

Recommendation

Basis of rating – Audit Reports

07th March, 2003

Issue Rating



Key controls are not in place or not operating effectively. Indicates a serious business control weakness/deficiency requiring immediate action



Key controls are partially in place or are operating only somewhat effectively. Indicates a business control concern which requires that near-term action be taken



Key controls are in place, but operation could be enhanced. Indicates a business control improvement opportunity for which longer-term action may be acceptable

Report Rating for Business Review

- A - rating:** The level of business controls is considered to be good.
B - rating: The level of business controls is considered to be satisfactory.
C - rating: The level of business controls is considered to be unsatisfactory.
D - rating: The level of business controls is repeatedly considered to be unsatisfactory.

<u>Issue Criteria</u>	<u>Low/ Medium</u>	<u>High</u>
Impact on profits	B	C
Impact on Market Reputation/ Brand Image	C	C
Affects (or absence of) one or more Key Processes	B	C
Violations: Statutory or General Business Principles	C	C

'A' rating can be given when the level of business controls is assessed to be excellent i.e. there are no issues or there are only some minor issues having insignificant impact.

'D' rating is given when the business was rated as 'C' in the previous audit and the findings indicate inadequate follow up on the agreed action plan by the Management.

However, the above is only illustrative and cannot take all situations into account.

Report Rating for Basic Accounting Control Reviews

- Good:** Fully complies with minimum internal accounting control requirements.
- Satisfactory:** Adequately complies with the minimum internal accounting control requirements.
- Unsatisfactory:** Basic set of internal accounting controls, on certain areas, does not comply with the minimum requirements.

<u>Importance of review area</u>	<u>Conclusion on review areas</u>	<u>Indication for rating in terms of action plans defined</u>	<u>Conclusion on overall rating</u>
Every cycle	Sufficient	No actions are considered necessary	Good
One less significant area	Insufficient	Only a limited number of one or two star actions defined (example: two 1 star- and one 2 star actions)	Satisfactory
Several less significant areas	Insufficient	Several two star action plans have been defined	Unsatisfactory
Significant and/or Critical area	Insufficient	One or more three star actions and / or several two star actions have been defined	Unsatisfactory