



ORS Audit & Risk Manual

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Introduction

The purpose of the audit and risk manual is to inform, direct, guide and train.

Managers at all levels within the Agency need to seek assurance that the processes and measures put in place to ensure objectives are achieved and risks managed, are working as intended. One of the primary sources of this assurance comes from audits and checks conducted at a local level. With limited resources it is not possible or even desirable to check 100% of the work and so managers should audit a sample of work, concentrating on the key risk areas. The results of audits should inform the Official Receiver about how well the processes are working, how well individual members of staff understand the processes and what improvements can be made. The results of the audit work, and the remedial action taken show that controls are in place and are effective in managing risk and contribute to the achievement of objectives. This assurance is required for the completion of the Audit and Assurance section of the Annual Governance Statement, which is submitted to the permanent secretary in BEIS.

Quite simply it is best management practice, it is about knowing what goes on in your office, how to capitalise on best practice and how to recognise when things are going wrong and what to do about it.

Governance reporting

It is a requirement of Central Government that each Department makes a statement on governance, risk management and internal control in its annual report and accounts that is signed off by the Chief Executive.

The Chief Executive provides the Permanent Secretary in BEIS with a Governance Statement on behalf of the Insolvency Service, which draws from the statements produced by each director.

Therefore, the OR provides assurance to the Official Receiver Services (ORS) Director, who provides assurance to the Chief Executive, who in turn provides assurance to the Permanent Secretary.

In line with other directorates, the Audit and Risk Team (ART) provide the Chief Operating Officer with a quarterly governance report. The ORS Senior Leadership Team also receives a copy of the report.

The audit data is extracted from each local audit plan in wisdom on a quarterly basis, in this financial year it will be the 5th of July, 4th October, 10th January, and 4th April. Audits are reviewed by ART for quality and consistency, and the percentage of audits completed by each OR are recorded in the quarterly report along with an overall ORS auditing compliance status. Red (and some amber) audits are followed up by the ART to ensure action is being taken to mitigate risks identified, and lessons learnt are

shared. In addition, the report includes a comparison with the ORs' self-assessments regarding risk and audit.

The audit regime

The basis of a good audit regime is communication. Audit work carried out in isolation is of limited benefit. The purpose of the audit work is not only to test that the controls are in place, and they are being operated efficiently and effectively, but also to find areas of weakness so that they can be improved. The culture in the office needs to encourage the identification of errors and mistakes as being the most effective method of learning and bringing about continuous improvement. This will be most effective where the findings, recommendations and outcomes are openly discussed in the office and members of staff are encouraged to bring weaknesses to the attention of management.

Fraud and Error

In cases of fraud against Government, 41% happened because people were not following the proper processes that would have blocked the fraudster, which shows how important it is for us all to follow the controls we have in place. If you think there's a problem with a policy or process that could expose us to a fraud contact the Counter Fraud Officer [REDACTED]

For further information see the [Counter Fraud and Response Guidance](#) and the [Error Reporting Guidance](#)

The difference between fraud and error lies in the intention. Errors are acts of unintentional mistake or negligence.

Financial transaction processing errors over £1,000 relating to:

- Payments to the wrong party
- Duplicate payments
- Overpayments

Must be reported directly to Corporate Governance:

corporate.governance@insolvency.gov.uk

All errors, particularly errors resulting in financial loss, must be reported to SOR.Operations@insolvency.gov.uk

Roles

Three Lines of Defence

In ORS, responsibilities for risk management are divided into three, with the three lines of defence model explaining the relationship between the functions:

First line – Official Receiver (OR) – It is part of the management role to identify and monitor the risks facing the office and to understand how they will impact the delivery of objectives if they are not managed effectively.

Second line – Audit & Risk Team (ART) – Monitors and determines how effectively the first line is operating and supports the first line to manage risk and compliance, including carrying out Tier 2 audits in ORS.

Third line – Corporate Governance/GIAA - Provides independent and objective assurance with respect to the integrity and effectiveness of the risk management framework and has the overview over all directorates.

The Role of the Official Receiver (OR) and local management team

In view of the amount of audit work to be carried out in an office it is realistic for that work to be shared between the management team. By knowing their members of staff, managers are best placed to determine, in consultation with the Official Receiver and their colleagues, the level of auditing required. Delegating audit work does not preclude the Official Receiver from carrying out audits and this may be necessary where DORs or other managers are involved in the process to be audited. The amount of auditing undertaken by the Official Receiver is a matter for the Official Receiver to determine based on the knowledge and experience of the management team.

The Official Receiver is responsible for ensuring that the office audit plan is carried out on time, and to a good standard. If the Official Receiver and their management team is unable to carry out the audits scheduled, for example due to lack of resource, consideration should be given to offer auditing as a developmental opportunity to non-managerial staff, and staff in other offices. Inability to carry out the mandatory audit plan must be discussed and agreed with the Assistant Director of Operations, and the ART should be informed.

The Official Receiver provides a central point to co-ordinate the audit work supported by the Senior Coordinator. The Official Receiver will review the summary of audit findings completed by the managers to identify any trends that individual managers may not be able to see from their own area of work. The Official Receiver is responsible for ensuring that any weaknesses identified are sufficiently addressed, and that controls have been implemented to ensure that problems do not reoccur. The OR may also carry out audit work to ensure remedial action taken has had the necessary effect or re-perform the audit if they have any concerns the audits have not

been carried out correctly. The ART are happy to support the Official Receiver by providing training and guidance on request.

The Official Receiver must promote and engender accountability and responsibility in every member of staff. This cannot be achieved where a 'blame culture' is prevalent. Staff must be encouraged to take sensible and well-judged risks, within set parameters according to their role, and not to be criticised the first time a mistake is made. An occasional error is inevitable, a pattern of error, repeated by the same person or in the same way is not acceptable. Proper and managed application of audit practice and risk management techniques should minimise the possibility of this.

Offices need to be consistent in what they must do but have leeway to do more if they consider it necessary to do so, but not less. Official Receivers are encouraged to add additional local audits to their audit plan.

The Official Receiver is also responsible for reporting and escalating risk information, e.g., are there any risks that need to be escalated to senior management?

Finally, it should not be forgotten that governance is not just about finding fault, it is about recognising, sharing, and rewarding best practice.

The Role of the Senior Coordinator (SCO)

The role of the Senior Coordinator is to support the Official Receiver and under their direction monitor the completion of the audit work by driving the process forward and updating both the audit plan/summary of findings and the risk register. It is likely that they will conduct some audit work themselves in a supportive role but must ensure that they are not auditing their own work.

The Role of the Assistant Director of Operations

The Assistant Director of Operations will discuss the audit programme with the OR as part of the performance management process. They will be able to determine whether the issues found in an office indicate any national trends or emerging risks, and resource issues should be discussed. They should ensure that throughout the year, the Official Receiver is undertaking work that will enable the annual governance statement to be signed off.

The Assistant Director of Operations may also request the ART to carry out audits if deemed beneficial.

The Assistant Director of Operations will be kept informed of progress and any issues arising in the form of the quarterly governance report issued by the ART.

The Role of the Audit and Risk Team (ART)

The role of the ART is to provide independent and objective assurance to the Director of Official Receiver Services on the effectiveness of local Official Receivers' office controls and local audit regimes, to identify key risks facing Official Receiver Services, and to identify any areas of best practice that can be shared. The ART further aims to add value and support the Director of ORS in providing effective control and identifying opportunities for improvement.

The ART will contribute to the effectiveness of the Director of ORS' Governance Statement and provide on-going assurance to senior management on the integrity, effectiveness, and operation of Official Receivers' control systems.

The ART also liaises with the Corporate Governance team to ensure that our work is consistent with and adds value to the Service's overall assurance regime.

Audit Plan

At the beginning of the year each OR will produce a business plan and a risk register. Mandatory audits cover the key risks, but locally identified risks should be added to the audit plan. New audits can be added to the plan during the year in line with the risk register. The plan sets out what audit work is to be carried out and when. When drawing up the audit plan, all the processes being carried out in the office regardless of the associated risk should be considered. It is important not to lose sight of the lower risk work as processes that are not audited may become high-risk areas.

It is essential that audits are carried out in accordance with the audit plan, regarding both frequency and timing. The audit templates should be fully and comprehensively completed, so it will be easy to see what has been completed and what is outstanding.

It should be noted that the audit plan does not cover every area of every process in the office. Audit is only one form of control, albeit a very important one, amongst several to be utilised. Assurance checks are another important part of the control environment.

Summary of Audit Findings

The summary of findings is a record and summary of all audits carried out. It provides guidance on the population and sample and audit objectives; and records the auditor, details of the sample used, summary of findings, risk indicator (RAYG) and rationale, feedback, action taken to remedy case specific issues and to prevent recurrence of errors. The results of the audit work should be reviewed to determine whether there are any areas of concern that require further attention to ensure that any remedial action has had the desired effect. If the same problems keep reoccurring the root cause has not been addressed.

In the summary of findings sheet all audit information is in one place, which makes it easier to spot trends, and provides continuity between audits.

Audit Logs

Audit logs have been devised to facilitate consistent and quality auditing which will help to provide accurate auditing data and will facilitate Tier 2 auditing activity and reporting.

There are audit logs for each mandatory audit topic, with the exception of Health & Safety (H&S). The teams that are required to complete a quarterly H&S checklist and return have to summarise the findings and give a RAYG rating.

Audits should be in enough depth to provide the necessary assurance that the controls in place are effectively and efficiently managing the risk. The logs are based on processes and controls and contain the minimum that should be audited, but extra steps should be added as deemed necessary.

Mandatory audits will not be accepted if the logs have not been completed.

Auditing Against the Standards

When a manager audits a particular area of work or process it is necessary for them to understand what the required standard is in order to determine whether it has been carried out correctly. The [Guidance for Official Receivers](#) includes operational aspects of carrying out liquidator/trustee and other Official Receiver functions, with links to technical and legislative guidance. It may be appropriate in some circumstances to deviate from the guidance but any managed departures from the guidance should be recorded on the electronic case file along with the reasoning.

Feedback

It is imperative that feedback is provided to the members of staff who carried out the original work. This should include positive feedback where the work has been done well. If the work does not meet the standard and areas of weakness have been identified, it should be discussed with the member of staff concerned. The purpose of the discussion is to identify whether the problem is because the member of staff just made a mistake or did not understand the process well enough to avoid the problem, or whether the problem is with the process. It is important for the manager to get to the root cause of the problem. By getting down to the fundamental reason, the manager will be able to determine the action necessary to avoid this problem happening again.

Recording of Audit Work

All audit work should be recorded in the audit logs, plan and summary of findings and saved in Wisdom.

The findings, recommendations and remedial action should be recorded on the summary of findings. The audits should be discussed by the management team at their monthly management meeting, and then cascaded to the teams in the normal feedback cycle. The Official Receiver should then test and evaluate the effectiveness of any action taken in a subsequent audit to establish if the process is working effectively and efficiently.

There are two reasons why the recording of audit work is essential.

1. Local Needs

One person carries out the audit work, but the results of that audit work are likely to be shared with many members of staff. The accurate recording of audit work undertaken, the findings, any recommendations and any remedial action taken will enable the effective sharing of that information. The use of the audit summary of findings to collate this information will also assist the Official Receiver in determining whether there are any trends and whether lessons have been learned.

2. Central Needs

The ART are required to monitor and test the ORS audit regime and report to the Director and the ORS Senior Leaders and the agency Chief Operating Officer. In addition, the Agency needs to demonstrate to our stakeholders that it has an effective system of corporate governance, and the audit regime is a key element. The National Audit Office (NAO), BEIS Internal Audit, Government Internal Audit Agency (GIAA) and Corporate Governance Section can all require the production of evidence of what audit work has been carried out and how that information has been utilised to improve the system of corporate governance within the office. Records of audit work will also assist with the completion of the annual governance statement.

Summary

The bottom line for audit work is that it should improve management information and enable managers to manage their office more efficiently and effectively. Managers should consider the quality of the audit and if they feel that they have not gained any benefit from the audit work undertaken they need to consider why that is and how it can be modified to bring out the benefits. Have the best samples been selected with the best range of attributes? Have enough samples been selected? The ART has no objection to ORs adding steps to the audit logs if they feel it would assist them to get more out of the audit process and any suggestions for improvement are welcome.

Auditing – Detailed Guidance

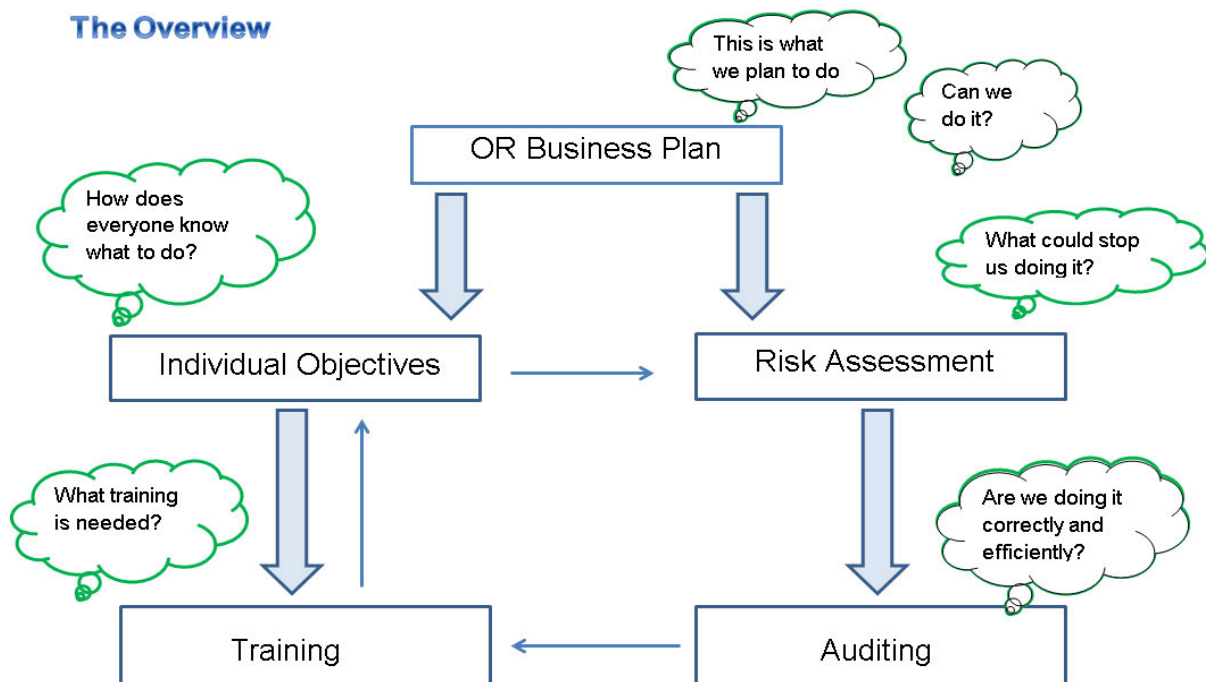
In summary, the audit cycle is as follows:

- Establish objectives
- Identify weaknesses and risks to meeting those objectives
- Carry out effective audits
- Feedback the findings
- Share best practice
- Take action to remedy any weakness or apply lessons learnt
- Reassess the risk, and if necessary, carryout a follow up audit

Objectives

Firstly, you must establish your objectives. The objectives are what you plan to achieve.

Objectives derive from the corporate plan into the directorate plan and then to the local business plan. The risks to achieving business objectives must be assessed. You can't check everything, so you assess and audit your risk areas.



Risk

Detailed Corporate Governance risk guidance can be found on the intranet - [Risk Management](#)

Topics covered are:

- Risk Identification and Assessment

- Risk Treatment
- Risk Monitoring
- Risk Reporting
- Risk Opportunity

In addition, there are very helpful [training videos](#) on:

- Risk Management Overview
- Risk Descriptions
- Inherent and Residual risk
- Risk Appetite

ART have also produced an aide memoire which provides an overview of the risk process, including risk register reviews.

The Chartered Institute of Internal Auditors' (CIIA) definition of risk is “the possibility of an event occurring that could have an impact on the achievement of objectives, measured in terms of impact and likelihood”. This means something that will stop you doing your job if it were to happen.

Risk Management is “a process to identify, assess, manage and control potential events or situations to provide reasonable assurance regarding the achievement of the organisation’s objectives”. This means taking action to reduce the risk of something happening which stops you doing your job and achieving your business objectives.

The OR is responsible for identifying tangible risks that might threaten the achievement of the business objectives they are responsible for. There is increased likelihood of risk whenever there is something new or when there is change.

Risk register

Once you have established what your risks are, the best way to help assess, record, and monitor them is by using a risk register. It is the risks that are important, the register is simply the tool for recording risks. The risk register template will guide you through the process.

It is appropriate that the risk register be devised in conjunction with drafting the office business plan as both focus on objectives and how resources will be utilised.

It is the responsibility of each Official Receiver to ensure that the register is reviewed at least every quarter year and whenever there is any significant change in office processes, staffing or circumstances. A new version of each updated register should be uploaded to wisdom every time it is reviewed, and the date should be recorded

correctly. When reviewing the register, clear and concise notes should also be undertaken to act as a record of what changes have been made. These should also be uploaded to wisdom.

When drafting or reviewing the risk register, things to consider are:

1. Have the office's objectives changed?
2. Have the office's processes changed?
3. Have the risks changed?
4. Has the control environment changed?
5. Have controls been effective in managing risk?
6. What evidence is there that controls have been effective?
7. Are there too many controls?
8. Are controls cost/resource effective?
9. Are the risks linked to business objectives?

If circumstances change, or current controls are not seen to be effectively managing a risk, you may need to consider escalating it to a higher level.

Possible reasons for escalation:

- 1) Local office has imposed all controls it can, and the risk is still outside appetite
- 2) Risk is material to the directorate as a whole and is unmanaged (i.e., risk to a certain class of assets)

If you feel that a risk should be escalated, you should email ART with details of the risk, what controls have been implemented and reasons for escalation. ART will review the risk and determine whether it should be raised at the next ORS directorate risk register meeting.

Risk statements

Risks should be clearly described (in a risk statement) so that individuals understand the nature of the risk and the business impact. Risks should have a clear structure by including a cause (threat), event (occurrence) and effect (consequences), linked by a phrase such as 'leads to', 'causing', or 'results in'.

If actions are required to mitigate the risk, this structure helps focus those actions on making the risk less likely to happen and /or reducing the impact if it did. For example, it helps to focus on controls that reduce the cause of a risk or that reduce the impact of a risk if it materialised.

It is important to clearly describe the risk to achieving your business objectives. A common issue is that risk descriptions are written as the opposite of objectives or as a failed control. Ask, 'So what?' of everything listed as a risk. Unless you can explain

how this specific failure leads to operational, reputational, or financial risk, you won't be able to make a case for it as a business risk.

Controls

The response to risk is to implement a control. A control is “Any action taken by management to manage risk and increase the likelihood that objectives and goals will be achieved.” This means “something that has been put in place to prevent something from going wrong.” We try to stop things going wrong by having policies and procedures, such as corporate and exception reporting, segregation of duties, complaints system, security passes, training, and operational guidance. Audits and management checks help to detect when things have gone wrong.

We then have to assess the effectiveness of current controls and identify additional controls if necessary. When reviewing risks, it is important to check whether the controls are still relevant and still effective.

The link between risks and audits

You will want to monitor the risks you have identified and recorded in your risk register so that you can check to see if they are under control, getting worse, or improving. Audits are a form of control; however, it may not be the most appropriate method of monitoring all risks. There are other methods of providing assurance such as reviewing performance data, reviewing complaints etc.

The audit regime covers the key risk areas but ORs are encouraged to undertake additional local audits if risks are not covered by mandatory audits. Where appropriate, you should add any local risks to your audit plan you will have evidence from your audits to decide on the status of your risks when you next review your risk register.

Mandatory audits

Mandatory audits consist of fundamental and high key risk areas: Receipts; Payments; Valuables; Assets; Insurance; Investigation; Non-compliance; Accounting Records; Health & Safety; Security; Distributions; Conduct Assessment PTA, and Annulments/Rescissions. In addition, centralised functions have their own audit regimes based on their key risks. Audit topics may change over time subject to emerging and reduced risks.

The audit regime

The audit regime spreadsheet contains the audit plan, summary of findings, record of assurance checks, and ART feedback to ORs. Audit evidence is recorded in a series of audit logs.

The audit plan is pre-populated with the mandatory audit topics, and the frequency they must be carried out. The Official Receiver and local management team must decide who is going to undertake each audit, making sure to adhere to the frequency

stipulated. An 'X' indicates when an audit is due to be undertaken or where it has not been completed. As each audit is completed, the plan is automatically updated with the RAYG rating recorded in the summary of findings. Where there is no sample to audit the 'No Sample' option should be selected on the summary of findings. If an audit has not been completed the 'X' should remain in place to show that it is outstanding.

Locally identified risks and process and compliance audits should be added to the plan. New and emerging risk areas should be added throughout the year. The plan should be flexible and will need to be regularly monitored due to a number of factors such as changes in procedures or new risks. The audit plan should be realistic and achievable. There is no point in planning audits you know you cannot achieve. As the second line of defence the ART will also regularly review your audit plan to monitor your audit activity.

The summary of findings, including feedback and action taken, is an overview of the current auditing status captured all in one place. This is the place to record action required to address any weaknesses found and to stop the problem from reoccurring. Remember to update the summary of findings when intended action has actually taken place, otherwise the ART will need to contact you to ask you to update it.

Assurance checks

Although they do not form part of the audit plan, assurance checks are an important part of assurance and are recorded and monitored on the Assurance Log and the Assurance checks tab next to the audit plan. Assurance checks are not recorded on the summary of findings tab but are given a RAYG rating. Documents supporting management checks should be saved in the 'Assurance Checks' folder in wisdom.

ART Feedback

ART review all audit logs and audit regime documents every quarter and provide feedback to ORs via the feedback tab on the audit regime spreadsheet. Issues identified in ART subject audits are also recorded on the feedback sheet.

Audit logs have been devised to facilitate consistent and quality auditing which will help to provide accurate auditing data and will facilitate Tier 2 auditing activity and reporting. There are two audit logs, Financial & General and Casework, and an Assurance log. Logs are in the form of spreadsheets with headed columns of the steps to be tested in each audit process. The logs contain the minimum that should be audited, but additions can be made to any audit as required.

More detailed information regarding completion of audit logs can be found in the Audit Log Guidance.

To summarise:

1. Identify risks to meeting your key objectives

2. Devise an audit plan (mandatory audit topics provided)
3. Carry out audits using the relevant log
4. Update summary of findings

The audit and assurance logs, audit plan and summary of findings, backed up by any audit documents, are evidence of the control environment.

So, what's the point in auditing? Auditing helps us to:

- Meet objectives
- Identify and reduce risk
- Test compliance with guidance and legislation
- Identify best practice
- Make efficient use of resources
- Safeguard assets
- Helps us to improve

Auditing is not an 'extra' activity, it is a fundamental part of a manager's role to control and drive performance to help ensure your team's success.

As the Official Receiver is responsible and accountable for their office(s), the audit regime should provide assurance to them that processes are operating effectively.

How to undertake an audit

First of all, take time to think about what you are trying to achieve. This is important, as this will help you to focus and help you to choose the best sample to audit. Then,

1. Set out the steps of the process to be audited (the audit logs set out the key steps of the process for mandatory audits)
2. Decide on a sample of cases (corporate reports are used for most audits)
3. Test the cases against the process and the controls
4. Analyse the information
5. Record the findings
6. Feedback the findings
7. Take action to remedy weaknesses and stop them reoccurring

Audit sampling

With ever increasing pressure on managers, it is no longer possible or even desirable to check 100% of the work (except for cash) and so the manager should audit a sample of work.

The casework logs show which corporate report to run in order to obtain a population of data from which to select a sample for each audit. The population is usually obtained from corporate reporting, e.g., a list of cases or assets.

There is no definitive guide as to the size of sample necessary for each audit. The purpose of an audit is to test the process to make sure that the internal controls in place are working and to ensure that members of staff are carrying out the work correctly. The sample will generally include a mix of cases/assets administered by experienced members of staff, new members of staff and members of staff who might need additional support. The sample should also contain the attributes required to test that the whole process is effective.

Sampling provides factual evidence and a reasonable basis to draw conclusions about a sample drawn from a population of data. The population is the entire set of data you wish to sample in order to reach a conclusion. The evidence should be sufficient, reliable, relevant, and useful in order to achieve the audit objectives.

- Reliable - the information is the best attainable information.
- Relevant - the information supports audit findings and recommendations and is consistent with the audit objectives.
- Useful - the information helps provide assurance that the service will meet its objectives.
- Sufficient - the information is factual, adequate, and convincing so that a prudent, informed person would reach the same conclusions as the auditor.

When selecting a sample to audit think about what you are trying to achieve.

There are different methods of sampling, some of which are:

- Simple random sampling – every item has an equal chance of selection
- Judgemental sampling – using your knowledge and experience
- Attribute sampling – select items with particular characteristics
- Discovery sampling – add more types of cases to the original sample depending on your findings
- Monetary unit sampling – samples drawn in proportion to their size giving higher chance of selection to larger items.

Attribute sampling is typically used for testing casework, or a combination of attribute and judgemental sampling. Random sampling is sometimes appropriate, but generally we want to be a bit smarter than that.

When deciding on an audit sample, you should consider the specific audit objectives, the nature of the population, and the sampling and selection methods.

Think about what you are trying to establish, what types of cases/assets you should look at, and what sample of cases/assets would give you the best chance of finding out if guidance is being followed and controls are satisfactory.

There is no hard and fast rule in the sample size, and although we do not base a sample on percentage alone, you need to audit enough cases/assets to gain an informed opinion. However, it is considered that there is generally no added value in auditing more than 30 cases. It is not the size of the sample that is important, more the attributes of the sample. Whoever is doing the audit should choose the sample.

Testing

Test each sample against the guidance and controls. This highlights how the system *actually* operates and provides factual evidence. Forms of testing include documentary analysis (ECF), scrutiny of ISCIS, interview/observation, calculation and analysis, etc.

Consider what you are trying to achieve, and what should be included in the audit to provide the best assurance that risks are being controlled. Is the audit adding value, does the audit help to identify and rectify weaknesses in the process, does the audit help to ensure that errors found will not reoccur?

Ask yourself, 'how does this audit provide assurance?'

Analysing the findings

If you find something is wrong, you need to establish why it is wrong and you will need to think about how the problem can be remedied.

A technique for finding the reasons why the problem occurred is through root cause analysis (RCA): Ask "Why?" until you get to the root of the problem. (The 5 why's)

Typically, you may find things like:

- Guidance hasn't been followed
- Information in ISCIS is missing or wrong
- No evidence that documents or correspondence have been issued
- Timeliness targets not met
- No audit trail
- Unable to establish what has happened
- Calculations are wrong
- Long delays

The reasons for these errors need to be established so they do not continue to occur. The reasons could be things such as:

- Human error
- Staff unaware or don't understand the guidance or process
- Guidance/process wrong
- Training need
- Cutting corners
- ISCIS problem

Summarising

Once you have analysed the evidence you need to collate, summarise and record your findings on the summary of findings tab where you also record action required (if any), training needs, feedback and follow up action.

Where departures from standards are made, they **must** be recorded and when completing the audit forms a decision will need to be taken as to whether that deviation from standard was appropriate, given the circumstances of the case and of the office at that time.

RAYG assessment (Red, Amber, Yellow, Green)

Each audit undertaken must have a RAYG assessment. A RAYG scoring system is a simple, clear, and visual way of providing a status assessment that creates focus for improvement. The classifications we use are the same as the Government Internal Audit Agency (GIAA).

There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail .	UNSATISFACTORY
There are significant weaknesses in the framework of governance, risk management and control such that it could be or could become inadequate and ineffective .	LIMITED
Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.	MODERATE
The framework of governance, risk management and control is adequate and effective .	SUBSTANTIAL

Record keeping in wisdom

Risk registers and audit templates must be filed in Wisdom which has limited functionality to display earlier versions. Only one version of the audit regime should be maintained, but a separate risk register should be saved each time it is reviewed.

The audit folders in Wisdom have been designed to help you to upload audits in an organised way. If the audit templates are not completed the ART assume the audits have not been done.

The folders are found at [Governance>Audits>Local issues>Year](#)

No additional folders should be created.

As a guide on what we expect each folder to contain:

- Financial – Financial/General log, receipts, payments, valuables, security, H&S audit evidence/documents/feedback
- Casework – Casework log, casework audit evidence/documents/feedback
- General - Audit regime spreadsheet, audit log guidance, audit manual
- Assurance checks – Assurance checks log and any assurance checks you wish to record and keep track of, for example, exception reports.

Documents saved in the wisdom folders must be given a good title, so they are easily identifiable. A good way of doing this is by remembering the SAD guidance (Subject, Action and Date) e.g., Credit balance audit May 2023.

Routine assurance checks are absolutely necessary and do form part of the assurance regime, but do not need to be included in the audit plan. Mandatory assurance checks should be recorded on the assurance checks log and the assurance checks tab of the audit regime.

Feedback of findings

There is no point in doing an audit unless you take the necessary remedial action to correct weaknesses and feedback the findings constructively. Otherwise, nothing will improve or change, and the same mistakes will be made again as the risk/weakness will still be present. Feedback should be recorded on the summary of findings. Positive feedback inspires a sense of job satisfaction, engagement, and encouragement and reinforces continuous improvement.

Audits should be a standard agenda item at meetings, and findings should be discussed, and RAYG ratings reviewed to ensure they are fair and consistent. The audit schedule should also be reviewed and progress to date discussed.

Follow up

Red and amber audits should be followed up within a reasonable time depending on the findings and action to be put in place. The summary of findings must be updated with action taken, and the ART will monitor follow-ups.

Tier 2

The ART use the audit data recorded by each office for monitoring, analysis, and reporting purposes.

To ensure the standard and quality of auditing and associated reporting is accurate, consistent, and of good quality, the ART check that:

- Audits have been scheduled appropriately and at the correct frequency
- Audits have been carried out as per the plan
- The relevant audit logs have been completed
- Entries on the audit plan correspond with the entries on the audit summary of findings
- The audit summary of findings is fully completed
- Appropriate locally identified risks have been included in audit plans
- Action has been taken to mitigate the risks of all audits rated as red

The ART regularly review all audits carried out by each office to establish if the local RAYG assessment is correct, the sample is adequate, and the audit has been carried out to the required standard. Mandatory financial checks are also monitored. Findings are fed back to ORs as appropriate using the feedback spreadsheet located on the audit regime spreadsheet.

The local audit regimes will inform the ART audit plan, which includes office audit visits and themed audits, and findings and actions taken will be reported to senior management on a quarterly basis.

FAQs

Do I have to use the audit log?

Yes, the audit logs must be used. You can add additional steps to the log, but you must not delete any. The audit will not be accepted for reporting purposes if the relevant log is not used.

Can I add extra audits to the plan?

Yes, ORs are encouraged to add locally identified risks, and process and compliance audits to their plan.

What if I cannot complete the audits scheduled?

The OR must agree any non-completion of mandatory audits with the Assistant Director of Operations and the ART should be informed.

Do I have to complete a summary form?

ART do not require a summary form to be completed as a summary of each audit must be recorded on the audit summary of findings spreadsheet. However, the OR will decide if they require you to complete a summary form in addition to the spreadsheet.

Why have ART recommended a RAYG rating be changed?

ART does not define exactly how to arrive at an overall rating as this would be too prescriptive, but [guidance](#) is provided in this document (Audit Manual page 18); it is also in the Audit Log Guidance document, and on the audit regime spreadsheet.

Where individual samples are RAYG rated by the auditor, it is not necessarily the case that a majority of green ratings make an overall green audit. For example, if most of the sample is green with one red, the overall rating would depend on how serious the red issue was. Loss of a high value asset may push the overall rating into red, or issues on a few samples may warrant an overall amber rating, despite the majority of the sample being rated green.

The RAYG comes down to the judgement of the individual auditor. There will always be borderline cases, with ART retaining the final say.

Before challenging any ratings ART discuss and agree whether the RAYG rating is correct based on the local office findings. Some are borderline and generally ART only challenge where it is clear the RAYG rating is wrong or inconsistent with other audits. ART has oversight of all offices, so have a greater sense for what the benchmark RAYG rating is.

ART has seen evidence of allowances being given because

- The auditor found issues and addressed them
- The issues were down to trainees/lack of experience
- A lack of resource

Offices should not make allowances for the reasons stated above, the RAYG rating is based on the findings at the time of the audit.