

Definition of Audit Opinion Levels of Assurance

Opinion	Definition
<p>Full Assurance</p>	<p>The system of internal control meets the organisation’s objectives; all of the expected system controls tested are in place and are operating effectively.</p> <p>No specific follow up review will be undertaken; follow up will be undertaken as part of the next planned review of the system.</p>
<p>Significant Assurance</p>	<p>There is a generally sound system of internal control in place designed to meet the organisation’s objectives. However isolated weaknesses in the design of controls or inconsistent application of controls in a small number of areas put the achievement of a limited number of system objectives at risk.</p> <p>Follow up of medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>
<p>Moderate Assurance</p>	<p>The system of control is generally sound however some of the expected controls are not in place and / or are not operating effectively therefore increasing the risk that the system will not meet it’s objectives. Assurance can only be given over the effectiveness of controls within some areas of the system.</p> <p>Follow up of high and medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>
<p>Limited Assurance</p>	<p>Weaknesses in the design and / or inconsistent application of controls put the achievement of the organisation’s objectives at risk in many of the areas reviewed. Assurance is limited to the few areas of the system where controls are in place and are operating effectively.</p> <p>Follow up of high and medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>
<p>No Assurance</p>	<p>No assurance can be given on the system of internal control as significant weaknesses in the design and / or operation of key controls could result or have resulted in failure to achieve the organisation’s objectives in the area reviewed.</p> <p>Follow up of high and medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>

Definition of Priority of Recommendations

Priority	Definition
H	<p>Control weakness that has or is likely to have a significant impact upon the achievement of key system, function or process objectives.</p> <p>Immediate implementation of the agreed recommendation is essential in order to provide satisfactory control of the serious risk(s) the system is exposed to.</p>
M	<p>Control weakness that has or is likely to have a medium impact upon the achievement of key system, function or process objectives.</p> <p>Implementation of the agreed recommendation within 3 to 6 months is important in order to provide satisfactory control of the risk(s) the system is exposed to.</p>
L	<p>Control weakness that has a low impact upon the achievement of key system, function or process objectives.</p> <p>Implementation of the agreed recommendation is desirable as it will improve overall control within the system.</p>

'High' & 'Medium' Priority Recommendations Summary

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
TREASURY MANAGEMENT:					
The review was a full system audit concentrating on the controls over the Treasury Management System. The audit did not express an opinion on the rates of interest obtained for individual investments/loans. There is generally a strong system of internal control. Monthly reconciliations are undertaken, although at the time of this audit were not up to date but this has since been addressed. Interest is paid and received on a timely basis and investments are made based upon cash flow, appropriately authorised and in accordance with the approved Counterparty list.					
Overall Assurance: Significant					
New Matters Arising					
1	M	<p><u>Monthly Reconciliations</u></p> <p>Currently the monthly Treasury Management reconciliations undertaken are not reviewed by an independent member of staff.</p> <p>A number of minor omissions, errors and differences were noted on the reconciliations which may have been avoided if a secondary review had occurred.</p>	Possibility that errors and omissions are not identified.	The monthly reconciliations to be reviewed and signed off by an independent officer	<p>The reconciliations will be reviewed by a second officer on completion. The Senior Accounting Technician (Treasury and Capital) and the Technical Accountant will implement this for the next reconciliation completed.</p> <p>Responsible Manager: Corporate Accountant</p> <p>Implementation date: January 2013</p>
2	M	<p><u>Value for Money</u></p> <p>Following discussions and questions raised by the Financial Services Manager it is not possible to identify whether the Council is obtaining a value for money service from their external Treasury Management Advisors without further work.</p>	Best value may not be achieved.	<p>The Council may wish to review whether the service provided by their Treasury Management advisors is providing value for money as the market has not been tested for a considerable period of time. Options to consider are:</p> <ul style="list-style-type: none"> • if the price for Treasury 	<p>The review will take place when the current contract comes to an end.</p> <p>Responsible Manager: Financial Services Manager</p> <p>Implementation date: December 2013</p>

				<p>Management advisory services is competitive</p> <ul style="list-style-type: none"> • if the current level of service could be obtained at a reduced price from a different supplier i.e. tender exercise • if the function could be performed to the same standard in house without introducing a risk to the Council. • 	
3	M	<p><u>Insurance limits</u></p> <p>The current limit for the Council's Fidelity Insurance is £2,000,000 although deals are made in excess of this value.</p> <p>Also it was noted that job titles specified on the insurance schedule are now out of date and two members of staff involved in the Treasury Management process are not included.</p>	<p>Possibility that insurance cover may be invalidated leading to a potential financial loss to the Council.</p>	<p>Consideration to be given to increasing the Fidelity Guarantee Insurance limits to ensure the Council is covered for all high level investments.</p> <p>In addition the Council's Insurer to be notified of correct job titles and to include cover for the two members of staff omitted from the schedule.</p>	<p>The Financial Services Manager will investigate to whether increasing the Insurance is cost effective for the council. The review of the Insurance will be undertaken when the contract is approaching its renewal dates</p> <p>Responsible Manager: Financial Services Manager</p> <p>Implementation date: January 2013</p>
4	M	<p><u>Minor Anomalies and Omissions</u></p> <p>A number of minor anomalies and omissions were noted on the daily cash forecasting spreadsheet where information had not been completed and saved and where figures did not fully correspond with the other information available.</p>	<p>Investment deals may be made based on inaccurate budgetary position.</p>	<p>Officers to ensure that all information is accurately transferred to the daily cash forecasting spreadsheet and that version control is used to ensure data is not lost.</p>	<p>The Senior Technical Accountant (Treasury and Capital) went through all versions to ensure there is adequate control over data and to ensure that data was accurately transferred to the daily cash forecasting spreadsheet. This will now be monitored on a daily basis.</p>

					Responsible Manager: Corporate Accountant Implementation date: December 2012
STREET SCENE: The review was a full system audit concentrating areas of Street Scene. Detailed testing of operational activities was limited to areas considered the highest priority for the public or the most regularly undertaken, such as fly tipping, dog fouling and hazardous waste. Although there is generally a sound system of control in place and areas of good practice were identified (for example budget monitoring, publicity campaigns and priority cleansing areas) the audit found a couple of areas where managers are required to address identified control weaknesses including, performance monitoring currently undertaken and the development of the street sweeping schedules currently in operation (for example, detail how often a street is cleaned, different streets having different frequencies dependent on usage i.e. footfall, etc). These are with managers to ensure that processes continue to be developed for the future.					
Overall Assurance: Significant					
Issue brought forward from previous audit report.					
1	M	<u>Data for Management Monitoring Information.</u> At the time of the audit street cleansing schedules were being introduced therefore there had been minimal data on which management could undertake monitoring of the service.	Reputational damage due to poor service provision.	The Street cleansing schedules and the management information available to be reviewed as part of the transformation process to ensure that they are fit for purpose.	Responsible Manager: Environmental Services Manager Implementation date: Pending transformation: Interim Review date July 2013
New Matters Arising					
2	M	<u>Utilisation of system</u> Internal Audit review identified the following in relation to utilisation of the OneServe system: <ul style="list-style-type: none"> Of the 25 incidents reviewed, 3 did not have sufficient information recorded on the system to 	Inaccurate management information and poor customer service.	Before transformation the current system to be assessed to ascertain if it is fit for purpose. If the system is assessed as no longer fit for purpose then the cost and lead time for procurement of any new	Responsible Manager: Environmental Services Manager Implementation date: Pending transformation:

		<p>identify the actions taken or the date.</p> <ul style="list-style-type: none">• One instance was noted where the call had not been closed when action had been taken by another department. <p>It is acknowledged that OneServe is the responsibility of Customer Services.</p>		<p>system to be built into the transformation business plan.</p>	<p>Interim Review date July 2013</p>
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Worcestershire Internal Audit Shared Service



Bromsgrove
District Council
www.bromsgrove.gov.uk

(Final) Internal Audit Report **Treasury Management 2012/13** **3rd January 2013**

Distribution:

Chief Executive
Director Finance and Resources
Head of Resources
Financial Services Manager



1. Introduction

- 1.1. The audit of the Treasury Management system was carried out in accordance with the Worcestershire Internal Audit Shared Service Audit Plan for Bromsgrove District Council for 2012/13 as approved by the Audit Board on 29th March 2012. The audit was a risk based systems audit of the Treasury Management system operated by Bromsgrove District Council.
- 1.2. Both the corporate and service unit risk registers are subject to a full review which will be followed by a re-launching of the system. As a consequence the current entries were not considered as part of this review.
- 1.3. Treasury Management is the management of all money and capital market transactions in connection with cash and funding resources of the Council. The Council conducts its Treasury Management affairs in accordance with the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities
- 1.4. As at the 13th November 2012 investment dealings amounted to £7,000,000 on loan. Total investments made during 2012/13 amount to £19,500,000. The interest earned on these investments do date is £14,948.
- 1.5. This review was completed during October and November 2012.

2. Audit Scope and Objectives

- 2.1. The review assessed whether the following control objectives of the Treasury Management system are being achieved:
 - To follow up the 2011/12 recommendations and document progress made against the action plan;
 - To ensure Treasury Management is undertaken in line with Statutory and Internal procedures;
 - To ensure that all monies not immediately required by the Council are invested prudently and that funds are available for use by the Authority when required;
 - To ensure that there is a complete audit trail for all transactions from the point where the monies are paid out/received into the Council's bank account to the point where the monies are repaid into/out of the Council's bank account;
 - To ensure that all transactions are clearly recorded in the Council's financial recording system;
 - To ensure that regular reconciliations are undertaken between the ledger and Treasury Management records by an independent person;
 - To ensure that value for money is obtained from information received from Financial Advisors.
 - To ensure that the computer system is subject to basic I.T. controls
- 2.2. The review was a full system audit and concentrated on the controls over the Treasury Management System as operated by Bromsgrove District Council at the time of the audit in terms of the objectives above and covered the period from 1st April 2012 to the date of audit.
- 2.3. The audit did not express an opinion on the rates of interest obtained for individual investments/loans.

3. Audit Opinion and Executive Summary

From the audit work carried out we have given an opinion of **significant assurance** over the control environment in this area. The level of assurance has been calculated using a methodology that is applied to all Worcestershire Internal Audit Shared Service audits and has been defined in the "Definition of Audit Opinion Levels of Assurance" table in Appendix A. However, it should be noted that statements of assurance levels are based on information provided at the time of the audit in respect of the specific audit objectives. Where there is no specific reference to an audit objective in the findings and recommendations table at point 4 below, recipients of this report can take reassurance that a reasonable level of assurance was determined during audit testing for those objectives.

We have given an opinion of **significant assurance** in this area because although several "medium priority" recommendations have been made there is generally a strong system of internal control. Monthly reconciliations are undertaken, although at the time of this audit were not up to date but this has since been addressed. Interest is paid and received on a timely basis and investments are made based upon cash flow, appropriately authorised and in accordance with the approved Counterparty list. As mentioned above some weaknesses were identified during the audit and recommendations have been made to further improve controls.

The recommendations identified during the audit have been prioritised according to their significance / severity in the table below. We have used this prioritisation to inform our audit opinion. The definitions for high, medium and low priority are set out in the "Definition of Priority of Recommendations" table in Appendix B.

Priority	Number of Recommendations
High	0
Medium	4
Low	1

4. Detailed Findings and Recommendations

The issues identified during the audit have been set out in the table below along with the related risks, recommendations, management responses and action plan. The issues identified have been prioritised according to their significance / severity. The definitions for high, medium and low priority are set out in the "Definition of Priority of Recommendations" table in Appendix B.

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
Issues brought forward from previous audit					
1	L	<p><u>Procedures Notes</u></p> <p>The procedure notes covering Treasury Management have not been updated since 2004 and do not reflect current working practices.</p>	Staff may adopt inconsistent working practices where guidance is not available leading to loss of efficiencies and errors.	Consideration to be given to updating and formalising procedures to guide staff in the process for Treasury Management in the event of absence of the usual staff.	<p>Working procedures will be updated to cover all parts of the process. The Senior Accounting Technician (Treasury and Capital) will look at this and aims to have the notes updated</p> <p>Responsible Manager: Corporate Accountant</p> <p>Implementation date: February 2013</p>
New matters arising					
2	M	<p><u>Monthly Reconciliations</u></p> <p>Currently the monthly Treasury Management reconciliations undertaken are not reviewed by an independent member of staff. A number of minor omissions, errors and differences were noted on the reconciliations which may have been avoided if a secondary review had occurred.</p>	Possibility that errors and omissions are not identified.	The monthly reconciliations to be reviewed and signed off by an independent officer	<p>The reconciliations will be reviewed by a second officer on completion. The Senior Accounting Technician (Treasury and Capital) and the Technical Accountant will implement this for the next reconciliation completed.</p> <p>Responsible Manager: Corporate Accountant</p> <p>Implementation date: January 2013</p>

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
3	M	<p><u>Value for Money</u></p> <p>Following discussions and questions raised by the Financial Services Manager it is not possible to identify whether the Council is obtaining a value for money service from their external Treasury Management Advisors without further work.</p>	Best value may not be achieved.	<p>The Council may wish to review whether the service provided by the Treasury Management Advisor is providing value for money as the market has not been tested for a considerable period of time. Options to consider are:</p> <ul style="list-style-type: none"> • if the price for Treasury Management advisory services is competitive • if the current level of service could be obtained at a reduced price from a different supplier i.e. tender exercise • if the function could be performed to the same standard in house without introducing a risk to the Council. 	<p>The review will take place when the current contract comes to an end.</p> <p>Responsible Manager: Financial Services Manager</p> <p>Implementation date: December 2013</p>
4	M	<p><u>Insurance limits</u></p> <p>The current limit for the Council's Fidelity Insurance is £2,000,000 although deals are made in excess of this value.</p> <p>Also it was noted that job titles specified on the insurance schedule are now out of date and two members of staff involved in the Treasury Management process are not included.</p>	Possibility that insurance cover may be invalidated leading to a potential financial loss to the Council.	<p>Consideration to be given to increasing the Fidelity Guarantee Insurance limits to ensure the Council is covered for all high level investments.</p> <p>In addition the Council's Insurer to be notified of correct job titles and to include cover for the two members of staff omitted from the schedule.</p>	<p>The Financial Services Manager will investigate to whether increasing the Insurance is cost effective for the council. The review of the Insurance will be undertaken when the contract is approaching its renewal dates</p> <p>Responsible Manager: Financial Services Manager</p> <p>Implementation date: January 2013</p>

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
5	M	<p><u>Minor Anomalies and Omissions</u></p> <p>A number of minor anomalies and omissions were noted on the daily cash forecasting spreadsheet where information had not been completed and saved and where figures did not fully correspond with the other information available.</p>	<p>Investment deals may be made based on inaccurate budgetary position.</p>	<p>Officers to ensure that all information is accurately transferred to the daily cash forecasting spreadsheet and that version control is used to ensure data is not lost.</p>	<p>The Senior Technical Accountant (Treasury and Capital) went through all versions to ensure there is adequate control over data and to ensure that data was accurately transferred to the daily cash forecasting spreadsheet. This will now to be monitored on a daily basis.</p> <p>Responsible Manager: Corporate Accountant</p> <p>Implementation date: December 2012</p>

APPENDIX A

Definition of Audit Opinion Levels of Assurance

Opinion	Definition
Full Assurance	<p>The system of internal control meets the organisation's objectives; all of the expected system controls tested are in place and are operating effectively.</p> <p>No specific follow up review will be undertaken; follow up will be undertaken as part of the next planned review of the system.</p>
Significant Assurance	<p>There is a generally sound system of internal control in place designed to meet the organisation's objectives. However isolated weaknesses in the design of controls or inconsistent application of controls in a small number of areas put the achievement of a limited number of system objectives at risk.</p> <p>Follow up of medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>
Moderate Assurance	<p>The system of control is generally sound however some of the expected controls are not in place and / or are not operating effectively therefore increasing the risk that the system will not meet its objectives. Assurance can only be given over the effectiveness of controls within some areas of the system.</p> <p>Follow up of high and medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>
Limited Assurance	<p>Weaknesses in the design and / or inconsistent application of controls put the achievement of the organisation's objectives at risk in many of the areas reviewed. Assurance is limited to the few areas of the system where controls are in place and are operating effectively.</p> <p>Follow up of high and medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>
No Assurance	<p>No assurance can be given on the system of internal control as significant weaknesses in the design and / or operation of key controls could result or have resulted in failure to achieve the organisation's objectives in the area reviewed.</p> <p>Follow up of high and medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>

APPENDIX B

Definition of Priority of Recommendations

Priority	Definition
H	<p>Control weakness that has or is likely to have a significant impact upon the achievement of key system, function or process objectives.</p> <p>Immediate implementation of the agreed recommendation is essential in order to provide satisfactory control of the serious risk(s) the system is exposed to.</p>
M	<p>Control weakness that has or is likely to have a medium impact upon the achievement of key system, function or process objectives.</p> <p>Implementation of the agreed recommendation within 3 to 6 months is important in order to provide satisfactory control of the risk(s) the system is exposed to.</p>
L	<p>Control weakness that has a low impact upon the achievement of key system, function or process objectives.</p> <p>Implementation of the agreed recommendation is desirable as it will improve overall control within the system.</p>

Worcestershire Internal Audit Shared Service



Bromsgrove
District Council
www.bromsgrove.gov.uk

(Final) Internal Audit Report

Street Scene 2012/13

7th January 2013

Distribution:

Chief Executive
Executive Director, Finance and Corporate Resources
Head of Environmental Services
Environmental Services Manager



1. Introduction

As part of the Internal Audit Plan for 2012/13 a review was carried out to assess the effectiveness of controls within the Street Scene service.

Environmental Services aim to provide sustainable services that make a visible difference to the local environment and have a positive impact on the wellbeing of the community.

The Street Scene team are responsible for the scheduled cleansing undertaken within Bromsgrove, Bulky Waste collections, emptying of Parish Council bins and dealing with ad hoc enquires and reports received from the public regarding fly tipping, dog fouling and the removal of dead animals.

This review was undertaken during April and May 2012.

2. Audit Scope and Objectives

The review was designed to test whether the following control objectives are being achieved. To ensure that:

- Procedures / guidelines exist for all key activities.
- 'Back office' activities are effectively undertaken to maximise service provision.
- Adequate arrangements in relation to the provision of operational services exist.
- Activities are undertaken in relation to publicising the services available and interacting with the public.
- Management information, including performance monitoring, is produced that is timely, accurate and acted upon to enhance service provision.
- Previous audit recommendations have been implemented.

The review was a full system audit and concentrated on areas of Street Scene covering the period from October 2011 to April 2012. Detailed testing of operational activities was limited to areas considered the highest priority for the public or the most regularly undertaken, such as fly tipping, dog fouling and hazardous waste.

3. Audit Opinion and Executive Summary

From the audit work carried out we have given an opinion of **significant assurance** over the control environment in this area. The level of assurance has been calculated using a methodology that is applied to all Worcestershire Internal Audit Shared Service audits and has been defined in the “Definition of Audit Opinion Levels of Assurance” table in Appendix A. However, it should be noted that statements of assurance levels are based on information provided at the time of the audit in respect of the specific audit objectives. Where there is no specific reference to an audit objective in the findings and recommendations table at point 4 below, recipients of this report can take reassurance that a reasonable level of assurance was determined during audit testing for those objectives.

We have given an opinion of **significant assurance** in this area because there is generally a sound system of internal control in place; however, our testing identified a limited number of areas for example monitoring of work undertaken and recording of action taken against customer enquires, where controls could be further strengthened to improve performance or where the expected controls were found not to be operating as intended.

The service is currently undergoing a transformation review and, therefore, the findings and consequential recommendations may be considered as part of this process.

The following areas were identified as good practice within the service:

- The pro-active identification of areas which require cleansing undertaken by the Waste & Street Scene Policy, Performance & Publicity team.
- Budget monitoring.
- Publicity campaigns.

The recommendations identified during the audit have been prioritised according to their significance / severity in the table below. We have used this prioritisation to inform our audit opinion. The definitions for high, medium and low priority are set out in the “Definition of Priority of Recommendations” table in Appendix B.

Priority	Number of Recommendations
High	0
Medium	2
Low	1

4. Detailed Findings and Recommendations

The issues identified during the audit have been set out in the table below along with the related risks, recommendations, management responses and action plan. The issues identified have been prioritised according to their significance / severity. The definitions for high, medium and low priority are set out in the "Definition of Priority of Recommendations" table in Appendix B.

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
Issue brought forward from previous audit report.					
1	M	<p><u>Data for Management Monitoring Information.</u></p> <p>At the time of the audit street cleansing schedules were being introduced therefore there had been minimal data on which management could undertake monitoring of the service.</p>	Reputational damage due to poor service provision.	The Street cleansing schedules and the management information available to be reviewed as part of the transformation process to ensure that they are fit for purpose.	<p>Responsible Manager: Environmental Services Manager</p> <p>Implementation date: Pending transformation: Interim Review date July 2013</p>
New matters arising					
2	M	<p><u>Utilisation of system</u></p> <p>Internal Audit review identified the following in relation to utilisation of the OneServe system:</p> <ul style="list-style-type: none"> Of the 25 incidents reviewed, 3 did not have sufficient information recorded on the system to identify the actions taken or the date. One instance was noted where the call had not been closed when action had been taken by another department. <p>It is acknowledged that OneServe is the responsibility of Customer Services.</p>	Inaccurate management information and poor customer service.	<p>Before transformation the current system to be assessed to ascertain if it is fit for purpose.</p> <p>If the system is assessed as no longer fit for purpose then the cost and lead time for procurement of any new system to be built into the transformation business plan.</p>	<p>Responsible Manager: Environmental Services Manager</p> <p>Implementation date: Pending transformation: Interim Review date July 2013</p>

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
3	L	<u>Income</u> A number of small errors were noted with the collection of income None of the areas identified were individually or collectively material.	Loss of income.	At the commencement of each Financial year the fees and charges are agreed back to those approved by Members to ensure that the correct pricing structure is used.	Responsible Manager: Environmental Services Manager Implementation date: March 2013

APPENDIX A

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No Assurance	<p>No assurance can be given on the system of internal control as significant weaknesses in the design and / or operation of key controls could result or have resulted in failure to achieve the organisation's objectives in the area reviewed.</p> <p>Follow up of high and medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>

APPENDIX B

Definition of Priority of Recommendations

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L	<p>Control weakness that has a low impact upon the achievement of key system, function or process objectives.</p> <p>Implementation of the agreed recommendation is desirable as it will improve overall control within the system.</p>