

# Internal Audit Annual Report 2021-22



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## **1. Introduction**

- 1.1 West Suffolk Council is responsible for establishing and maintaining appropriate risk management processes, control systems and governance arrangements. Internal audit plays a vital role in providing independent risk-based and objective assurance and insight on how these arrangements are working. Internal audit forms part of West Suffolk Council's assurance framework.
- 1.2 Council services recognise that while they may be delivering a good service they can always improve or look for best practice. They will therefore often proactively engage with internal audit to help achieve this and therefore audit activity in service areas demonstrates the council's culture of continuous improvement.
- 1.3 The purpose of the Internal Audit Annual Report is to meet the Service Manager Internal Audit's annual reporting requirements as set out in the Public Sector Internal Audit Standards (the 'Standards') which govern how internal audit teams operate in the public sector, and the Accounts and Audit Regulations 2015. In particular to:
- include an opinion on the overall adequacy and effectiveness of the council's governance, risk, and control framework, and therefore the extent to which the council can rely on it
  - inform how the audit plan was discharged and the overall outcomes of the work undertaken that supports the annual audit opinion
  - include a statement on conformance with the Standards and the results of the internal audit quality assurance processes
  - draw attention to any issues particularly relevant to the council's annual governance statement.
- 1.4 The Service Manager Internal Audit is responsible for effectively managing the internal audit activity in accordance with the Standards, which are mandatory, and encompass the Core Principles for the Professional Practice of Internal Auditing, the Definition of Internal Auditing, the Code of Ethics, and the Standards themselves.

## **2. Annual opinion**

### **Background**

- 2.1 During the year, significant time has again been spent by the audit team on supporting processes in respect of COVID-19 related grants to businesses. The fluid and flexible nature of the internal audit work plan has allowed internal audit resources to be used in this way as part of the 'added value' work undertaken by the team which has always been concerned with using internal audit resources where the most impact can be achieved.

- 2.2 Despite the demands on the team's time arising from the above, all of the priority one, two, and three work included in the approved audit plan was substantially completed with the following exceptions.
- It was agreed with the Director Resources and Property that the asset management audit would be more beneficial if this were to be delayed until 2022-23. (Priority 1)
  - It was originally intended that the council would be implementing a new cash system and that we would carry out an audit to check that this new system was operating effectively. In the event, a new cash system was not introduced and so an audit was not needed. (Priority 2)
  - New accounting requirements regarding accounting for and reporting leases were expected to be introduced for the 2021-22 financial statements and audit work was planned to review the council's arrangements in respect of this. However implementation of these new accounting requirements for local authorities has now been delayed for another two years, and this is currently considered a low risk area for the council. (Priority 3)
- 2.3 We consider that sufficient work has been undertaken in support of the annual audit opinion to give assurance that there is generally a sound system of internal control designed to meet the council's objectives, and that controls are generally applied consistently.

### **How the annual audit opinion has been formed**

- 2.4 CIPFA has recognised that the impact of COVID-19 on all public services including local authorities has been considerable and that for internal auditors it has raised the question of whether they are able to undertake sufficient internal audit work to gain assurance for an annual audit opinion. As a result, CIPFA issued guidance covering the availability of assurance and the resulting impact on annual audit opinions.
- 2.5 The above guidance states that the factors impacting on the availability of assurance from internal audit and other sources of assurance include:
- the changing risks and impacts on the organisation itself
  - whether key governance, risk management and internal control arrangements have deteriorated or been maintained
  - changes to the resource base of internal audit, whether staff or budget related
  - demands on internal audit for any advisory or non-audit support that will not directly support the Service Manager Internal Audit's opinion
  - operational disruptions that impact on the access of internal auditors to key staff, information or systems resulting in greater inefficiency and reduced outputs.

The above has been carefully considered when forming the West Suffolk annual internal audit opinion for 2021-22 and the conclusion has been drawn that sufficient assurances are available to allow a robust annual audit opinion to be given for each of the opinion categories, these being governance, risk, internal control, and financial control.

2.6 The main sources of assurance contributing to the 2021-22 audit opinion are those gained from the audit work carried out during the year which is detailed in the sections below including:

- audit work under each audit opinion category
- COVID-19 response work
- other added value work
- work on the 2021-22 Annual Governance Statement including review of the assurance framework
- other significant audit work

2.7 Assurances can also be gained from the following sources:

- counter-fraud work as set out in our Annual Fraud Report 2021-22 at **Appendix B**
- consideration of committee and other reports for any areas affecting governance, risks, or controls
- attendance at officer working groups and managers meetings to understand current risks and actions being taken
- audit knowledge of council processes and initiatives, such as those around staff wellbeing, and the response to the challenges of COVID-19 including an already well-established capability of staff being able to work remotely
- internal audit seeks to comply with the Public Sector Internal Audit Standards. We have established quality working procedures including review mechanisms for work undertaken, and annual self-assessment of adherence to these procedures
- assurances received from external parties

2.8 West Suffolk has enjoyed a strong control environment and good audit opinion in previous years, and this gives us some comfort that this strong control environment will have continued throughout 2021-22.

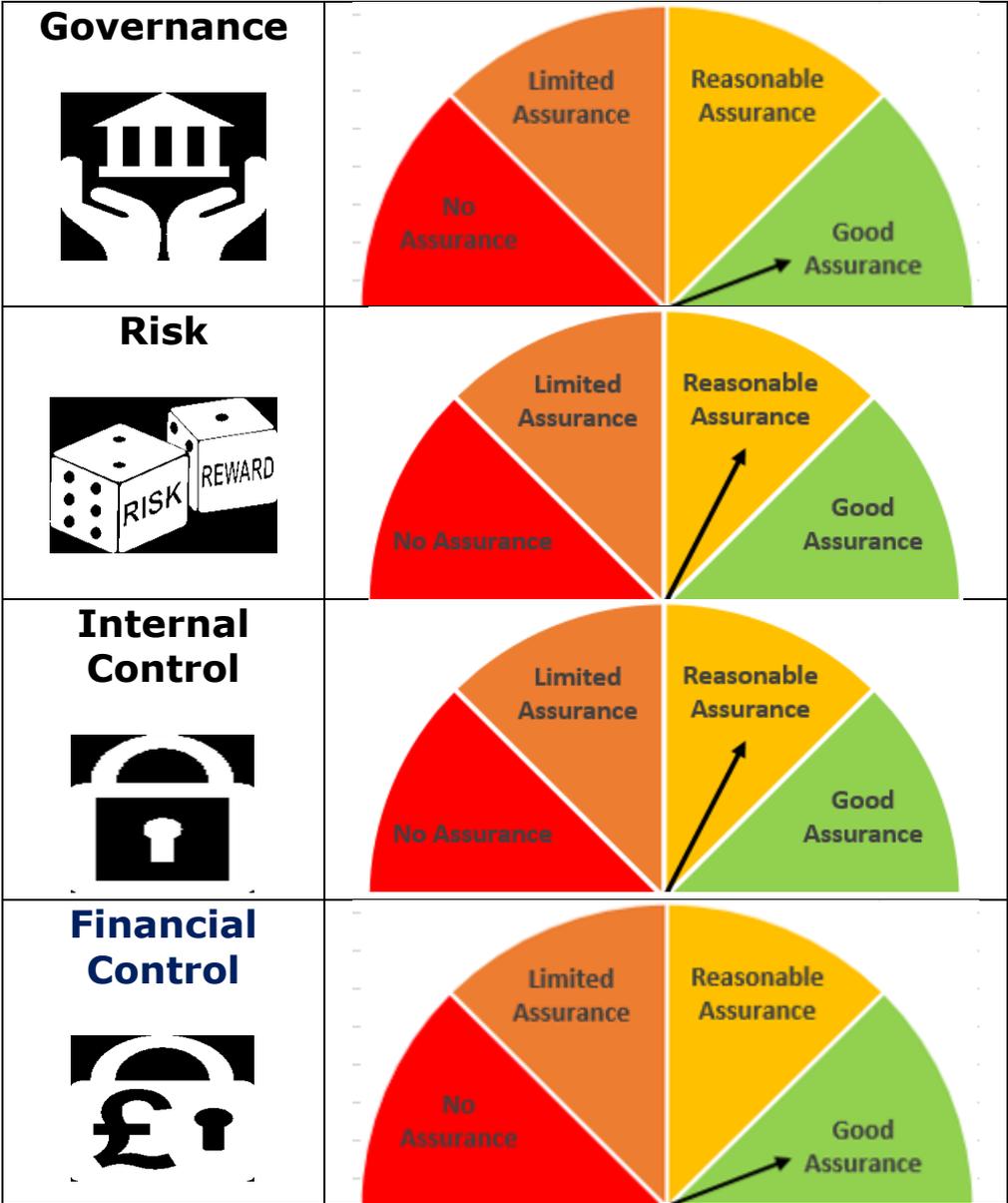
**Audit opinion definitions**

<b>Good assurance</b>	risks are managed well with no significant (medium risk) or fundamental (high risk) control issues or risks raised.
<b>Reasonable assurance</b>	in general, risks are managed well. A number of significant (medium risk) control issues and risks have been raised.
<b>Limited assurance</b>	management of risks is only partially achieved. Fundamental (high risk) and/or significant (medium risk) control issues and risks have been raised.
<b>No assurance</b>	management of risks is not achieved. Fundamental (high risk) and significant control issues and risks have been raised.

- 2.9 In order to make the annual audit opinion informative and transparent, the opinion has been split into the four constituent elements of governance, risk, internal control, and financial control, and a specific conclusion drawn on each.
- 2.10 It should be noted that an opinion of 'reasonable assurance' for any of the four opinion elements should be interpreted as a good result and indicates that in general controls and processes are fit for purpose and working well, while recognising that there are opportunities for further improvements.
- 2.11 We have also included a direction of travel (see below) for each element of the audit opinion to highlight our view of whether the adequacy and effectiveness of arrangements has changed compared to the previous year.

Annual opinion

2.12 For the twelve months ended 31 March 2022, based on the work undertaken and information from any other sources of assurance as explained above, the Service Manager Internal Audit’s opinion on the adequacy and effectiveness of West Suffolk Council’s arrangements for governance, risk, internal control and financial control is as set out below.



**Governance**

- 2.13 Governance comprises the systems, processes, culture, and values by which West Suffolk Council is directed and controlled and through which it accounts to, engages with, and where appropriate, leads its communities.
- 2.14 Each year local authorities are required to reflect on how their governance arrangements have worked, identifying any significant governance issues that should be drawn to the attention of the public, in the interests of accountability and transparency.
- 2.15 Work on the 2021-22 West Suffolk Annual Governance Statement (AGS) is at an advanced stage, and no significant governance issues are expected to be disclosed for the period to 31 March 2022. The 2021-22 AGS will however reference the council's response to the challenges posed by the COVID-19 pandemic including any governance impacts in 2021-22. There are no issues included in this report which need to be raised in the AGS.
- 2.16 The Performance and Audit Scrutiny Committee helps to ensure that governance arrangements are working effectively through considering reports that come before them, including approval of the AGS.
- 2.17 **Governance opinion.** The opinion remains the same as for 2020-21 and is assessed as **good assurance**.

**Risk**

- 2.18 Good risk management is part of the way we work. It is about taking the right risks when making decisions or where we need to encourage innovation in times of major change – balancing quality, cost, and affordability. This puts us in a stronger position to deliver our goals and provide excellent services.
- 2.19 Work during the year in this area on which the annual audit opinion on risk is based, included:
- ongoing audit consideration of management's approach to, and mitigation of, risk as an integral part of all our audit work, and awareness of management activities
  - consideration of relevant reports presented to Leadership Team
  - attending the Strategic Risk Management Group meetings during the year to gain assurance over, and feed into as necessary, the strategic risk management process.

The conclusion drawn from this work was that risk management arrangements for projects and strategic risks have continued to operate as expected during the period.

- 2.20 **Risk opinion.** The opinion remains the same as for 2020-21 and is assessed as **reasonable assurance**.

## Internal control

2.21 This takes into account the outcome of our work during 2021-22. As our audit plans include different activities each year assurance may vary from year to year. However, the assurance level still gives insight into the council's control environment.

2.22 Results of the 2021-22 reviews were as follows:

- Anglia Revenues Partnership enforcement – **good assurance**. No actions were raised, and there were no actions to follow up from the previous audit. This audit was undertaken by the Fenland District Council internal audit team on behalf of the five councils working together as the Anglia Revenues Partnership.
- Cyber security – **good assurance**. The focus of this audit was to check that reasonable steps are being taken to manage the risks and minimum basic hygiene controls set out in the new National Cyber Security Centre guidance 'Actions to take when the cyber threat is heightened'. Medium and low risk actions have been agreed to further enhance controls.
- Compliance with Public Works Loan Board (PWLB) lending terms – **good assurance**. This is our first audit of this area. No recommendations have been made.
- Disabled facility grant from the Ministry of Housing, Communities, and Local Government (now the Department for Levelling Up, Housing and Communities) – **good assurance**. No recommendations were made and there were no actions to follow up from the previous audit.
- Council tax billing, housing benefit and local council tax reduction scheme – **reasonable assurance**. Medium and low risk actions have been agreed to make further improvements in controls while of the actions followed up, thirteen have been completed or superseded and three (all medium risk) remain work in progress. This audit was undertaken by the West Suffolk Council internal audit team on behalf of the five councils working together as the Anglia Revenues Partnership.
- Recovery of council tax and housing benefit overpayments – **reasonable assurance**. Medium and low risk actions have been agreed to make further improvements in controls while of the actions followed up, four have been completed and four (all medium risk) are work in progress. This audit was undertaken by the West Suffolk Council internal audit team on behalf of the five councils working together as the Anglia Revenues Partnership.
- Non-domestic rates (NDR) – **reasonable assurance**. This opinion does not cover system access controls as audit work in this area remains to be completed. Medium and low risk actions have been agreed to make further improvements in controls while of the actions followed up, two have been completed and ten (including four high risk) are work in progress. This audit was undertaken by the East Suffolk Council internal audit team on behalf of the five councils working together as the Anglia Revenues Partnership.

- Civil Parking Enforcement – **reasonable assurance**. This is our first audit of this area. Medium and low risk actions have been agreed to enhance controls.
- Net zero plan. This is our first audit of this area - audit work has been completed and the results remain to be discussed and agreed with management.
- Confidential waste service follow up. Three actions were followed up, one has been completed and two (both medium risk) are work in progress.
- Events management follow up. One action was followed up and this was confirmed as completed.
- Health and safety estates follow up. Three actions were followed up, one has been implemented and two (both medium risk) are work in progress.
- Heritage assets follow up. Seven actions were followed up, five have been implemented and two (both medium risk) are work in progress.
- Transparency and open data follow up. Two actions were followed up and both were confirmed as completed.
- Disclosure and Barring Service (DBS) Checks follow up. Two actions were followed up and both were confirmed as completed.

No opinions are issued for follow up audits as they only look at implementation of previously agreed actions.

2.23 **Internal Control opinion.** The opinion remains the same as for 2020-21 and is assessed as **reasonable assurance**.

### Financial control

2.24 Our audit work includes providing assurance over our key financial systems. This work is also of particular interest to the external auditor when planning and performing their audit of the council's annual statement of accounts.

2.25 During the year the following reviews were carried out and opinions issued:

- Treasury management – **good assurance**. No actions were raised, and there were no actions to follow up from the previous audit.
- General ledger – **good / reasonable assurance**. Medium risk actions were agreed to further improve controls, and there were no actions to follow up from previous audits.
- Payroll – **good assurance**. No actions were raised, and there were no actions to follow up from the previous audit.
- Financial resilience – **good assurance**. This audit focused on considering the robustness of the council's Medium Term Financial Strategy (MTFS),

evidence basis and stress testing of assumptions, and completeness of external factors taken into account. Medium risk actions were raised regarding reporting arrangements around the MTFS. This is our first audit of this area.

- Car parks cash handling – **reasonable assurance**. One medium risk action was agreed, and there were no actions to follow up from the previous audit.
- creditors – **reasonable assurance**. Medium risk actions were agreed, and the three actions followed up from the previous audit were all implemented.
- Debt reporting and write-offs – the audit report remains to be finalised at the time of writing this report but an opinion of **reasonable assurance** is expected. Six actions were followed up from the previous audit and two of these (both medium risk) remained as work in progress.

2.26 **Financial Control opinion.** The opinion remains the same as for 2020-21 and is assessed as **good assurance**.

### **3. Scope of our work, any restrictions on this scope, organisational independence, and non-audit roles**

3.1 Our risk-based 2021-22 internal audit plan, approved by the Performance and Audit Scrutiny Committee in May 2021, was prepared taking into account the critical activities and key risks to support the basis of the annual internal audit opinion.

3.2 Where issues have been raised as a result of audit work undertaken actions have been agreed with management to address any findings raised. Progress against these actions, where not already followed up in 2021-22, will be followed up by internal audit as part of our 2022-23 work plan.

3.3 In carrying out our work we identified no unexpected restrictions to the scope of our work. Also, we have not experienced any impairment to our independence or objectivity during the conduct and delivery of the 2021-22 audit plan.

3.4 The Public Sector Internal Audit Standards require internal audit to confirm to the Performance and Audit Scrutiny Committee at least annually the organisational independence of the audit activity. Internal audit effectively achieves this through the Performance and Audit Scrutiny Committee's involvement in the following:

- approval of the risk-based internal audit plan
- receiving communications from the Service Manager Internal Audit on internal audit activity relative to the audit plan and other matters

- approval of the internal audit charter - which formally defines our statutory role, responsibility, status and authority within the council - as and when required.

3.5 The Standards require specific safeguards to be in place where the Service Manager Internal Audit has responsibilities for matters beyond internal auditing. The most significant ongoing area relevant to us is in respect of financial due diligence work, mainly undertaken by the Service Manager Internal Audit. Should any independence issues arise in relation to this or any other of our work the matter would be referred to the Section 151 Officer.

## **4. COVID-19 response work – non-assurance work**

### **Grants to businesses**

4.1 Significant internal audit resource has been assigned since April 2020 to support processes in respect of COVID-19 related grants to businesses by:

- contributing to the process design regarding the setting up of systems to check and pay grant applications
- assisting finance colleagues with preparing records enabling payments to be made
- performing mandatory pre-payment checks to reduce fraud and advise on actions necessary where fraud is suspected, or ineligible claims are made
- providing assurance, and carrying out initial investigations where necessary, over payments already made and recommending appropriate recovery action or referral to the Department for Business, Energy & Industrial Strategy (BEIS)
- completing the required risk assessment, pre-and post-payment assurance plans, and undertaking post payment verification work as directed by BEIS

### **COVID Additional Relief Fund (CARF)**

4.2 Provision of support in respect of this business rate relief scheme which is intended to assist those businesses affected by the pandemic but that are ineligible for existing support linked to business rates. The scheme is largely administered by the Anglia Revenues Partnership (ARP).

## **5. COVID-19 response work – assurance work**

### **Welcome Back Fund**

- 5.1 Acting as a critical friend to review the grant expenditure and claims and providing feedback to support compliance with the grant conditions. The purpose of this grant is to support communities and businesses to protect jobs, support the most vulnerable, support the safe return to high streets and help build back better from the pandemic.

### **Test and Trace Service Support Grant**

- 5.2 Audit work to support a declaration that the conditions of the grant as set out by the Department of Health and Social Care have been complied with. The purpose of this grant was to provide support to local authorities in England towards expenditure in relation to the mitigation against and management of local outbreaks of COVID-19.

### **Restart Grant**

- 5.3 Audit work to support a declaration that the conditions of the grant as set out by the Department for Business, Energy & Industrial Strategy have been complied with. The purpose of this grant was to provide grant funding to businesses eligible for the Local Authority Restart Grants in accordance with the guidance - Restart Grant: Guidance for Local Authorities.

### **Arts Council grants**

- 5.4 Review and certification of relevant income and expenditure in respect of COVID-19 related grants received from the Arts Council.

### **Income compensation scheme for lost sales, fees and charges**

- 5.5 Review of the council's claims to the Ministry of Housing, Communities and Local Government (now the Department for Levelling Up, Housing and Communities) for compensation for irrecoverable and unavoidable losses, as a result of the pandemic, from sales, fees and charges income generated in the delivery of services, for the relevant period.

This review was conducted in accordance with government guidance which states that an authority may choose to engage their internal auditors to provide review and challenge on the appropriateness of the claims that are submitted in line with the relevant guidance.

## 6. Other added value

6.1 Added value work carried out during the year includes the following:

### **Procurement value for money**

6.1.1 A review focusing on how procurement value for money is demonstrated in practice within the council and how this could be reflected in the council's Contract Procedure Rules, including a review of procurement thresholds and the exemptions process, and considering the green agenda, social value and sustainable procurement.

### **Modern slavery**

6.1.2 Review of relevant processes and supply chains to understand the areas of risk for the council in respect of modern slavery, and how these risks are managed.

### **Temporary accommodation costs**

6.1.3 Review to determine whether the objective of the council's own temporary accommodation being self-funding is being achieved.

### **Low value insurance claims within the Waste service**

6.1.4 Review of the insurance claim process.

### **Property and Parks helpdesk analysis**

6.1.5 Review of Property and Parks Helpdesk demand information.

### **Temporary accommodation rent management process**

6.1.6 A review examining whether appropriate arrangements are in place and the robustness and adequacy of these arrangements, to ensure they are working efficiently and meet requirements.

### **Homes England compliance audit support**

6.1.7 Internal audit support given to preparations for an external audit of Homes England grant funding received.

### **Council Tax Energy Rebate**

6.1.8 To provide support in respect of this scheme which is intended to support households from rising energy costs. The scheme is largely administered by ARP.

## 7. Fee earning work

7.1 Internal audit carries out fee earning work which brings in income of approximately £11,000 - £13,000 each year.

7.2 Fee earning work consists of the following:

- audit of the council tax billing and benefits, and overpayments recovery systems at the Anglia Revenues Partnership on behalf of East Cambridgeshire District Council and Breckland Council
- fee earning grant certification work on behalf of Suffolk County Council in respect of the New Anglia Local Enterprise Partnership, to provide assurance to the Department for Business, Energy & Industrial Strategy that the conditions of the relevant specific grant determinations have been complied with.

## 8. Other significant work

8.1 Other key work undertaken during 2021-22 includes:

### **Annual governance statement**

8.1.1 Co-ordination of the production of the West Suffolk Annual Governance Statement 2020-21, and commencement of work on the 2021-22 statement.

### **Financial due diligence**

8.1.2 During the year internal audit responded to 36 requests for financial due diligence or other related financial advice including assessments of organisations' financial suitability to undertake specified contracts for the council.

### **Mildenhall hub**

8.1.3 We performed a high level review of arrangements in place for managing the construction phase of the Mildenhall Hub and concluded that these arrangements were in accordance with guidance issued by the Royal Institute of British Architects.

### **West Stow accounts**

8.1.4 Acting as the appointed Independent Examiner of the West Stow Anglo Saxon Village Trust 2020-21 accounts.

### **Green Homes grant from the Department for Business Energy and Industrial Strategy**

8.1.5 Audit work to support a declaration that the conditions of the grant have been complied with. The grant gave funding to provide energy efficiency upgrades to low income homes.

## Other

8.1.6 Ongoing advice and assistance provided to service areas and the S151 Officer.

## 9. Quality assurance

- 9.1 We recognise the importance of meeting customer expectations as well as conforming to the UK Public Sector Internal Audit Standards (the 'Standards'). We continually focus on delivering high quality audits, seeking opportunities to improve where we can.
- 9.2 We are committed to training and developing internal audit staff, with training provision continually reviewed through the appraisal process and regular one-to-one meetings.
- 9.3 The Standards require that internal audit 'must develop and maintain a 'quality assurance and improvement programme' that covers all aspects of the internal audit activity'. This quality assurance and improvement programme is designed to check internal audit's conformance with the Standards and the profession's code of ethics and also assess its efficiency and effectiveness and identify any areas for improvement.
- 9.4 Currently, West Suffolk Council's internal audit quality assurance and improvement programme consists of the following elements:
- an external assessment to independently assess conformance with the Standards every 5 years – an external quality assessment was undertaken in March 2018, no areas of non-compliance with the Standards were identified. We now need to consider the options for a further external assessment, taking into account the relative costs of different approaches, potential advantages of an external viewpoint, and whether there are any factors which might be considered to warrant a demonstrably independent assessment;
  - a quality review process is undertaken for each individual audit. These reviews examine all areas of the work undertaken, from initial planning through to completion and reporting;
  - customer satisfaction questionnaires are issued with audit reports for completion by the service area subject to audit;
  - quality assurance checks by the internal audit team to ensure the Standards are consistently followed; and
  - an in-depth self-assessment review of adherence to the Standards has been undertaken this year. This self-assessment gave satisfactory results with only three areas being highlighted, these being:
    - the need to review and update our fraud risk assessment in 2022-23
    - make further progress in considering the benefits and potential for using data analytics in our audit work, and commence using if and where appropriate
    - review team job descriptions to ensure these continue to reflect roles and responsibilities

9.5 We aim to comply with the Standards and the Institute of Internal Auditors Code of Ethics in all our work and we are not aware of any significant areas of non-conformance.

## **10. Performance against key indicators**

10.1 Internal audit’s performance is measured and monitored throughout the year using a range of indicators.

10.2 Performance against relevant indicators is summarised below:

<b>Performance indicator</b>	<b>2019-20 actual</b>	<b>2020-21 actual</b>	<b>2021-22 target</b>	<b>2021-22 actual</b>
Percentage completion of Priority 1 work within the approved 2021-22 Audit Plan	100%	85%	80%	93%
High risk actions implemented or satisfactory/reasonable progress made by target date	93%	See Note 1 below	90%	100%
Average number of days from fieldwork completion to issue of draft report	6 days	6 days	15 days	5 days
Average number of days from receipt of final management comment to issue of final report	3 days	4 days	10 days	6 days
Percentage of satisfactory (or better) ratings received from customers on individual audits	100%	100%	90%	100 %

Note 1 – as previously reported in the 2020-21 Internal Audit Annual Report the follow up of high risk actions due to be followed up in Quarter 4 of 2020-21 was necessarily delayed due to the internal audit team supporting the council’s response to the impacts of COVID-19. These high risk actions were subsequently confirmed as having been implemented or reasonable progress having been made.

## **11. Glossary of terms**

**Significance:** the relative importance of a matter within the context in which it is being considered, including quantitative and qualitative factors, such as magnitude, nature, effect, relevance and impact. Professional judgment assists internal auditors when evaluating the significance of matters within the context of the relevant objectives.

**Internal audit annual opinion:** the Service Manager Internal Audit's view, based on internal audit work undertaken and any other relevant assurances, of the adequacy and effectiveness of the council's arrangements for governance, risk and control.

**Governance:** governance comprises the arrangements (including political, economic, social, environmental, administrative, legal, and other arrangements) put in place to ensure that the outcomes for intended stakeholders are defined and achieved.

**Risk:** the possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.

**Control:** any action taken to manage risk and increase the likelihood that established objectives and goals will be achieved.

**Impairment:** impairment to objectivity may include personal conflict of interest, scope limitations, restrictions on access to records, personnel and properties and resource limitations.