



cutting through complexity

CAIRNGORMS NATIONAL PARK AUTHORITY
Audit & Risk Committee Paper 1 Annex 1 01/07/16

Cairngorm National Park Authority

Annual internal audit report

1 July 2016

This report is for:

Information

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Audit committee
David Cameron, Corporate
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Notice: About this report

This Report has been prepared on the basis set out in our Engagement Letter addressed to the Cairngorm National Park Authority (“the Client”) dated 28 June 2011 (the “Services Contract”) and should be read in conjunction with the Services Contract. Nothing in this report constitutes a valuation or legal advice. We have not verified the reliability or accuracy of any information obtained in the course of our work, other than in the limited circumstances set out in the Services Contract. This Report is for the benefit of the Client only. This Report has not been designed to be of benefit to anyone except the Client. In preparing this Report we have not taken into account the interests, needs or circumstances of anyone apart from the Client, even though we may have been aware that others might read this Report. We have prepared this report for the benefit of the Client alone. This Report is not suitable to be relied on by any party wishing to acquire rights against KPMG LLP (other than the Client) for any purpose or in any context. Any party other than the Client that obtains access to this Report or a copy (under the Freedom of Information (Scotland) Act 2002, through the Client’s Publication Scheme or otherwise) and chooses to rely on this Report (or any part of it) does so at its own risk. To the fullest extent permitted by law, KPMG LLP does not assume any responsibility and will not accept any liability in respect of this Report to any party other than the Client. In particular, and without limiting the general statement above, since we have prepared this Report for the benefit of the Client alone, this Report has not been prepared for the benefit of any other central government body nor for any other person or organisation who might have an interest in the matters discussed in this Report, including for example those who work in the central government sector or those who provide goods or services to those who operate in the central government sector.

Internal audit plan

Our internal audit plan for 2015-16, as agreed with the audit committee, was developed based on consideration of:

- previous years' internal audit plans, observations and key findings arising from internal audits conducted during 2014-15;
- discussions with members of the senior management team and comments from the Chair and members of the audit committee;
- consideration of Authority's risk register, as developed and provided by management;
- requirements for internal audit;
- known changes in the operating environment and state of control as identified through discussions with management; and
- consideration of key business processes.

Through these activities, potential internal audits were identified and prioritised, based on those areas viewed as of greatest benefit by management and the audit committee.

Purpose of internal control

Public Sector Internal Audit Standards ("PSIAS") require that the head of internal audit provides the audit committee with an annual internal audit opinion based on the work performed during the financial year. The audit committee should use this and other sources of assurance to make its annual report to the board. In addition, the opinion supports the audit committee and board's consideration of the governance statement included with the financial statements. The opinion of the internal auditor does not supersede Authority's responsibility for risk, control and governance.

Responsibilities for internal control

It is management's responsibility to maintain systems of risk management, internal control and governance. The respective responsibilities of management and internal audit are set out in the services contract. Internal audit is an element of the internal control framework established by management to examine, evaluate and report on accounting and other controls over operations. Internal audit assists management in the effective discharge of its responsibilities and functions by examining and evaluating controls.

Limitations

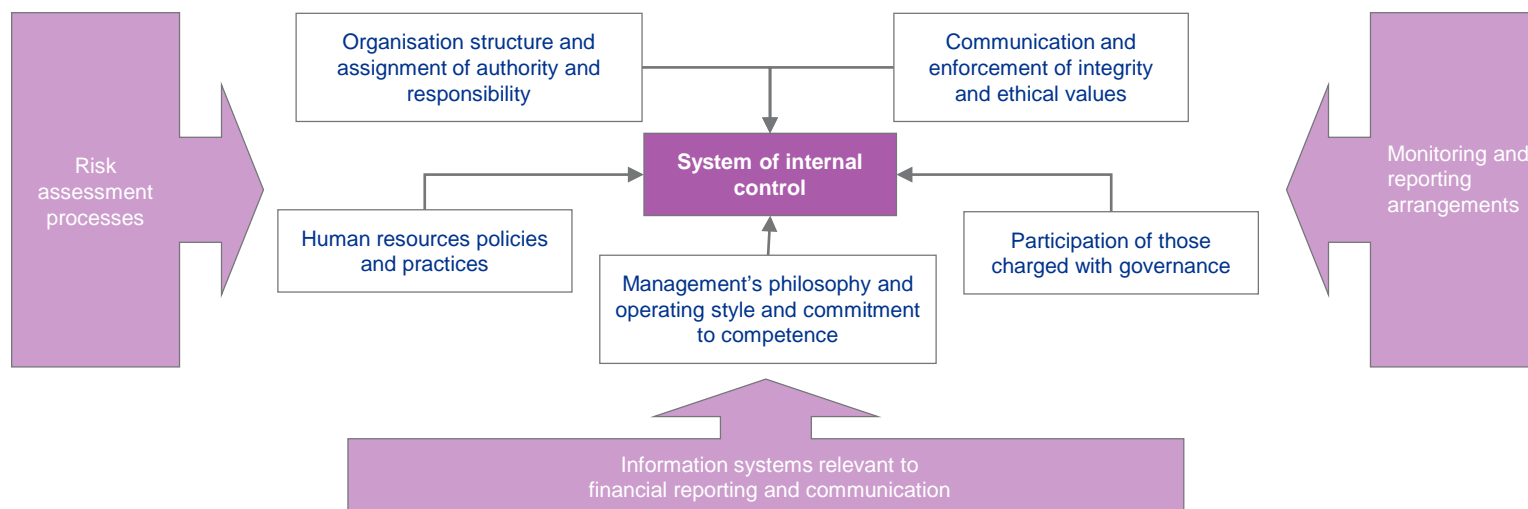
There are inherent limitations as to what can be achieved by internal control and, consequently, limitations in conclusions reached. These limitations include the possibility of incorrect management judgement in decision making, control breakdowns because of human error, control activities being circumvented by the collusion of two or more people, and of management overriding controls. In addition, there is no certainty that internal controls will continue to operate effectively in future periods or that controls will be adequate to mitigate significant risks that may arise in the future.

It is important to note that:

- **it is management's responsibility to maintain internal controls on an ongoing basis;**
- **the internal audit function only forms part of Authority's overall control structure; and**
- **while we have planned our work so that we have a reasonable expectation of detecting significant control weaknesses, internal audit procedures do not guarantee that fraud, or other irregularities, will be detected.**

System of internal control

We provide assurance on the adequacy of internal controls, including their operating effectiveness, based on the results of work completed during the year, in accordance with the programme approved by the audit committee. During our internal audits we performed procedures to gain an understanding about the design and implementation of specific controls including enquiries with the Authority's staff, observing the application of specific controls and inspecting documents and reports.



In assessing the level of assurance given, we have considered:

- internal audit work undertaken during 2015-16;
- management's progress in implementing internal audit recommendations reported prior to 2015-16, and matters arising from our previous reports to Authority, as appropriate; and
- the effects of any significant changes in the Authority's objectives or systems.

2015-16 Head of Internal Audit Opinion to Cairngorm National Park Authority ('Authority')

Basis of opinion for the period 1 April 2015 to 31 March 2016

Our internal audit service has been performed in accordance with KPMG's internal audit methodology which conforms to Public Sector Internal Audit Standards. As a result, our work and deliverables are not designed or intended to comply with the International Auditing and Assurance Standards Board (IAASB), International Framework for Assurance Engagements (IFAE) or International Standard on Assurance Engagements (ISAE) 3000. PSIAS require that we comply with applicable ethical requirements, including independence requirements, and that we plan and perform our work to obtain sufficient, appropriate evidence on which to base our conclusion.

Roles and responsibilities

The Board is collectively accountable for maintaining a sound system of internal control and is responsible for putting in place arrangements for gaining assurance about the effectiveness of that overall system.

The Annual Governance Statement (AGS) is an annual statement by the Accountable Officer, on behalf of the Board, setting out:

- how the individual responsibilities of the Accountable Officer are discharged with regard to maintaining a sound system of internal control that supports the achievement of policies, aims and objectives;
- the purpose of the system of internal control as evidenced by a description of the risk management and review processes, including the Assurance Framework process; and
- the conduct and results of the review of the effectiveness of the system of internal control including any disclosures of significant control failures together with assurances that actions are or will be taken where appropriate to address issues arising.

The Assurance Framework should bring together all of the evidence required to support the AGS.

The Head of Internal Audit (HoIA) is required to provide an annual opinion in accordance with Public Sector Internal Audit Standards, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes (i.e. the system of internal control). This is achieved through a risk-based programme of work, agreed with Management and approved by the Audit Committee, which can provide assurance, subject to the inherent limitations described below.

The purpose of our HoIA Opinion is to contribute to the assurances available to the Accountable Officer and the Board which underpin the Board's own assessment of the effectiveness of the system of internal control. This Opinion will in turn assist the Board in the completion of its AGS, and may also be taken into account by other regulators to inform their own conclusions.

The opinion does not imply that the HoIA has covered all risks and assurances relating to the organisation. The opinion is substantially derived from the conduct of risk-based plans generated from a robust and Management-led Assurance Framework. As such it is one component that the Board takes into account in making its AGS.

Internal audit opinion (continued)

Our opinion is set out as follows: Basis for the opinion; Overall Opinion and Commentary.

Basis for the opinion

The basis for forming our opinion is as follows:

- an assessment of the design and operation of the underpinning Assurance Framework and supporting processes; and
- an assessment of the range of individual assurances arising from our risk-based internal audit assignments that have been reported throughout the period. This assessment has taken account of the relative materiality of these areas.

Our Overall Opinion for the period 1 April 2015 to 31 March 2016 is that:

Significant (with minor improvements) assurance can be given on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

Commentary

The commentary below provides the context for our opinion and together with the opinion should be read in its entirety. Our opinion covers the period 1 April 2015 to 31 March 2016 inclusive, and is based on the eight audits that we completed in this year.

The design and operation of the Assurance Framework and associated processes

Overall our review found that the Assurance Framework in place is founded on a systematic risk management process and does provide appropriate assurance to the Board.

The Assurance Framework does reflect the organisation's key objectives and risks and is reviewed on a quarterly basis by the Audit Committee.

The range of individual opinions arising from risk-based audit assignments contained within our risk-based plan that have been reported throughout the year

We issued no reports with critical or high graded recommendations in respect of 2015-16 assignments.

We are issuing significant minor improvements assurance as the organisation is implementing the recommendations raised as a result of our work to address the issues identified, and actions are expected to be in place by 31 March 2016.

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Summary of internal audit activity in 2015-16

Over the course of our reviews we identified no 'critical' or 'high' graded recommendations.

All recommendations were graded either 'moderate' or 'low'.

In each of our reports we prepared an action plan highlighting the recommended action to be taken to address identified control weaknesses. Against each recommendation management has provided an action plan highlighting the action to be taken, the individual responsible for implementing the recommendation and the timeframe for completion.

2015-16 internal audit plan reference	Assignment	Assignment days	Status	Critical	High	Moderate	Low
				Recommendations			
2016.1	Cash generating income streams report	2	Complete	-	-	-	3
2016.2a	Post-implementation of records management and project management	2	Complete	-	-	1	1
2016.2b	Post-implementation of project management	2	Complete	-	-	2	-
2016.3	Planning processes and systems	4	Complete	-	-	2	5
2016.4	Workforce management and appraisals	4	Complete	-	-	1	-
2016.5	Complaints handling	4	Complete	-	-	2	2
2016.6	Controls risk self assessment	3	Complete	-	-	-	1
2016.7	Governance and new board members – roles and inductions	4	Complete	-	-	1	1
	Total	25		-	-	9	13

Summary of completed assignments 2015-16

We have summarised the findings of our internal audits undertaken during 2015-16.

We summarise below the findings of internal audits undertaken in line with the agreed 2015-16 internal audit plan.

Assignment	Areas of good practice	Areas for improvement	Opportunities to improve efficiency
Cash generating income streams report	<p>There are robust procedures to monitor income and expenditure against budget on a timely basis. Information is communicated effectively with management and operations teams.</p> <p>Communication is also extended to the finance committee on a semi-annual basis to communicate any expected over or under spending against budget.</p>	<p>No moderate graded findings were identified. We raised three 'low' risk graded recommendations:</p> <ul style="list-style-type: none"> ▪ as a result of testing the operating effectiveness of controls over a sample of cash receipts, it was identified that the functionality of raising invoices is not available on the version of SAGE used; ▪ the finance manager who authorises invoices is required to manually post the invoice. This gives rise to a risk of error over recording income; and ▪ a good level of uptake has been established in relation to associating businesses to the brand, however no commercial results have been achieved. 	<p>It is recognised that there is potential for income through donations from visitors on organised walks, use of the park for a wide range of outdoor activities and enjoyment of the natural heritage of the park. However no action has been taken to establish a mechanism of achieving that.</p> <p>In the period since our review, a charitable trust has been established as a key piece of the infrastructure to enable receipt and disbursement of such donations.</p> <p>Another potential for new income generation is through associating funding projects within the park as part of the corporate social responsibility activities of various companies.</p>

Summary of completed assignments 2015-16 (continued)

Assignment	Areas of good practice	Areas for improvement	Opportunities to improve efficiency
<p>Post-implementation of records management</p>	<p>Our review of the Authority's records management system showed that guidance has been followed and the new structure has largely been implemented effectively at the Authority. We reviewed the three recommendations noted in our 2014-15 review and found these to have been fully implemented.</p> <p>The training provides new joiners with concise information and informs staff that there are a number of policies relating to records management.</p> <p>The team approach to department specific aspects of the records management system enables employees to access knowledge in relation to their department processes.</p> <p>Full implementation of Phase 2 of the records management plan is on track.</p> <p>A proactive approach has been adopted to implement the draft business classification scheme.</p>	<p>We raised one new 'moderate' risk graded finding relating to a lack of formal review of the file structure related to the business classification schedule and retention schedule not yet being complete. We recommended that the schedules are completed and formally approved as soon as possible, to allow for reviews of the file structure to then be performed.</p> <p>We also raised one 'low' risk graded recommendation that management establishes a procedure whereby formal spot checks by the new joiner's line manager are performed during an initially agreed 'probationary period', to ensure that the documentation retained centrally adheres to the records management plan.</p>	<p>Our recommendations relate to the core elements of the controls expected and we did not raise any additional efficiency-specific recommendations.</p>

Summary of completed assignments 2015-16 (continued)

Assignment	Areas of good practice	Areas for improvement	Opportunities to improve efficiency
<p>Post-implementation of project management</p>	<p>The review of project management showed that the controls are designed effectively. The processes put in place throughout the framework are working to a high level and staff are reacting effectively to the changes within the system.</p> <p>The Project Management Process guidance issued to staff is user friendly and contains practical project management controls;</p> <p>The Project Management Process guidance contains hyperlinks to all of the relevant policies and documents required to facilitate a complete understanding of all projects and processes.</p> <p>At the project planning stage, a risk assessment is performed with risk ratings applied to the project risks. Risk ratings are influenced by project size and complexity. This exercise facilitates an efficient and tailored control environment to be designed and implemented to appropriately mitigate the risks identified.</p>	<p>We identified areas for improvement to consolidate the over-arching project management framework.</p> <p>We raised two 'moderate' graded risk recommendations relating to:</p> <ul style="list-style-type: none"> ▪ a lack of summary management information showing all projects, the controls identified for each and the status of implementation of these controls. Introducing a centrally stored project controls implementation tracker would enable senior management to efficiently assess the adequacy of the control environment. This assessment should be performed on a regular basis; and ▪ the inconsistency in approach to storage of project management documentation on shared servers. We recommended that the procedure to store all project related documentation on the shared server be reiterated by management to CNPA staff. 	<p>Our recommendation for summary management information on project management controls should provide the required assurance to senior management in a simple and efficient manner.</p> <p>Consistency in storage of project management documentation is also expected to reduce time spent searching for documents, as well as being essential to the process.</p>

Summary of completed assignments 2015-16 (continued)

Assignment	Areas of good practice	Areas for improvement	Opportunities to improve efficiency
<p>Planning processes and systems</p>	<p>The CNPA website contains extensive and detailed pre-application advice notes.</p> <p>Decision notices are issued on a timely basis, within seven days of the planning committee decision or on receipt of any signed agreements upon which the decision is contingent.</p> <p>There are robust governance structures and project management procedures, including the weekly update meeting held by the planning manager with each of the planning officer and the monthly review of live applications by the Director of Rural Development, Convenor and Vice Convenor of the Planning Committee.</p>	<p>We identified a number of areas for improvement. We raised two 'moderate' risk rated findings relating to:</p> <ul style="list-style-type: none"> ▪ the need for formal documentation within the pre-application process; and ▪ implementing a process of rolling benchmark analysis utilising appropriate comparators of previous years' information, to ensure that the most relevant benchmarking is used. <p>We raised five 'low' risk graded recommendations to:</p> <ul style="list-style-type: none"> ▪ updating pre-application advice notes on the website; ▪ incorporating 'enforcement' and 'development condition monitoring' modules into the planning process in the UNIFORM system and perform a cost-benefit analysis of the 'plan monitoring' module for potential implementation; ▪ updating target dates in the UNIFORM system on a regular basis; ▪ removing the unused 'action' column on the live application tracker; and ▪ identifying lead officers within the unit plan for all actions. 	<p>All recommendations raised are expected to improve efficiency.</p> <p>In particular, the incorporation of new modules into the planning process UNIFORM would be expected to reduce the administrative burden of working outside of this system, or duplicating work.</p> <p>The removal of the unused 'action' field within the live application tracker should reduce individuals taking up time on a task that is a duplication of actions recorded at meetings.</p>

Summary of completed assignments 2015-16 (continued)

Assignment	Areas of good practice	Areas for improvement	Opportunities to improve efficiency
<p>Workforce management and appraisals</p>	<p>Our review of the Authority's workforce management appraisal system has shown that staff are broadly aware of the strategic goals, linking them into the main strategic plan as set out by the Authority. The processes which have been put in place are generally working to a high level and staff are reacting well to the changes within the system.</p> <p>The new process focuses on the individual and enables each employee to set targets which they feel that they can achieve and goals which encourage them to be motivated and work towards.</p> <p>The appraisal records are kept confidential so that only the appraiser, appraisee and HR have access to the files.</p> <p>The strategic goals are cascaded effectively to employees of all levels within the Authority, through a variety of means.</p> <p>Some employees undergo monthly one-to-ones to ensure applicability of goals and in order to track their progress in achieving them.</p>	<p>We identified one 'moderate' risk-rated finding; we found a lack of evidence submitted to the appraiser as evidence of the appraisee's performance, with obtaining evidence to support employee performance not an explicit requirement within the appraisal process.</p> <p>We recommended that management establishes a procedure mandating the collation and presentation of evidence to support an employee's appraisal rating.</p>	<p>We did not raise any recommendations to improve efficiency as part of this review.</p>

Summary of completed assignments 2015-16 (continued)

Assignment	Areas of good practice	Areas for improvement	Opportunities to improve efficiency
Complaints handling	<p>The complaints policy is comprehensive and details examples of where a number of different responses may be applicable. The policy clearly defines the complaints and the channels of resolution available.</p> <p>The complaints log has examples of completed complaints for different types of complaints. This acts as a guide to staff when performing the recording of complaints</p>	<p>We identified two 'moderate' risk graded findings that required improvement relating to:</p> <ul style="list-style-type: none"> ▪ the need to maintain a complete complaint log with supporting documentation, with training and communications to ensure compliance; and ▪ introducing a standardised acknowledgement communication to be issued to stakeholders upon receipt of complaints, with reiteration of the 20 day deadline for resolution of complaints. <p>We also identified two 'low' risk graded recommendations relating to:</p> <ul style="list-style-type: none"> ▪ developing a formal timetable to review the complaints handling policy on an annual basis; and ▪ a process to introduce regular reporting of management information in relation to timeliness and appropriate resolution of complaints. 	<p>We identified a lack of timeliness in the Authority's response to complaints. Specifically, in our sample testing, we noted an inconsistency in the meeting of the three day complaint acknowledgement deadline and an inconsistency in responding to complaints within 20 days.</p> <p>By implementing the recommendations raised, this will enable the Authority to address complaints on a timely basis reducing the administrative burden over the period of the complaint.</p>

Summary of completed assignments 2015-16 (continued)

Assignment	Areas of good practice	Areas for improvement	Opportunities to improve efficiency
<p>Controls risk self assessment</p>	<p>Of the twelve financial control areas under review, eleven scored over 90%, the threshold used to indicate good practice.</p> <p>Payroll controls operate effectively following revisions to the controls from the prior internal audit review.</p> <p>Access to cash and banking facilities is restricted with only finance personnel having access to the banking facilities and cash and cheques are held in a safe.</p> <p>CNPA uses weekly payment runs effectively to pay invoices promptly and meet the Scottish Government target of 10 day payment of invoices.</p> <p>The management accounts are prepared for the year end with relevant back up reconciliation. This is reviewed by the Executive team.</p>	<p>We identified one 'low' risk graded finding in respect of the sales ledger to general ledger reconciliation. These are not performed via the SAGE module and copies are not retained.</p> <p>We recommended taking copies of the tracking spreadsheet in a non editable soft copy format to demonstrate consideration of any reconciling items.</p>	<p>The focus of this review was compliance with necessary financial controls. We did not identify any additional opportunities to improve efficiency throughout this review.</p>

Summary of completed assignments 2015-16 (continued)

Assignment	Areas of good practice	Areas for improvement	Opportunities to improve efficiency
<p>Governance and new board members – roles and inductions</p>	<p>The audit of the governance and board member engagement at CNPA showed that the arrangements and controls are appropriately designed and are operating effectively on the whole.</p> <p>Following the implementation of a more formal Board induction process, and a corresponding induction checklist it is now easier for inductees to complete the full course of training. There might still be minor unavoidable delays to the induction training because of the availability of places on external training courses.</p> <p>CNPA has tried to mitigate this by running training courses for members and staff together to help overcome this critical mass issue. Despite this professional training is always available for Board members.</p> <p>In terms of appraisals a new Convenor has been elected and has put in place a collective performance self-evaluation with the full Board. Having in place an appraisal system allows progress to be tracked and potential problem areas to be identified and mitigated.</p>	<p>One 'moderate' risk graded finding was noted related to the lack of appraisal process for board members at the Authority. It was recommended that regular appraisal processes should be implemented to identify areas of further development of the skills of board members.</p> <p>One 'low' risk graded recommendation was raised that the induction pack and checklist should be reviewed to ensure they are appropriately prioritised.</p>	<p>The areas for improvement are intended to enable more efficient and effective governance by board members across all areas.</p> <p>Appropriate induction and regular appraisal both contribute to an effective organisation.</p>

We recognise the importance of implementing a performance framework that allows stakeholders to measure the contribution from internal audit.

To monitor and demonstrate this, key performance indicators have been identified and are used to provide feedback, which is important to us and of value to you.

2015-16 performance summary

The table below summarises our performance against identified key performance indicators in 2015-16.

Key performance indicator	Target	Actual
Provision of service and planning		
The planned and actual outturn for the time employed on the audit of each review will not be greater than that within the annual plan, unless previously agreed with the Authority.	100%	100%
The Head of Internal Audit or Audit Senior Manager will attend all Audit Committee meetings.	100%	100%
Approach		
Audit terms of references will be agreed with management at least 15 working days before planned commencement of audit.	100%	100%
We will hold an opening meeting with relevant staff and management either prior to, or on, the first day of fieldwork.	100%	100%
We will agree with management the systems and control objectives of each Internal Audit scope prior to the commencement of our work.	100%	100%
We will hold an exit meeting to discuss the findings of our review with the relevant Authority staff and management either on the final day of onsite work or within two working days on receipt of final provision of all information.	100%	100%
Reporting		
Draft reports will be issued within two weeks of exit meeting and final provision of information.	100%	100%
Management responses will be received within two weeks of the draft report being issued.	100%	100%
Final reports will be issued within two weeks of receipt of management responses.	100%	100%
Finalisation of the annual internal audit report by 30 June 2016.	100%	100%

Performance of internal audit (continued)

Compliance with standards

Based upon our ongoing assignment and client review processes, our internal audit service has complied with Public Sector Internal Audit Standards.

Quality control

Our aim is to provide a service that not only meets the Authority's needs but also maintains consistently high standards. This is achieved through the following internal processes:

- Preparation of a detailed audit plan which is agreed by management and the Audit Committee for approval.
- Regular review of progress against the plan to ensure we are delivering the work we have promised. In 2015-16 we completed all audit work as required.
- A tailored audit approach using a defined methodology and assignment control documentation which is subject to KPMG's review protocol.
- The use of qualified, highly trained and experienced staff.
- Monitoring of performance against targets.
- The review of all audit files and reports by Andy Shaw (Director) and Matthew Swann (Senior Manager)
- Reviews of a random sample of files by staff from other offices within the firm to ensure they comply with KPMG's standards of technical excellence and client service.

Staffing

We recognise that the Authority wishes to see its internal audit service make a positive contribution and as a consequence, this requires a high level of experienced and qualified staff to bring appropriate levels of expertise. We have detailed below the senior members of the audit team who have delivered this work in 2015-16:

- Matt Swann – senior manager in our central belt audit practice, specialising in public sector and several years experience with CNPA; and
- Rishi Sood – assistant manager with considerable internal audit experience and knowledge of CNPA.

Liaison with External Audit

Aspects of our work are reviewed by your external auditor, Audit Scotland, to assess the extent to which they can place reliance on it. We proactively agreed an Audit Protocol with Audit Scotland, setting out the work that we would perform upon which it could place reliance. The results of this are reported to you by Audit Scotland.

Appendix

Classification of internal audit findings

The following framework for internal audit ratings has been developed and agreed with management for prioritising internal audit findings according to their relative significance depending on their impact to the process.

Rating	Definition	Examples of business impact	Action required
Critical	Issue represents a control weakness, which could cause or is causing severe disruption of the process or severe adverse effect on the ability to achieve process objectives.	<ul style="list-style-type: none"> ■ Potential financial impact of more than £400,000. ■ Detrimental impact on operations or functions. ■ Sustained, serious loss in brand value. ■ Going concern of the organisation becomes an issue. ■ Decrease in the public's confidence in the Authority. ■ Major decline in service/product delivery, value and/or quality recognised by students and customers. ■ Contractual non-compliance or breach of legislation or regulation with litigation or prosecution and/or penalty. ■ Life threatening. 	<ul style="list-style-type: none"> ■ Requires immediate notification to the audit and compliance committee. ■ Requires executive management attention. ■ Requires interim action within 7-10 days, followed by a detailed plan of action to be put in place within 30 days with an expected resolution date and a substantial improvement within 90 days. ■ Separately reported to chairman of the audit and compliance committee and executive summary of report.
High	Issue represents a control weakness, which could have or is having major adverse effect on the ability to achieve process objectives.	<ul style="list-style-type: none"> ■ Potential financial impact of between £200,000 to £400,000. ■ Major impact on operations or functions. ■ Serious diminution in brand value and/or market share ■ Probable decrease in the public's confidence in the Authority. ■ Significant decline in service/product delivery, value and/or quality recognised by students and customers. ■ Contractual non-compliance or breach of legislation or regulation with probable litigation or prosecution and/or penalty. ■ Extensive injuries. 	<ul style="list-style-type: none"> ■ Requires prompt management action. ■ Requires executive management attention. ■ Requires a detailed plan of action to be put in place within 60 days with an expected resolution date and a substantial improvement within 3-6 months. ■ Reported in executive summary of report.

Classification of internal audit findings (continued)

Rating	Definition	Examples of business impact	Action required
Moderate	Issue represents a control weakness, which could have or is having significant adverse effect on the ability to achieve process objectives.	<ul style="list-style-type: none"> ■ Potential financial impact of between £50,000 to £200,000. ■ Moderate impact on operations or functions. ■ Brand value and/or market share will be affected in the short-term. ■ Possible decrease in the public's confidence in the Authority. ■ Moderate decline in service/product delivery, value and/or quality recognised by students and customers. ■ Contractual non-compliance or breach of legislation or regulation with threat of litigation or prosecution and/or penalty. ■ Medical treatment required. 	<ul style="list-style-type: none"> ■ Requires short-term management action. ■ Requires general management attention. ■ Requires a detailed plan of action to be put in place within 90 days with an expected resolution date and a substantial improvement within 6-9 months. ■ Reported in executive summary of report.
Low	Issue represents a minor control weakness, with minimal but reportable impact on the ability to achieve process objectives.	<ul style="list-style-type: none"> ■ Potential financial impact of less than £50,000. ■ Minor impact on internal business only. ■ Minor potential impact on brand value and market share. ■ Should not decrease the public's confidence in the Authority. ■ Minimal decline in service/product delivery, value and/or quality recognised by students and customers. ■ Contractual non-compliance or breach of legislation or regulation with unlikely litigation or prosecution and/or penalty. ■ First aid treatment. 	<ul style="list-style-type: none"> ■ Requires management action within a reasonable time period. ■ Requires process manager attention. ■ Timeframe for action is subject to competing priorities and cost/benefit analysis, eg. 9-12 months. ■ Reported in detailed findings in report.



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