

This Report will be made public on 22 July 2019



Report Number **AuG/19/06**

To: Audit and Governance Committee
Date: 30 July 2019
Status: Non-Executive Decision
Corporate Director: Tim Madden – Customer Support & Specialist Services (S151)

SUBJECT: INTERNAL AUDIT PROGRESS REPORT FROM THE HEAD OF THE EAST KENT AUDIT PARTNERSHIP

SUMMARY: This report includes the summary of the work of the East Kent Audit Partnership (EKAP) since the last Audit and Governance Committee meeting together with details of the performance of the EKAP to the 31st May 2019.

REASONS FOR RECOMMENDATION:

The Committee is asked to agree the recommendations set out below because: In order to comply with best practice, the Audit and Governance Committee should independently contribute to the overall process for ensuring that an effective internal control environment is maintained.

RECOMMENDATIONS:

- 1. To receive and note Report AuG/19/06.**
- 2. To note the results of the work carried out by the East Kent Audit Partnership.**

1. INTRODUCTION

- 1.1 This report includes the summary of the work completed by the East Kent Audit Partnership (EKAP) since the last Audit and Governance Committee progress report, together with details of the performance of the EKAP to the 31st May 2019.

2. AUDIT REPORTING

- 2.1 For each Audit review, management has agreed a report, and where appropriate, an Action Plan detailing proposed actions and implementation dates relating to each recommendation. Reports continue to be issued in full to the relevant Heads of Service, as well as an appropriate manager for the service reviewed.
- 2.2. Follow-up reviews are performed at an appropriate time, according to the status of the recommendation, timescales for implementation of any agreed actions and the risk to the Council.
- 2.3. An assurance statement is given to each area reviewed. The assurance statements are linked to the potential level of risk, as currently portrayed in the Council's risk assessment process. The assurance rating given may be substantial, reasonable, limited or no assurance.
- 2.4 Those services with either limited or no assurance are monitored, and brought back to Committee until a subsequent review shows sufficient improvement has been made to raise the level of assurance to either reasonable or substantial. There is currently one review with such a level of assurance as shown in appendix 2 of the EKAP report.
- 2.5 The purpose of the Council's Audit and Governance Committee is to provide independent assurance of the adequacy of the risk management arrangements, the control environment and associated anti fraud and anti corruption arrangements and to seek assurance that action is being taken to mitigate those risks identified.
- 2.6 To assist the Committee in meeting its terms of reference with regard to the internal control environment an update report is regularly produced on the work of internal audit. The purpose of this report is to detail the summary findings of completed audit reports and follow-up reviews since the report submitted to the last meeting of this Committee.

3. SUMMARY OF WORK

- 3.1. There have been six audit reports completed during the period. These have been allocated assurance levels as follows: four were classified as providing substantial assurance and two were reasonable assurance. Summaries of the report findings are detailed within Annex 1 to this report.

- 3.2 In addition, four follow up reviews have been completed during the period. The follow up reviews are detailed within section 3 of the update report.
- 3.3 For the period to 31st May 2019 50.25 chargeable days were delivered against the planned target of 361.38 days, (including 46.38 days carried over from 2018/19) which equates to achievement of 14% of the planned number of days.

4. RISK MANAGEMENT ISSUES

- 4.1 A summary of the perceived risks follows:

Perceived risk	Seriousness	Likelihood	Preventative action
Non completion of the audit plan	Medium	Low	Review of the audit plan on a regular basis
Non implementation of agreed audit recommendations	Medium	Low	Review of recommendations by Audit and Governance Committee and Audit escalation policy.
Non completion of the key financial system reviews	Medium	Medium	Review of the audit plan on a regular basis. A change in the external audit requirements reduces the impact of non-completion on the Authority.

5. LEGAL, FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

5.1 Legal Officer's comments (DK)

No legal officer comments are required for this report.

5.2 Finance Officer's Comments (TM)

Responsibility for the arrangements of the proper administration of the council's financial affairs lies with the Chief Finance Officer (S151). The internal audit service helps provide assurance as to the adequacy of the arrangements in place. It is important that the recommendations accepted by Heads of Service are implemented and that audit follow-up to report on progress.

5.3 **Head of the East Kent Audit Partnership comments (CP)**

This report has been produced by the Head of the East Kent Audit Partnership and the findings / comments detailed in the report are the service's own, except where shown as being management responses.

5.4 **Diversities and Equalities Implications (CP)**

This report does include the progress report regarding the Equality & Diversity audit review and there are other reviews of services which may have implications.

6. **CONTACT OFFICERS AND BACKGROUND DOCUMENTS**

- 6.1 Councillors with any questions arising out of this report should contact either of the following officers prior to the meeting.

Christine Parker, Head of the Audit Partnership
Telephone: 01304 872160 Email: Christine.parker@doover.gov.uk

Tim Madden, Corporate Director – Customer Support & Specialist Services (S151)
Telephone: 01303 853371 Email: Tim.madden@folkestone-hythe.gov.uk

- 6.2 The following background documents have been relied upon in the preparation of this report:

Internal Audit working papers - Held by the East Kent Audit Partnership.

Attachments

Annex 1 – Update report from the Head of the East Kent Audit Partnership.

INTERNAL AUDIT UPDATE REPORT FROM THE HEAD OF THE EAST KENT AUDIT PARTNERSHIP

1. INTRODUCTION AND BACKGROUND

1.1 This report includes the summary of the work completed by the East Kent Audit Partnership since the last Audit and Governance Committee meeting, together with details of the performance of the EKAP to the 31st May 2019.

2. SUMMARY OF REPORTS

Service / Topic		Assurance level	No of recs	
2.1	Events Management	Substantial	C	0
			H	0
			M	0
			L	0
2.2	Value Added Tax	Substantial	C	0
			H	0
			M	1
			L	0
2.3	Budgetary Control	Substantial	C	0
			H	0
			M	3
			L	0
2.4	Housing Revenue Account Business Plan	Substantial	C	0
			H	1
			M	0
			L	1
2.5	Capital	Reasonable	C	0
			H	1
			M	3
			L	0
2.6	Out of Hours Service	Reasonable	C	0
			H	1
			M	4
			L	1

2.1 Events Management - Substantial Assurance

2.1.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established by the Council in respect of the organising, enabling and the granting of permission for events.

2.1.2 Summary of Findings

The Council administers events on Council owned or managed land and in accordance with the obligations attached to the land use. It remains the event organiser's responsibility to ensure that all relevant legislative requirements, such as Health and Safety and road closures, are complied with.

For all events on Council land, the Council works in partnership with other local agencies such as the Police, Fire and Rescue Service and Kent County Council to ensure that the health and safety arrangements for the event are satisfactory. The Council will also provide guidance for events not held on Council land, however it will only provide additional support where an event involves use of a highway or is likely to impact upon the health and safety of district residents.

The primary findings giving rise to the Substantial Assurance opinion in this area are as follows:

- The Council has an up to date and approved Events Management Policy and Event Management Procedure document, which is publicly available on its website.
- Officers' roles and responsibilities are clearly identified within the Safety Advisory Group's Terms of Reference.
- The application and evaluation process is contained within the Event Management App and progress can be viewed by all stakeholders; applications sample tested were fully supported and consulted upon.
- Events management continues to be supported by a very experienced and senior, former member of staff.

No scope for improvement has been identified in this review.

2.2 Value Added Tax - Substantial Assurance

2.2.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that ;

- the Council complies with all HMRC legislation and guidance in respect of Value Added Tax,
- VAT is collected and accounted for promptly and accurately and offset against tax paid by the authority, and
- All tax return deadlines are met and tax is charged at the correct rate by the Council.

2.2.2 Summary of Findings

The Council applies output tax, where applicable, to the services it provides and reclaims input tax on expenditure. Like any other business the Council is required to keep account of both the VAT paid (input) and the VAT received (output) from its transactions and detail these in a monthly return to HMRC.

The primary findings giving rise to the Reasonable Assurance opinion in this area are as follows:

- VAT returns are submitted on a monthly basis within the HMRC timeframes with thorough reconciliation routines being in place.
- The Council complies with VAT legislation and ensures the correct treatment of VAT as this, and the effective recovery of VAT, impact on Council budgets.

Scope for improvement was however identified in the following areas during the course of the audit and these are currently being worked on by the Finance Officer with a target completion date of the end of June 2019. Therefore to avoid duplication recommendations for these actions have not been made in the audit report:

- The 2016 VAT Guidance Manual is to be reviewed and updated and then published on the Intranet.
- Internal procedure notes for the monthly VAT return process are to be reviewed and then held centrally so that finance staff can access them.
- Ensure that the VAT on car mileage claims is being recovered on an annual basis.
- Ensure that VAT is being recovered on bad debts that are written off that are over 6 months old but no older than 4 years old.

In addition there is a recommendation in relation to the need to remind staff that they should always speak to Accountancy at the beginning of any projects / actions that have financial implications as concerns have been raised that Accountancy are not always aware of what actions departments are planning or may be considering to carry out that could have implications not just on VAT but also on capital / general fund and HRA budgets.

2.3 Budgetary Control - Substantial Assurance

2.3.1 Audit Scope

To ensure that regular, timely and accurate budgetary control of all income and expenditure being received or incurred by the Council, is undertaken to ensure that the Council's financial resources are efficiently managed.

2.3.2 Summary of Findings

The Chief Finance Officer is responsible for providing appropriate financial information to enable budgets to be monitored effectively. Expenditure must be controlled against the budget allocation, with the overall position reported to senior management and members on a regular basis.

It is the responsibility of heads of service and budget managers to control income and expenditure within their areas and to monitor performance through the Council's budget monitoring process.

The primary findings giving rise to the Substantial Assurance opinion in this area are as follows:

- Many guidance documents are available on the intranet and the budget monitoring system, Collaborative Planning.
- The Financial Procedure Rules are updated regularly and are publicly available within the Council's Constitution.
- Budget monitoring reports are provided regularly to senior management and members; significant variances are explained.
- Virements are controlled and reconciled.
- The budgetary control system, Collaborative Planning, is generally well received however there is scope for improvement within the system and the quality of some of the information, and possibly a need for more training.

Scope for improvement was identified in the following areas:

- It would be useful to carry out a review with budget managers, on the effectiveness and usability of Collaborative Planning as a budget monitoring tool and the quality of the information it holds, and to make improvements where possible.
- Feedback on Collaborative Planning indicates there may be a training requirement for some budget managers.

2.4 Housing Revenue Account Business Plan – Substantial Assurance

2.4.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the Housing Revenue Account business plan. To ensure that this document meets any legislative requirements placed upon the Council and it clearly states its intentions regarding its housing stock for the coming years.

2.4.2 Summary of Findings

The Council is required by legislation to have a Housing Revenue Account in place to administer the assets and finances relating to the Council housing stock, which is ring fenced and is separate to the Council's general fund income and expenditure.

The HRA Business Plan sets out the future objectives and finances for the coming thirty years.

The primary findings giving rise to the Substantial Assurance opinion in this area are as follows:

- The HRA Business plan was properly approved by Cabinet.
- There are regular quarterly updates on the HRA financial position for both revenue and capital.

- There is an external review of the HRA business plan model finances.
- The self-financing requirements have been taken into account within the business plan.

Scope for improvement was however identified in the following areas:

- There should be a specific annual review of the HRA objectives which should be reported back to Cabinet, as set out in the Cabinet report in 2016.

2.5 Capital – Reasonable Assurance:

2.5.1 Audit Scope

To ensure that appropriate control is in place regarding the Council's capital projects, including the management and approval of the projects and the financial resources employed to achieve them.

2.5.2 Summary of Findings

Capital expenditure involves acquiring or enhancing fixed assets with long-term value to the Council, such as land, buildings, and major items of plant, equipment or vehicles. Capital assets create financial commitments for the future in the form of financing costs and revenue running costs.

The Government places strict controls on the financing capacity of local authorities. This means that capital expenditure should form part of an investment strategy and should be carefully prioritised in order to maximise the benefit of limited resources. An investment strategy should facilitate a long-term approach to decision making, maximising efficiency in the management and use of assets.

As at 12th September 2018 the latest projection for the total cost and funding of the General Fund capital programme for 2018/19 was £12,621,800, a decrease of £1,431,000 compared to the latest budget of £14,052,800. The latest projections (at the time of this review) were reported to Cabinet in February 2019.

The primary findings giving rise to the Reasonable Assurance opinion in this area are as follows:

- A Capital Strategy for the forthcoming financial year, 2019/2020 was approved by Full Council in February 2019.
- Capital scheme funding requests are prepared and reviewed by Corporate Leadership Team before being put forward to Full Council for approval.
- The financial progress for each scheme against approved budgets, variances slippage and forecasts are regularly monitored and reported.

Scope for improvement was however identified in the following areas:

- The link between capital investment decisions and the Council's corporate priorities, objectives and aspirations may not always be clear, making it difficult to understand how individual proposals contribute to achieving these agreed priorities.

- Clear measurable milestones/outcomes may not always be determined at the scheme planning/concept stages.
- Capital Scheme monitoring reporting is primarily financial and does not identify what outcomes have been achieved against spend incurred.
- Post Implementation Reviews are not generally being undertaken, unless required by an external funding body.

2.6 Out of Hours Service – Reasonable

2.6.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls in place regarding the various out of hours services that the Council provides such as Environmental Health noise complaints, building control structural assessments, Maintenance Officers and on call duty officers (EROs).

2.6.2 Summary of Findings

The Council operates an Out of Hours emergency response service outside of normal office opening hours.

The service covers broadly, noise, light, odour and smoke pollution, building control issues, planning and licensing breach investigations, stray dogs and flood prevention/alleviation. In addition to the Emergency Response Officers (EROs) there are also two Maintenance Officers and two Pump Crew officers that make up the Out of Hours service.

The Control Room is the first point of contact for incoming calls; these calls are forwarded to the on duty ERO/Maintenance Officer or Pump Crew. Some changes have been made to the service since the last audit; many out of hours calls are now passed directly from the control room to a relevant officer or outside agency, instead of via the ERO and, only ongoing/unplanned environmental health complaints are dealt with outside of normal working hours. The number of EROs has also reduced from six to four. As a result, significant savings were made in 2017/18.

The primary findings giving rise to the Reasonable Assurance opinion in this area are as follows:

- Callouts are within the remit of the service.
- Costs appear to be reasonable and have been contained; savings have been made since the last audit was carried out.
- EROs are aware of the lone working policy, however not all members of the Out of Hours service have a footprint (lone working tracking device).
- Working time directive opt out agreements have been signed where necessary.

Scope for improvement was however identified in the following areas:

- All lone workers should be equipped with a footprint which should be charged and carried.
- All detailed timesheets and Emergency Response Reports should be stored centrally i.e. by Business Support, for ease of access and verification.
- Remuneration should be reviewed for the Maintenance Officers who form part of the Out of Hours service.

3.0 FOLLOW UP OF AUDIT REPORT ACTION PLANS

3.1 As part of the period's work four follow up reviews have been completed of those areas previously reported upon to ensure that the recommendations previously made have been implemented, and the internal control weaknesses leading to those recommendations have been mitigated. Those completed during the period under review are shown in the following table.

3.2

Service / Topic	Original Assurance level	Revised Assurance level	Original recs	Outstanding recs
Employee Benefits in Kind	Substantial	Substantial	C 0 H 0 M 2 L 0	C 0 H 0 M 0 L 0
Public Health Burials	Substantial	Substantial	C 0 H 0 M 1 L 0	C 0 H 0 M 0 L 0
Equality & Diversity	Reasonable	Reasonable	C 0 H 1 M 1 L 4	C 0 H 1 M 0 L 1
EKH Contract Management	Limited	Reasonable / Limited	C 3 H 5 M 0 L 0	C 1* H 2* M 0 L 0

* The three partially outstanding recommendations are no longer relevant as there is now a new contract in place with a new contractor.

3.3 Details of any individual Critical and High priority recommendations still to be implemented at the time of follow-up are included at Appendix 1 and on the grounds that these recommendations have not been implemented by the dates originally agreed with management, they are now being escalated for the attention of the s.151 officer and Members' of the Audit & Governance Committee. The purpose of escalating high-priority recommendations which have not been implemented is to try to gain support for any additional resources (if required) to resolve the risk, or to ensure that risk acceptance or tolerance is approved at an appropriate level.

- 3.4 As the assurance for the EKH Contract Management review is partially limited at the time of follow up, a management response has been included within this report.

Management Response to Contract Management

Management recognises that 'Limited Assurance' has been placed upon the Gas Servicing and Heating Installations audit and Audit Committee members are reminded of the previous reports detailing the challenges of these contracts and the management of them. The ability of EKH and the Client Councils to resolve a number of the partially outstanding matters will be influenced by the decision of the contractor to bring the contracts to an end and we continue to seek resolution as part of the final account process in collaboration with the Client Councils and contractor. (East Kent Housing - Director of Property Services).

WORK IN PROGRESS

- 4.1 During the period under review, work has also been undertaken on the following topics, which will be reported to this Committee at future meetings: S106s; Creditors; Financial Procedure Rules; General Data Protection Regulations; Special Projects 2018/19; EKH Performance Management; EKH Tenants Health & Safety and EKH Repairs & Maintenance.

5.0 CHANGES TO THE AGREED AUDIT PLAN

- 5.1 The 2019/20 audit plan was agreed by Members at the meeting of the Audit & Governance Committee on 5th March 2019.
- 5.2 The Head of the Audit Partnership meets on a regular basis with the Section 151 Officer or their deputy to discuss any amendments to the plan. Members of the Committee will be advised of any significant changes through these regular update reports. Minor amendments are made to the plan during the course of the year as some high profile projects or high-risk areas may be requested to be prioritised at the expense of putting back or deferring to a future year some lower risk planned reviews. The detailed position regarding when resources have been applied and or changed are shown as Appendix 3.

6.0 FRAUD AND CORRUPTION

There are currently no reported incidents of fraud or corruption being investigated by EKAP.

7.0 INTERNAL AUDIT PERFORMANCE

- 7.1 For the period ended 31st May 2019, 50.25 chargeable days were delivered against the planned target of 361.38 days, (including 46.38 days that were carried over from the previous year) which equates to achievement of 14% of the original planned number of days.

- 7.2 The financial performance of the EKAP for 2019/20 is on target for Folkestone & Hythe District Council.

Attachments

- Appendix 1 Summary of high priority recommendations outstanding or in progress after follow up
- Appendix 2 Summary of services with limited / no assurances.
- Appendix 3 Progress to 31st May 2019 against the agreed 2019/20 Audit plan.
- Appendix 4 Assurance Statements.

SUMMARY OF CRITICAL /HIGH PRIORITY RECOMMENDATIONS OUTSTANDING AFTER FOLLOW-UP – APPENDIX 1		
Original Recommendation	Agreed Management Action , Responsibility and Target Date	Manager’s Comment on Progress Towards Implementation.
Equality & Diversity		
The Guidance produced for completing an Environmental Impact Assessment should be updated to reflect current practice and policies	To review the guidance on completing EIAs and update as appropriate. Date in line with policy review Proposed Completion Date 31/10/2018 Responsibility HR Business Partner - Performance	Responsibility for Equality and Diversity has moved to the Policy and Improvement Officer since this audit. The Policy and Improvement Officer will review the information provided on the staff intranet in relation to Equality & Diversity, including related guidance notes, during the course of 2019/20. Outstanding

SERVICES GIVEN LIMITED / NO ASSURANCE LEVELS STILL TO BE REVIEWED			
Service	Reported to Committee	Level of Assurance	Follow-up Action Due
Tenancy & Right to Buy Fraud	March 2019	Limited	Quarter 2

PROGRESS AGAINST THE AGREED F&HDC AUDIT PLAN 2019/20

Review	Original Planned Days	Revised Planned Days	Actual - 31/05/2019	Status and Assurance level
FINANCIAL SYSTEMS				
Bank Reconciliation	10	10		Quarter 3
Business Rates	10	10		Quarter 3
Council Tax Reduction Scheme	10	10		Quarter 2
Insurance	10	10		Quarter 4
Treasury Management	10	10		Quarter 2
HOUSING SYSTEMS				
Housing Allocations	10	10		Quarter 2
ICT SYSTEMS				
ICT review	10	10		Quarter 4
HUMAN RESOURCES SYSTEMS				
Employee Allowances & Expenses	10	10		Quarter 3
GOVERNANCE RELATED				
Financial Procedures Rules	10	10	8.60	Work in progress
Constitution	10	10		Quarter 2
Counter Fraud Arrangements	2	2	0.24	Work in progress
Oportunitas Governance	10	10		Quarter 3
SERVICE LEVEL				
E-Procurement & Purchase Cards	10	10		Quarter 3
Corporate Responsive Repairs	10	10	0.25	Quarter 1
Enforcement	10	10		Quarter 3
Engineers	10	10		Quarter 4
Grounds Maintenance	10	10		Quarter 4
Industrial Estates	10	10		Quarter 2
Land Charges	10	10		Quarter 4
Licensing	10	10		Quarter 4
Lifeline	10	10		Quarter 3
Security of the Civic Centre	8	10	1.88	Work in progress
Special Projects 2018/19	10	27	20.99	Work in progress
Sports Income	8	10		Quarter 2
Taxi's	10	10	0.04	Quarter 1
Folkestone Community Works Grant	8	10		Quarter 2

Review	Original Planned Days	Revised Planned Days	Actual - 31/05/2019	Status and Assurance level
Waste Management	10	10		Quarter 2
OTHER				
Committee reports & meetings	10	10	1.31	Ongoing
S151 meetings & support	11	11	0.14	Ongoing
Corporate advice / CMT	2	3	0.47	Ongoing
Liaison with External Audit	1	1		Ongoing
Audit plan prep & meetings	10	10	1.35	Ongoing
Follow Up Reviews	15	15		Ongoing
Election duties		4	3.68	Completed – N/A
FINALISATION OF 2018-19 AUDITS				
Days under delivered in 2018/19	46.38			Allocated as required
Finalise 2018/19 audits				Allocated below
Sections 106s				Work in progress
Transformation Governance		10		Work in progress
GDPR			10.70	Work in progress
Creditors			0.14	Draft report
Business Continuity				Quarter 4
Total	361.38	361.38	50.25	13.91% complete as at 31/05/2019

EAST KENT HOUSING LIMITED:

Review	Original Planned Days	Revised Planned Days	Actual - 31/05/2019	Status and Assurance Level
Planned Work:				
CMT/Audit Sub Cttee/EA Liaison	4	4	2.51	Work-in-progress throughout 2018-19
Follow-up Reviews	4	4	1.76	Work-in-progress throughout 2018-19
Rent Accounting, Collection & Debt Mngmt.	40	40	0	Quarter 2
Rechargeable Works	10	10	0	Quarter 3
Tenants' Health & Safety	15	15	12.35	Work-in-Progress
Customer Contact	12	12	0	Quarter 4
East Kent Housing Improvement Plan	10	10	0	Quarter 3
Estate Management Inspection	15	15	0	Quarter 2
Anti-Social Behaviour	15	15	0	Quarter 4
Employee Health, Safety & Welfare	15	15	0	Quarter 2
Finalisation of 2018-19 Work-in-Progress:				
Days under delivered in 2018-19	0	19.50		Allocated
Staff Performance Management			4.55	Work-in-Progress
Welfare Reform			2.05	Work-in-Progress
Repairs & Maintenance			16.21	Work-in-Progress
Service Level Agreements			0.97	Finalised
Total	140	159.50	40.40	25.33% as at 31/05/2019

Definition of Audit Assurance Statements & Recommendation Priorities

Assurance Statements:

Substantial Assurance - From the testing completed during this review a sound system of control is currently being managed and achieved. All of the necessary, key controls of the system are in place. Any errors found were minor and not indicative of system faults. These may however result in a negligible level of risk to the achievement of the system objectives.

Reasonable Assurance - From the testing completed during this review most of the necessary controls of the system in place are managed and achieved. There is evidence of non-compliance with some of the key controls resulting in a marginal level of risk to the achievement of the system objectives. Scope for improvement has been identified, strengthening existing controls or recommending new controls.

Limited Assurance - From the testing completed during this review some of the necessary controls of the system are in place, managed and achieved. There is evidence of significant errors or non-compliance with many key controls not operating as intended resulting in a risk to the achievement of the system objectives. Scope for improvement has been identified, improving existing controls or recommending new controls.

No Assurance - From the testing completed during this review a substantial number of the necessary key controls of the system have been identified as absent or weak. There is evidence of substantial errors or non-compliance with many key controls leaving the system open to fundamental error or abuse. The requirement for urgent improvement has been identified, to improve existing controls or new controls should be introduced to reduce the critical risk.

Priority of Recommendations Definitions:

Critical – A finding which significantly impacts upon a corporate risk or seriously impairs the organisation's ability to achieve a corporate priority. Critical recommendations also relate to non-compliance with significant pieces of legislation which the organisation is required to adhere to and which could result in a financial penalty or prosecution. Such recommendations are likely to require immediate remedial action and are actions the Council must take without delay.

High – A finding which significantly impacts upon the operational service objective of the area under review. This would also normally be the priority assigned to recommendations relating to the (actual or potential) breach of a less prominent legal responsibility or significant internal policies; unless the consequences of non-compliance are severe. High priority recommendations are likely to require remedial action at the next available opportunity or as soon as is practical and are recommendations that the Council must take.

Medium – A finding where the Council is in (actual or potential) breach of - or where there is a weakness within - its own policies, procedures or internal control measures, but which does not directly impact upon a strategic risk, key priority, or the operational service objective of the area under review. Medium priority recommendations are likely to require remedial action within three to six months and are actions which the Council should take.

Low – A finding where there is little if any risk to the Council or the recommendation is of a business efficiency nature and is therefore advisory in nature. Low priority recommendations are suggested for implementation within six to nine months and generally describe actions the Council could take.