement on their responsibilities for declaring relevant business interests which may lead to conflict of interests and to make contractors aware of the need to share any potential conflicts of interests.	
Risk exposure if not addressed: • Perception that there is incorrect/inconsistent decision making when there is a lack of transparency relating to those involved in the decision making process and the reasons for the decision being made.	**Responsible manager for implementing:** **Housing Strategy & Delivery Manager** **Date to be implemented:**

• Conflicts of interest are not effectively managed because there is there is a lack of guidance and training to support managers to manage these.	**August 2016**

5.5 **Value** - effectiveness and efficiency of operations and programmes.

● **Advisory issue**

Audit finding	Management response
5.3.5 Benchmarking The audit review confirmed that there has been no benchmarking of the Housing Standards Team's staffing establishment for the enforcement of housing standards with other local authorities to identify new opportunities for improvement.	Agreed management action: *The Housing Strategy & Delivery Manager has obtained a list of local authorities nationwide and within Cumbria to review and identify new opportunities to improve the staffing establishment of housing standards.*
Recommendation 11: Management should ensure a timetable is set for comparing the staffing arrangements for the enforcement of housing standards and DFGs with other local authorities to assist in improving existing arrangements and identify new opportunities to deliver value for money.	*In addition the Corporate Policy and Performance Manager will work alongside the Housing Strategy & Delivery Manager to review and establish housing standards benchmarking information to assist with identifying new opportunities for improvements.*
Risk exposure if not addressed: • Service priorities are not achieved because there is no arrangement to measure value for money and explore opportunities to improve the service.	Responsible manager for implementing: **Housing Strategy & Delivery Manager/ Policy and Performance Manager** Date to be implemented: **July 2016**

Audit Assurance Opinions

There are four levels of assurance used; these are defined as follows:

	Definition:	Rating Reason
Substantial	There is a sound system of internal control designed to achieve the system objectives and this minimises risk.	The controls tested are being consistently applied and no weaknesses were identified. Recommendations, if any, are of an advisory nature in context of the systems and operating controls & management of risks.
Reasonable	There is a reasonable system of internal control in place which should ensure that system objectives are generally achieved, but some issues have been raised which may result in a degree of risk exposure beyond that which is considered acceptable.	Generally good systems of internal control are found to be in place but there are some areas where controls are not effectively applied and/or not sufficiently developed. Recommendations are no greater than medium priority.
Partial	The system of internal control designed to achieve the system objectives is not sufficient. Some areas are satisfactory but there are an unacceptable number of weaknesses which have been identified and the level of non-compliance and / or weaknesses in the system of internal control puts the system objectives at risk.	There is an unsatisfactory level of internal control in place as controls are not being operated effectively and consistently; this is likely to be evidenced by a significant level of error being identified. Recommendations may include high and medium priority matters for address.
Limited / None	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and this exposes the system objectives to an unacceptable level of risk.	Significant non-compliance with basic controls which leaves the system open to error and/or abuse. Control is generally weak/does not exist. Recommendations will include high priority matters for address. Some medium priority matters may also be present.

Grading of Audit Recommendations

Audit recommendations are graded in terms of their priority and risk exposure if the issue identified was to remain unaddressed. There are three levels of audit recommendations used; high, medium and advisory, the definitions of which are explained below.

		Definition:
High	●	Significant risk exposure identified arising from a fundamental weakness in the system of internal control
Medium	●	Some risk exposure identified from a weakness in the system of internal control
Advisory	●	Minor risk exposure / suggested improvement to enhance the system of control