



APPENDIX A

MELTON BOROUGH COUNCIL
ANNUAL REPORT OF INTERNAL AUDIT
2013 -14

Date: 23rd June 2014

Introduction

1. The Public Sector Internal Audit Standards (The Standards) require the Head of the Welland Internal Audit Consortium to provide an annual report to the Governance Committee. The Standards also specify that the report must contain:
 - an internal audit opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework (i.e. the control environment);
 - a summary of the audit work from which the opinion is derived and any work by other assurance providers upon which reliance is placed, and
 - a statement on the extent of conformance with the Standards including progress against the improvement plan resulting from any external assessments.

Internal Audit Opinion 2013/14

2. It is the Opinion of the Head of the Welland Internal Audit Consortium that **Sufficient Assurance** can be taken from the Council's control environment. Positive assurance was obtained from audits of key financial systems; arrangements for dealing with fraud risks; governance arrangements; and risks to service delivery.
3. When considering the overall level of assurance, the Head of Consortium took account of the fact that the new emphasis on a risk-based approach to audit planning and the design of individual assignments has meant that clients have been commissioning work in areas where they consider that controls may require attention. On that basis, it is to be expected that some assignments will deliver limited assurance. The assurance ratings for IT Risks reflects the fact that the IT Manager specifically directed audit attention to areas where he had concerns for the specific purpose of establishing a base line from which he could develop and deliver necessary improvements.

Internal Audit Work and Other Sources of Assurance

4. The Internal Audit Opinion is based upon work undertaken by the Consortium to deliver the 2013/14 Internal Audit Plan. Reliance was also placed upon the results of a data matching exercise facilitated by the Audit Commission under the National Fraud Initiative. The information provided to the Council in 2013 identified no losses arising from non-benefit fraud; no evidence of inappropriate payments to employees or Members; and no evidence of losses arising from duplicate payments.

Conformance to the Standards

5. The Welland Internal Audit Board Consortium commissioned RSM Tenon to carry out an external review in June 2013. The review made use of the Checklist for Assessing Conformance with the PSIAS developed by CIPFA and concluded that the Consortium did not conform to the Standards in a number of areas. The results of the review were reported to the Committee in November 2013.
6. In conformance with the Standards, an Improvement Plan was developed to address the issues identified by the review and delivery of the Plan has been subject to oversight and scrutiny by the Welland Internal Audit Board. The Improvement Plan was reported to the Committee in November 2013 and at subsequent meetings the Committee has received regular reports on progress against the Plan.
7. The Head of Consortium was able to report to the Board at its last meeting, in May 2014, that the Improvement Plan had been substantially completed. The Board subsequently determined that the single material issue outstanding, the delivery of a review of the impact of the Plan's implementation on the quality of individual audit assignments, should be deferred until the new Head of Consortium is in post and has the opportunity to design an appropriate framework of quality metrics.
8. The Head of Consortium has undertaken an end-of-year self assessment of the extent of conformance to the Standards. The approach taken was to assess the extent to which the Improvement Plan had addressed the aspects of non-conformance and partial conformance identified in the RSM Tenon report. The results of the self-assessment are shown in Appendix 3 where the Head of Consortium has summarised the actions taken to achieve a position of "general conformance".
9. It is the opinion of the Head of Consortium that the Consortium now operates in **general conformance** to the Standards.

Appendix 1: Limitations and Responsibilities

Limitations inherent to the internal auditor's work

The Consortium has prepared the Annual Report of Internal Audit and undertaken a programme of work agreed by the Council's senior managers and approved by the Audit and Risk Committee subject to the limitations outlined below.

Opinion

The Opinion is based, primarily, on work undertaken as part of the agreed 2013/14 Audit Plan. Each audit assignment undertaken addressed the control objectives agreed with the relevant, responsible managers.

There might be weaknesses in the system of internal control that we are not aware of because they did not form part of our programme of work; were excluded from the scope of individual internal assignments; or were not brought to our attention. As a consequence, the Audit Committee should be aware that the Opinion might have differed if our programme of work, or the scope of individual assignments was extended or other relevant matters were brought to our attention

Internal Control

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision making; human error; control processes being deliberately circumvented by employees and others; management overriding controls; and unforeseeable circumstances.

Future Periods

Our assessment of the Council's control framework is for the year ended 31st March 2014. This historic evaluation of effectiveness may not be relevant to future periods due to the risk that:



- The design of controls may become inadequate because of changes in operating environment, law, regulatory requirements or other factors; or
- The degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management; internal control and governance; and for the prevention or detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.


The Consortium endeavours to plan its work so that there is a reasonable expectation that significant control weaknesses will be detected. If weaknesses are detected additional work is undertaken to identify any consequent fraud or irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected, and our work should not be relied upon to disclose all fraud or other irregularities that might exist.

Appendix 2: Summary of Internal Audit Work Undertaken for 2013/14

Audit Assignment	Assurance Rating	Area Reviewed	Comments	Direction of Travel
Financial Risks				
Benefits	Sufficient	The administration of the Local Council Tax Support Scheme, Discretionary Council Tax Support Fund; and Discretionary Housing Payments.	<p>Strengths IT based control framework support clearly defined policies delivered by suitably trained and properly supervised staff</p> <p>Opportunities for Improvement None</p>	
Local Taxes	Sufficient	<p>Arrangements to apply discounts based on the status of a taxable hereditaments or the liable person; arrangements to monitor ongoing eligibility for discounts and to modify discounts in line with prescribed timetables or identified changes in circumstances; arrangements to ensure timely and accurate rebilling whenever changed circumstances require.</p> <p>Arrangements to recover tax due; impact of statutory changes on the effectiveness/cost-effectiveness of those arrangements</p>	<p>Strengths IT based control framework support clearly defined policies delivered by suitably trained and properly supervised staff.</p> <p>Opportunities for Improvement Development of system driven reports of accounts where recovery action is suppressed.</p> <p>Enhanced arrangements to capture evidence of clients' entitlement to discounts.</p>	
Cash Handling	Sufficient	Identification of all points of collection for cash and the documentation of the routes through which cash is recorded, accounted for and banked; review of policies and practices covering: discouragement of cash transactions; receipting and secure custody; internal transfers of cash and banking; and accounting arrangements;	<p>Strengths The Council has identified all points at which cash is received and designed appropriate processes for secure custody of money; transparent accounting and timely banking.</p> <p>Opportunities for Improvement Improved communication of proper processes</p>	N/A

Financial Management	Sufficient*	The assignment was designed to determine whether managers below Head of Service level with significant responsibilities for financial management have appropriate levels of financial awareness and understanding.	<p>Strengths Quality of documentation setting out Officers' responsibilities and the extent and quality of support provided by the Finance Team</p> <p>Opportunities for Improvement There are opportunities to identify Officers' financial responsibilities more explicitly in their job descriptions and to focus more attention on financial understanding and competencies in the Appraisal & Development process.</p>	N/A
Financial Systems Key Controls	Substantial	Provision of evidence for External Audit on the effectiveness of key controls upon which EA relies in respect of Benefits; Local Taxes; Housing Rents; and Payroll.	Audit testing provided positive assurance for 25 of the 28 key controls tested	N/A
Ordering	N/A Consultancy	The Chief Executive commissioned a series of short audit assignments to allow her to promote and track compliance with policy on use of e-orders:	The exercise delivered a 6% improvement in levels of compliance and has provided the information to enable the Officer Corporate Governance Group to undertake some focused work on areas of non compliance	N/A
Fraud Risks				
Provision of Housing Grants	Sufficient	The assignment was designed to identify and evaluate the arrangements in place to manage the risks of fraud relating to the delivery of Warm Home and Fuel Poverty Grants and provide assurance that proper controls are in place and are effective	<p>Strengths Appropriate controls in place to address all substantive risks</p> <p>Opportunities for Improvement It was recognised that a provision to identify, formally, the status of any Member or Officer making a grant application may reduce any appearance of preferential treatment</p> <p>A more substantial issue – not related to fraud risks - involved reducing the number of officers with access to sensitive personal data captured to support the award of grants.</p>	N/A

Procurement Fraud	Limited*	Arrangements to mitigate the risks of fraud in the design and conduct of procurement exercises	<p>Strengths The Procurement Toolkit provides a basis for proper practice and there is evidence that associated training delivered by the Head of Welland Procurement has raised awareness of proper practice</p> <p>Opportunities for Improvement More effective monitoring to ensure proper compliance with defined best practice.</p>	N/A
Tenancy Fraud	Substantial	Identification and evaluation of the arrangements made by service and corporate managers to identify, quantify and mitigate the risk of tenancy fraud	<p>Strengths Effective arrangements to ensure and evidence entitlement to social housing; and right to buy discounts. Effective arrangements to prevent subletting.</p> <p>Opportunities for Improvement Sharing of photographic identification documents for new tenants with Customer Outreach Workers.</p>	N/A
NFI Management	N/A Consultancy	<p>Provision of support to relevant service managers in the process of reviewing matches generated by the 2012/13 NFI Data Matching Exercise</p> <p>Review of processes to identify scope to make them more cost-effective.</p>	<p>Strengths Review of matches confirmed that the Council's control framework was operating to reduce the risk of fraud in respect of local taxes; housing rents; payroll and creditors.</p> <p>Opportunities for Improvement Use of filters to focus reviews on "strong" matches would make the process more cost-effective.</p>	N/A

Governance & Performance Risks			
Data Management	Limited	<p>Identification of the statutory and regulatory requirements and best practice guidance relevant to the Council's arrangements for data management; review and evaluation of the policies and guidance issued by the Council to employees, Members and other relevant stakeholders in respect of data held in paper or electronic format; and review and evaluation of arrangements to promote and enforce compliance with policy and guidance</p>	<p>Strengths Adoption of a corporate data policy and the establishment of a Senior Officer Group tasked with promoting and policing good practice</p> <p>Robust arrangements to minimise holdings of physical documentation and has put in place appropriate arrangements for secure storage of current and archived documents; for regular reviews to identify redundant documents; and for secure destruction of sensitive or confidential papers</p> <p>The Council's ICT Policies and stated operating practices are consistent with the Council's requirements to hold data securely</p> <p>Opportunities for Improvement It has been accepted that action is required to determine how the Council deals with personal data about clients held in electronic format beyond the point where retention can be justified.</p>
Managing Absence	Sufficient	<p>The assignment was undertaken to provide management with assurance that recommendations arising from a previous audit had been implemented as reported; that implementation had delivered the desired improvements in the control environment; and that the control environment is appropriate to current and planned arrangements for managing absence</p>	<p>Strengths Development of more robust arrangements for managing monthly absence returns.</p> <p>Opportunities for Improvement At the date of audit these related to full implementation of outstanding recommendations: these issues have now been addressed.</p> 

Managing Contracts	Sufficient*	Corporate arrangements for developing appropriate contract terms and conditions; completion of pre-contract administrative arrangements; assuring contract compliance and delivery of desired contract outcomes; and necessary end of contract decisions. Arrangements to ensure that the Contract Register is appropriately maintained	<p>Strengths Procurement Toolkit and engagement of Welland Procurement Unit on “big ticket” procurement exercises.</p> <p>Opportunities for Improvement Improved design of Contracts Register and development of more robust arrangements for the maintenance of the Register.</p>	N/A
Transformation	N/A Consultancy	The audit will examine arrangements to ensure that the Council is consistently applying robust project management to the Programme, so to that it is delivering the expected outcomes on time, to the specified standard, and within budget	Work in progress at date of reporting	N/A
IT Risks				
ICT Policies & Procedures	Limited	The assignment was designed to establish whether the Council has put in place a framework of ICT Policies and Procedures consistent with good practice; has taken appropriate steps to ensure that all users of ICT equipment and facilities are aware of and have a proper understanding of relevant policies and procedures; and has put in place arrangements to identify and address non-compliance.	<p>Strengths Focus on prevention rather than detection of non-compliance</p> <p>Opportunities for Improvement The ICT Manager had ready recognised the requirement to fill gaps in the existing ICT Policy Framework and update existing policies this report provided pro active advice to support the intended review</p>	N/A
Asset Database	Limited	The assignment was designed to cover the completeness and accuracy of records relating to hardware; software; and data storage media	<p>Strengths Arrangements for asset tagging and controls over disposal of assets</p> <p>Opportunities for Improvement The ICT Manager had ready recognised the requirement to ensure consistency of information held on the database. This report provided pro active advice to support intended improvement activity.</p>	N/A

3 rd Party Access Policy	Limited	The assignment was designed to address the issue of whether the Council's policy on 3 rd party access has the capacity to provide appropriate security of systems and data; and the arrangements to ensure that all 3 rd party access is allowed in line with policy.	<p>Strengths Firewalls and anti-virus software mitigates risk of abuse arising from third-party access; documented change process and monitoring to ensure compliance.</p> <p>Opportunities for Improvement The ICT Manager had ready recognised the requirement to develop a formal Third Party Access Policy. This report provided pro active advice to support intended improvement activity</p>	N/A
Service Delivery Risks				
Economic Development	Substantial	The assignment was designed to provide assurance that processes and procedures in place allow the Council to demonstrate transparency of decisions to support - or withhold support from - individuals and local businesses; and that all such decisions have been evidence based and consistent with the Strategy and other relevant policies	<p>Strengths Clear alignment of resources in support of Economic Development Strategy</p> <p>Opportunities for Improvement Service managers have recognised that a formal protocol for engagement with clients would provide the Economic Development Officer with additional protection against any suggestion of bias in favour of particular clients.</p>	N/A
Housing Allocations	Substantial	<p>Arrangements to ensure the accuracy; completeness and currency of information held in respect of all households on the housing register.</p> <p>Arrangements to ensure that bids received for vacant tenancies are processed in line with the CBLs and that compliance can be demonstrated in the event of challenge</p>	<p>Strengths Clarity of processes reduces the risk of error in capture and processing of information required from applicants for housing.</p> <p>The transparency of the e-bidding process reduces the likelihood of challenges to the process.</p> <p>Opportunities for Improvement It was agreed that checks made to confirm currency and accuracy of information supporting successful bids prior to the award of tenancy should be more clearly evidenced.</p>	N/A

Supporting Families	Substantial*	Arrangements for providing Supporting Leicestershire Families workers (and other employees supporting the Programme) with information held/captured by partner agencies and relevant to clients being supported on a timely basis and in an approved format. Arrangements to ensure that relevant information held/captured by the Council is available to relevant partners on a timely basis and in an approved format. Performance management arrangements permitting the Council to demonstrate the extent to which agreed targets are met.	<p>Strengths The IT System provided and supported by the County Council provides for secure holding and sharing of sensitive data.</p> <p>The Dashboard System developed for the Programme provides a basis for clear, focussed performance reporting.</p> <p>Opportunities for Improvement None identified.</p>	N/A
Waste & Recycling	Sufficient	The assignment covered: contract management arrangements; the agreements relating to income and risk sharing in respect of sale or disposal of recyclates; and management of recycling credit schemes, including the flow of credits to the Council's partners within the Borough.	<p>Strengths Mechanism agreed to share risks and rewards of changes in recycle prices; arrangements to ensure quality of service delivered remains appropriate.</p> <p>Opportunities for Improvement None identified in respect of the current contract.</p>	N/A
Other Planned Work				
Core Strategy Review	Sufficient	The Chief Executive commissioned an independent review to establish whether there had been appropriate senior management engagement in the Core Strategy Review	The review found appropriate evidence that the senior management – specifically the Chief Executive and the Strategic Director – acted properly with an appropriate level of involvement during the process of developing the Core Strategy. They received relevant information on a timely basis and reported promptly to Members where necessary	N/A

NOTES

Assurance Ratings

The range of assurance ratings available in 2013/14 were:

Substantial;
Sufficient;
Limited; and
No.

Assurance ratings in the range Substantial-Sufficient indicate that an acceptable level of internal control has been identified.

Direction of Travel

Where it is possible to compare an audit undertaken in 2013/14 to a comparable audit in previous years, Direction of Travel arrows have been used to indicate whether the controls identified and tested give:

better assurance



;

worse assurance



; or

an unchanged level of assurance



Areas for Improvement

The issues identified have been addressed through audit recommendations.

Assurance Ratings shown as * have yet to be finally agreed.

Appendix 3: Summary of Conformance with the Public Sector Internal Audit Standards.

Attribute Standard		Extent of Conformance		Comments
		RSM Tenon	Self Assessed	
1000	Purpose, Authority and Responsibility	Partially Conforms	Generally Conforms	Action required to achieve conformance was the adoption of an Audit Charter that reflected, fully, the requirements of the Standards. A revised Audit Charter was approved by the Committee in January 2014.
1010	Recognition of the definition of Internal Audit	Generally Conforms	Generally Conforms	
1100	Independence and Objectivity	Generally Conforms	Generally Conforms	
1110	Organisational Independence	Generally Conforms	Generally Conforms	
1111	Direct Interaction with the Board	Generally Conforms	Generally Conforms	
1120	Individual Objectivity	Generally Conforms	Generally Conforms	
1130	Impairment to Independence or Objectivity	Generally Conforms	Generally Conforms	
1200	Proficiency and Due Professional Care	Generally Conforms	Generally Conforms	
1210	Proficiency	Generally Conforms	Generally Conforms	
1220	Due Professional Care	Generally Conforms	Generally Conforms	
1230	Continuing Professional Development	Generally Conforms	Generally Conforms	
1300	Quality Assurance and Improvement Programme	Generally Conforms	Generally Conforms	
1310	Requirements of the Quality Assurance and Improvement Programme	Generally Conforms	Generally Conforms	
1311	Internal Assessments	Generally Conforms	Generally Conforms	

1312	External Assessments	Generally Conforms	Generally Conforms	
1320	Reporting on the Quality Assurance and Improvement Programme	Not Applicable	Generally Conforms	The results of RSM Tenon review were reported to Committee in September 2013 and at the same meeting the Committee noted the Improvement Plan developed in response to RSM Tenon's findings. The Committee has subsequently received regular reports on progress against the Improvement Plan.
1321	Use of Conforms with the International Standards for the Professional Practice of Internal Auditing	Generally Conforms	Generally Conforms	
1322	Disclosure of Non-conformance	Generally Conforms	Generally Conforms	

	Performance Standard	Extent of Conformance		Comments
		RSM Tenon	Self Assessed	
2000	Managing the Internal Audit Activity			
2010	Planning	Partially Conforms	Generally Conforms	The Internal Audit Protocol which the Committee approved in January 2014 now provides an appropriate framework for proper engagement of the Council's senior management in the development of risk-based Annual Plans.
2020	Communication and Approval	Partially Conforms	Generally Conforms	At the April 2014 meeting, Committee endorsed a recommendation that the Chair be given delegated authority to approve changes to the Annual Plan. This, together with established arrangements to report modifications to the Plan, addressed all issues of incomplete conformance.
2030	Resource Management	DOES NOT CONFORM	Generally Conforms	The Welland Board has taken steps to ensure that the Consortium has the right mix of staffing resources to deliver an internal audit service in conformance to the Standards. Two additional, professionally qualified and experienced Audit Managers have been appointed.

2040	Policies and Procedures	Partially Conforms	Generally Conforms	A revised Audit Manual has been produced. The Manual sets out the policies, procedures and processes that have been developed to ensure that the Consortium operates in conformance to the Standards.
2050	Coordination	Partially Conforms	Generally Conforms	The Head of Consortium shares information with the Council's External Auditor as requested and there is some limited flow of information from the External Auditor. The Consortium has taken the only opportunity offered for effective management of review bodies' resources by organising the delivery of shared assurance statements supporting External Audit's work on Teachers' Salaries. This obviously only affects one client in the consortium.
2060	Reporting to Senior Management and the Board	Generally Conforms	Generally Conforms	
2070	External Service Provider and Organisational Responsibility for Internal Audit	Not Applicable	Not Applicable	
2100	Nature of Work			
2110	Governance	Generally Conforms	Generally Conforms	
2120	Risk Management	Partially Conforms	Generally Conforms	The process for the planning and conduct of assignments allows the Consortium to develop an opinion about arrangements to identify, evaluate and manage risks
2130	Control	Generally Conforms	Generally Conforms	
2200	Engagement Planning			
2201	Planning Considerations	Partially Conforms	Generally Conforms	The Internal Audit Protocol provides an effective framework for engagement with clients to design individual risk-based audit assignments. The process for capturing and recording clients' requirements; and for defining the scope of each assignment is set out in the Audit Manual.
2210	Engagement Objectives	Partially Conforms	Generally Conforms	
2220	Engagement Scope	Partially Conforms	Generally Conforms	
2230	Engagement Resource Allocation	DOES NOT CONFORM	Generally Conforms	The Welland Board has taken steps to ensure that the Consortium has the right mix of staffing resources to deliver an internal audit service in conformance to the Standards. Two additional, professionally qualified and experienced Audit Managers have been appointed.
2240	Engagement Work Programme	Partially Conforms	Generally Conforms	Testing schedules are developed by Audit Managers prior to the start of each assignment. As part of the Quality Assurance process, all testing schedules are reviewed by a second Audit Manager.

2300	Performing the Engagement			
2310	Identifying Information	Generally Conforms	Generally Conforms	
2320	Analysis and Evaluation	Partially Conforms	Generally Conforms	The conduct of each assignment is subject to a two-stage review process, The Auditor's analysis and evaluation of the control framework is reviewed by the responsible Audit Manager before the programme of substantive and compliance testing is developed. The adequacy of evidence documented to support the Auditor's conclusions and recommendations is reviewed by the Audit Manager before the Discussion Draft is issued.
2330	Documenting Information	Partially Conforms	Generally Conforms	
2340	Engagement Supervision	Partially Conforms	Generally Conforms	
2400	Communicating Results			
2410	Criteria for Communicating	Generally Conforms	Generally Conforms	
2420	Quality of Communications	Partially Conforms	Generally Conforms	<p>The Audit Protocol sets out a framework to improve the quality of communication with clients. The Protocol acknowledges that there may be circumstances where significant issues need to be reported to Directors without going through normal report-clearing processes. The Protocol also makes clear clients have a responsibility to engage in the report clearance process to ensure that reports are accurate and that the Auditor's conclusions are valid.</p> <p>The reporting process has also been redesigned. The Executive Report is designed to meet the requirements for clear and concise reporting while the Discussion Draft is a tool to support effective client engagement in the report clearance.</p>
2421	Errors and Omissions	Generally Conforms	Generally Conforms	
2430	Use of "Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing"	Not Applicable	Generally Conforms	The Head of Consortium will report explicitly on conformance with the Standards in the Annual Report of Internal Audit. Should circumstances arise where significant non-conformance became an issue in an assignment or in the wider operation of the Consortium, there are provisions for reporting to the Head of Central Services as Section 151 Officer and to the Committee.
2431	Engagement Disclosure of Non-conformance	Generally Conforms	Generally Conforms	

2440	Disseminating Results	Partially Conforms	Generally Conforms	The Internal Audit Protocol codifies the requirement for the responsible Head of Service to approve the wider publication of Executive Reports. Arrangements are in place to ensure that reports are made available to relevant Senior Managers; to the Audit Committee and to all other Members.
2450	Overall Opinions	Generally Conforms	Generally Conforms	
2500	Monitoring Progress	Partially Conforms	Generally Conforms	The Internal Audit Protocol makes clear that it is the client's responsibility to ensure, before accepting an Audit Recommendation, that there is the capacity in place to implement the Recommendation. The Protocol also confirms that the client is responsible for implementing agreed Recommendations or explaining why implementation is delayed or incomplete. The Consortium supports clients by providing regular reports on Outstanding Recommendations. In addition, overdue Outstanding Recommendations are reported to Management Team.
2600	Communicating the Acceptance of Risks	Generally Conforms	Generally Conforms	

Note: Guidance on Conformance Ratings

Generally Conforms to PSIAS. The relevant structures, policies and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of individual Standard or element of the Code of Ethics in all material respects. For the sections and major categories, this means that there is general conformance to a majority of the individual Standards or elements of the Code of Ethics, and at least partial conformance to the others, within the section /category. General conformance does not require complete / perfect conformance, the ideal situation, successful practice, etc.

Partially Conforms to PSIAS. The activity is making good-faith efforts to comply with the requirements of the individual Standard or element of the Code of Ethics, section or major category, but falls short of achieving some major objectives. These will usually represent significant opportunities for improvement in effectively applying the Standards or Code of Ethics and / or achieving their objectives.

Does Not Conform to PSIAS. The activity is not aware of, is not making good-faith efforts to comply with, or is failing to achieve many / all of the objectives of the individual Standard or element of the Code of Ethics, section, or major category. These deficiencies will usually have a significant negative impact on the activity's effectiveness and its potential to add value to the organisation. These may also represent significant opportunities for improvement, including actions by senior management or the board.