

List of audits Completed as Part of the 2018-19 Audit Plan

Audits			
Audit: FINANCIALS E-ORDERING 2018-19 Introduction: <p>This audit is completed as part of the 2018/19 Internal Audit Plan. Prior to the introduction of the Civica purchasing module in October 2017, paper purchase orders were used on an ad-hoc basis and therefore did not correctly record the council's level of commitments at year end. The implementation of the purchasing module has allowed the payment of invoices to be more efficient and created greater accuracy in the recording of liabilities, assisting in budget management and reducing the margin for error. The use of e-ordering also supports the council's digital agenda. This audit will obtain assurance as to the adequacy of the controls and process for purchase ordering and the extent to which risks in this area are managed.</p>			
Risk identified:	Level of Control:	Overall opinion:	Recommendations:
Economic & Financial EF1: Unauthorised payments to organisations. EF2: Purchases of goods and services are not authorised appropriately, payments are not accurately accounted for, and levels of commitment are not recorded	Satisfactory	<p>An authorised signatory list is maintained of employees able to certify purchase orders and invoices. These authorisation levels have been accurately set within the Civica purchasing module against each individual's profile.</p> <p>All purchase orders (PO's) must now be raised electronically through the purchasing module. Audit testing concluded that of 17 invoices sampled, 16 had a PO raised prior to payment. 7 of these 16 purchase orders were raised after receipt of the invoice, therefore not giving a true picture of commitments. Detailed training has been provided to teams and guidance is available on the intranet, however, in order to further assist in reducing the number of instances where this occurs, it is recommended that a proactive approach be taken to identify instances where purchase orders have been raised after the receipt of invoice [R1]. All invoices sampled had been</p>	<p>EF2- R1 <u>Recommendation priority: Medium</u> <u>Implementation date: July 2019</u> <u>Responsible Officer: Finance Manager</u></p> <p>A proactive approach should be taken to identify instances where purchase orders have been raised after the receipt of invoice. Outcomes should be escalated to management where appropriate.</p> <p>EF2- R2 <u>Recommendation priority: Medium</u> <u>Implementation date: March 2019</u></p>

<p>leading to inefficient processing. Financial information is not retained in accordance with the services privacy statement.</p> <p>EF3: Financial losses arising from fraud or error.</p> <p>EF4: Financial losses arising from error or inappropriate activity.</p> <p>EF5: Significant variances not identified and investigated.</p>	<p>appropriately authorised and correctly coded within the General Ledger, including the allocation of VAT.</p> <p>Payment requests may be raised for exceptions where no PO or invoice is involved e.g. HMRC, grant payments etc. The sample testing identified that Disabled Facilities Grant (DFG) payments are now made through these payment requests. However, there is currently no record of commitment maintained by the service. To allow for effective monitoring, once a DFG has been approved a record of commitment should be made [R2].</p> <p>Departments are now required to set up their own suppliers including bank details etc with supporting evidence. These require validation and authorisation from a member of the finance team prior to any payments being made. The same process applies to any amendments to supplier details, therefore mitigating the risk of fraud. Audit testing confirmed that this process takes place.</p> <p>The 'pay creditors' privacy statement makes reference to bank details being kept for 1 year after the last payment date; they are currently being kept in excess of this. In order to comply with the privacy statement, all creditors to whom a payment has not been made 1 year after the last payment date should be identified and associated bank details redacted and deleted [R3].</p> <p>Of the invoices sampled there was an adequate separation of duties; the audit did however identify that as Financial Services process invoices for payment, there is potential for non-segregation of duties within this team i.e. the same officer could raise a PO, goods receipt and process payment without checks or validation from any other officer. The risk of this is considered low; verbal assurance was obtained that there is an expectation within the team that two officers are always involved in the process; the opportunity for this to occur is also limited to payments to genuine suppliers. However, as there is</p>	<p><u>Responsible Officer: Environmental Health Manager</u></p> <p>To allow for effective budget monitoring; once a DFG has been approved a record of commitment should be made.</p> <p><u>EF3- R3</u></p> <p><u>Recommendation priority: Medium</u></p> <p><u>Implementation date: July 2019</u></p> <p><u>Responsible Officer: Finance Manager</u></p> <p>In order to comply with the 'pay creditors' privacy statement, all creditors to whom a payment has not been made 1 year after the last payment date should be identified and associated bank details be redacted and deleted. This should be carried out on an annual basis.</p> <p><u>EF4- R4</u></p> <p><u>Recommendation priority: Low</u></p> <p><u>Implementation date: August 2019</u></p> <p><u>Responsible Officer: Finance Manager</u></p> <p>In order to mitigate the risk of possible non-segregation of duties in the ordering, receiving and payment process in respect of financial services, a monthly report of all purchase orders raised within the department should be reviewed and signed off by the Finance Manager to confirm that these payments are genuine.</p>
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		<p>no ability within the system to identify if the same officer is involved in the ordering, receiving and payment process, it is recommended that a monthly report of all purchase orders raised within Financial Services be reviewed and signed off by the Finance Manager to confirm that these payments are genuine [R4].</p> <p>Accurate balancing statements between creditors and the general ledger are prepared on a monthly basis and are reviewed by a senior officer.</p>	
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Audit:**NEW INCOME SYSTEM 2018-19****Introduction:**

Adelante is an income management system which was introduced in 2018. The system manages payments taken by card, cash and performs bank reconciliations on payments received through the bank. This audit is completed as part of the 2018/19 audit plan.

Risk identified:	Level of Control:	Overall opinion:	Recommendations:
Legislative and Policy Compliance (LPC) LPC1: The processing of card payments through Adelante do not comply with the Payment Card Industry Data Security Standards LPC2: The retention of customer data in relation to payment transactions does not comply to General Data Protection Regulations	Satisfactory	Through the presentation of annual certifications, there is a good level of assurance that Adelante are complying with the Payment Card Industry Data Security Standards (PCI-DSS). Compliance to the standards by the council is currently limited concerning phone payments and face to face transactions. These issues are being reviewed and during the audit process it was noted that consideration is being given to the physical environment in which payment card transactions are processed, the number of individuals who are authorised to take payments and the undertaking that an annual certification of compliance to the standards is performed (R1) . In respect of the General Data Protection Regulations (GDPR), the decision making roles concerning the retention of card data needs to be clearly defined between Adelante and the Council. Financial Services have published a 'Cash Management Privacy Statement' which informs the public on what information is collected and who it is shared with. These aspects of the statement do need to be expanded in order to inform the public of the retention of card details and the sharing of card data with Adelante's partners (R2) .	LPC1-R1: <u>Recommendation priority:</u> Medium <u>Implementation date:</u> End December 2019 <u>Responsible Officer:</u> Head of Corporate Services & Head of Finance and Asset Management The Council should comply with the Payment Card Industry Data Security Standards and in this respect should give consideration to:- -the transaction process relating to phone payments, -payments taken at the reception desk -the physical environment in which card transactions are handled -Undertaking a PCI-DSS compliance certification - staff members taking payments when working from home

			<p>LPC2- R2:</p> <p><u>Recommendation priority: Medium</u></p> <p><u>Implementation date: End March 2019</u></p> <p><u>Responsible Officer: Corporate Accountant</u></p> <p>A review of the retention of card details held by Adelante against the general data protection regulations should give consideration to the following:-</p> <ol style="list-style-type: none"> 1) Identification of data controller responsibilities/decision making and the inclusion of retention of card data within the Financial Services retention schedule. 2) The Cash Management Privacy Statement needs to be updated to reflect the following:- <ul style="list-style-type: none"> -Full PAN card details are retained -card holder data is retained after authorisation -card data is held by a third party called NETPLAN.
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<p>Economic & Financial</p> <p>EF1: There is no documentary evidence to support income transactions</p> <p>EF2: Access to Adelante is not controlled and refunds issued are not authorised.</p> <p>EF3: Income transactions by card and cash are not received into the bank in a timely manner, are for the incorrect amount and/or have been posted to an incorrect general ledger code.</p> <p>EF4: Income transactions by 'paypoint' are not received into the bank in a timely manner, are for the income amount and/or have been posted to an incorrect general</p>	<p>Good</p>	<p>A review of the information recorded within the Adelante payment system confirmed that appropriate information is retained, and that this is sufficient to trace payment transactions. Access to Adelante is controlled through the finance team who are able to add/remove users. The list of users should be reviewed on a monthly basis against starters and leaver information supplied by HR, however a review of the list of users found a small number of users who no longer require access or had left the council employ. The Corporate Accountant gave assurance that the procedure notes would be updated to ensure that the list of users is reviewed at the same time as other finance systems.</p> <p>A review of the authorisation parameters confirmed that 52 of the 82 staff with access to Adelante are able to execute refunds and system controls are in place to mitigate the risk of fraud e.g. staff cannot access/amend card payment details when making refunds. Checking a sample of refunds confirmed that these were done so for a legitimate reason, and were promptly and accurately accounted. The testing of payment transactions within Adelante confirmed that funding parameters had been set up correctly. Payment transactions (including direct debit and paypoint) and associated VAT had been allocated to the appropriate general ledger code for the correct amount and each transaction could be traced to the relevant services. Furthermore, payment transactions were found to have been receipted within the bank promptly and on average: 3 days for cash, 4 days for card and 6 days for cheques. In respect of all bank receipts, these were reconciled within the Adelante system on a prompt basis, averaging 1 to 2 days. A review of the process for matching unidentified transactions confirmed that they are promptly reviewed and reallocated where appropriate. A review of both the electronic and the hard copy reconciliation folders confirmed that reconciliation occurs between the bank and Adelante on a monthly basis.</p>	<p>There are no recommendations.</p>
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ledger code			
EF5: Sums banked are not checked.			
Audit: BUSINESS RATES 2018/19 Introduction: <p>This audit is completed as part of the 2018/19 audit plan. National Non-Domestic Rates (from now on business rates, BR) are paid by occupiers and owners of commercial and industrial property to the local authority, but at a rate set by central Government. Under the business rates retention arrangements introduced from 1st April 2013, authorities keep a proportion of the business rates paid locally. This gives council's an incentive to promote economic growth and to support businesses within their area. There are a number of exemptions and discounts that can be offered to properties, including unoccupied or empty properties, partly occupied properties, small business rates relief and exemptions for charities.</p> <p>A report from Northgate confirmed an opening liability for 2018 of £47,638,516.28, with the following reliefs and exemptions; mandatory reliefs of £1,378,121.54, discretionary reliefs of £82,062.34, small business relief of £2,934,297.18, transitional relief of £972,526.72, and exemptions of £468,907.93.</p>			
Risk identified:	Level of Control:	Overall opinion:	Recommendations:
Legislative and Policy Compliance (LPC) LPC 1: Non-compliance with the appropriate legislation in the administration and collection of BR.	Good	Changes to key legislation are notified to the Council via email from the Ministry of Housing, Communities and Local Government (MHCLG), for example notification of the annual multipliers and new relief schemes such as Pub Relief. The Area Revenues Officer (ARO) responsible for business rates demonstrated a good level of understanding of the relevant legislation and its application to accounts. Later testing confirmed that administration and collection of business rates was done so in compliance with the legislation.	There are no recommendations.

<p>Operational (OP)</p> <p>OP1: Manual upload of new/revaluations of properties results in differences between the VOA data and that on Northgate.</p>	<p>Satisfactory</p>	<p>The ARO indicated that key processes for identifying new business rated properties are through the visiting officers and notifications through the planning department. The current focus for visiting officers is council tax properties in order to maximise the new homes bonus entitlement. However, a review of business properties is expected to be completed in 2018/19 as part of the full rating list review which is being carried out by the Counter Fraud Unit in 2018/19. The remit for the full rating list review includes confirming occupation, checking the physical property for any extensions and other changes, potential for identifying properties not on the rating list and identifying businesses that may (or may not) be eligible for a relief.</p> <p>Rateable valuations (RV) on business properties are determined by the Valuation Office (VOA) and audit testing confirmed that a regular reconciliation of RV data in 2018/19 between this office and the Council has occurred. VOA amendments to rating details are manually entered into Northgate and sample testing confirmed the accuracy of these changes and also confirmed that liability on accounts had been correctly raised. The rating list was revalued in 2017 and from April that year transitional relief certificates are being issued by the VOA. The council has received 17 of these schedules, 5 of these show a change between the RV value within the rating list and the RV value stated on the transitional relief certificate. A recommendation has been made for the Area Revenues Officer to review the transitional certificates received for the 2017 Rating List and apply these to the appropriate accounts (R1). Transitional certificates received from the VOA in future should be applied to the account at the same time as the alteration to the Rating List is processed.</p>	<p>OP1- R1</p> <p><u>Recommendation priority:</u></p> <p>Medium</p> <p><u>Implementation date:</u></p> <p>End February 2019</p> <p><u>Responsible Officer:</u></p> <p>Area Revenues Officer (CJ)</p> <p><u>Recommendation Details:</u></p> <p>A review of the transitional certificates should be completed and the accounts on Northgate updated as appropriate. Transitional certificates received from the VOA in future should be applied to accounts at the time the alteration to the Rating List is processed.</p>
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<p>Social, Political and Ethical (SPE)</p> <p>SPE1: A conflict of interest is in effect between account holders/ customers and those who complete recovery action/ take payments.</p> <p>SPE2: The council is not transparent regarding the support that can be offered to businesses.</p>	Good	<p>There is a good level of assurance that the council is transparent in regards to the support offered to business and this was demonstrated through a review of the council's website information which provides guidance on mandatory reliefs, Hardship Relief, Public House Relief and Supporting Small Businesses Relief.</p> <p>In respect of processing business rate activities there is potential for conflict of interest claims, as changes to business rates accounts are predominantly dealt with by one officer. Although it would be possible to restrict access to accounts, this limits the effectiveness of processing business rates changes. The Revenues and Benefits Manager felt the overall risk of such claims was low but in order to mitigate potential claims it was agreed that spot checks of the officer's activities within Northgate would be undertaken (R2)</p>	<p>SPE1: R2</p> <p><u>Recommendation priority:</u></p> <p>Low</p> <p><u>Implementation date:</u></p> <p>End February 2019</p> <p><u>Responsible Officer:</u></p> <p>Revenues Team Leader</p> <p><u>Recommendation Details:</u></p> <p>A spot check of the Area Revenues Officer business rate activities within Northgate is undertaken on a regular basis and recorded.</p>
<p>Economic and Financial (EF)</p> <p>EF1: Loss of income through failure to collect rates.</p>	Good	<p>A review of a sample of accounts found that discounts/exemptions had been accurately applied, payments receipted and refunds issued. The Northgate system promptly identifies accounts which are in arrears. Notifications such as summons, reminders etc are sent out to the account holder in line with recovery processes and are identified within Northgate as enforcement stages. The sampling of accounts confirmed that recovery action is undertaken and such action included the setting up of special payment arrangements. There have been delays in recovery action on some of the accounts sampled due to limited resources, however the Area Revenues Officer role will now be limited purely to business rates (rather than other revenues tasks) which will increase the time available to complete recovery procedures.</p>	<p>There are no recommendations.</p>

Technology (T) T1: Manually entered exemptions and parameters have not been entered into the system correctly.	Good	A review of the Northgate system parameters (including the small business rate and standard rate multipliers) which had been entered as part of the annual billing process for 2018/19, were found to have been accurately recorded within the system. A supervisory review of the parameters is completed by the Revenues and Benefits Manager, and a sample of accounts are manually recalculated to confirm the system calculations are accurate; 74 were checked for 2018/19.	There are no recommendations.
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Audit:**VEHICLE FLEET MANAGEMENT 2018/19****Introduction:**

The council acquired a fleet of waste vehicles in 2017 in response to the expiry of the CP Davidson contract on 31st March 2017. A variation to the contract between Ubico and the Council was authorised and the resulting "Hire Agreement" lays out a number of conditions. This audit will look to obtain assurance that the fleet is managed in accordance with the hire agreement. The audit will also review the budget allocation and monitoring of expenditure in respect of fleet maintenance and equipment.

Risk identified:	Level of Control:	Overall opinion:	Recommendations:
Operational (O) O1: Vehicles for waste collection services are not available through lack of maintenance/parts, loss of vehicle or the vehicle being used by other partners to the detriment of the council's own service. O2: Safety inspection and maintenance records are not being maintained in accordance with the vehicles operator's licence.	Limited	O1&O2: Operational risks are being mitigated in relation to vehicle upkeep, garaging, and insurance. Adequate maintenance records are retained on each vehicle for the prescribed period and these records also provide assurance that routine inspections are being performed. In respect of upkeep, it was found that parts specifically ordered for repairs could be traced to work carried out on the council's vehicles. Consideration needs to be given to the collation of data concerning ordinary repairs (eg changing light bulbs), tyre replacement and their associated costs as this is contractually required to be reported within the Ubico annual service report (R1). There is currently no stock control system in place in relation to the depot's bulk order purchases and consumables, however, consideration is being given to introducing a stock management system (R2). At the time of audit, a draft specification had been proposed and this should be carried forward. A process needs to be established to identify trends in causes for rechargeable repairs such as driver error - the spreadsheet used to record rechargeable parts from the job sheets could be enhanced to capture this data (R3). It was noted during the audit that of 95 inspection sheets	O1: R1 <u>Recommendation Priority: Low</u> <u>Implementation date: May 2019</u> <u>Responsible Officer: UBICO and Tewkesbury Borough Council</u> In compliance with the hire agreement clause D1, the format of the annual service report should be agreed between the council and UBICO representatives. This should be compiled for the current financial year and provided to the council promptly after year end. The annual report should be supported by quarterly updates provided to the ESPB. Additional Action: Repair and tyre data including costs to be reported quarterly to ESPB.

<p>O3: The contractual requirements concerning accident reporting are not being met.</p> <p>O4: Monitoring arrangements are not in place to assist in providing assurance that the vehicle fleet is being maintained.</p>	<p>reviewed, 35 made comment on the cleanliness of the vehicles, in some cases the vehicle was “too dirty to fully inspect”. During the course of finalising the audit report, processes have been adjusted to monitor condition of the vehicles, including spot checks and strengthening the cleaning regime.</p> <p>In respect of vehicle usage, vehicles owned by the council were being utilised for the collection of the council’s general, recycling, garden and commercial waste. Vehicle usage arrangements in relation to food waste and street cleansing noted the following exceptions:-</p> <ul style="list-style-type: none"> Food waste – Due to its unsuitability, Oscar 3 - a 7.5 tonne food vehicle (which was an additional approved purchase) is being used by Stroud council. A replacement vehicle is being hired for food waste collection - the cost of which is being met by Stroud. There is currently no formal agreement to support this arrangement. The depreciation of this 7.5 tonne vehicle needs to be considered and the Joint Waste Team Officer (JWTO) has requested this matter to be reviewed (R4). Street cleansing – a specialised vehicle (Lima 1) owned by the council was being used in both Tewkesbury and Cheltenham districts between September 2017 and April 2018. In accordance with the terms of the contract, formal reporting of the usage of this vehicle should have taken place. Furthermore, the cost implications for each council sharing this vehicle during this period should be considered. (R5). <p>O3:</p> <p>In respect of Part J of the vehicle hire contract between the council and Ubico, it was found that appropriate accident information is retained at the Ubico Cheltenham depot. The number of personal, vehicle and property accidents and near</p>	<p>O1:</p> <p>R2</p> <p><u>Recommendation Priority: Medium</u></p> <p><u>Implementation date: April 2019</u></p> <p><u>Responsible Officer: UBICO</u></p> <p>A stock management system should be developed in respect of parts ordered.</p> <p>Additional Action:</p> <p>Updates on the project to implement a stock management system should be provided at Q3 and Q4 ESPB meeting.</p> <p>O1:</p> <p>R3</p> <p><u>Recommendation Priority: Low</u></p> <p><u>Implementation date: March 2019</u></p> <p><u>Responsible Officer: Head of Community Services</u></p> <p>Repair data should identify any trends in causes for repairs, particularly driver error in order to identify any training issues.</p> <p>O1:</p> <p>R4</p> <p><u>Recommendation Priority: Medium</u></p> <p><u>Implementation date: end November 2018</u></p> <p><u>Responsible Officer: Head of Community Services</u></p> <p>A value for money decision needs to be</p>
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		<p>misses are reported to the monthly client monitoring meetings and also the quarterly Environmental Services Partnership Board meetings. There needs to be more specific information provided in order to fully comply with the vehicle hire contract conditions (i.e. full accident report, plan, details of persons and insurers involved). Furthermore the frequency of which accident data is notified to the council should be in line with the contract. This states full reports to be issued within 7 days for physical injury and monthly for non-physical injury (R6).</p> <p>O4:</p> <p>The vehicle hire contract between Ubico and the council does not contain reference to performance indicators (PIs). Recent ESPB minutes confirm that a suite of new performance indicators for Ubico is to be implemented. These will include vehicle related PIs: retention of the 'Driver Vehicle Standard Agency (DVSA)' green rating [this covers maintenance and servicing of vehicles]; monthly number of overweight and hire vehicles. The imminent reporting of these PI's together with the inclusion of repair and tyre replacement data within the Ubico annual service report will improve monitoring arrangements (R7).</p> <p>It is noted that the resource for a fleet monitoring officer is currently not available within TBC and this limits the ability to comprehensively monitor this part of the contract. Given the value of the assets, "Fleet" should become a standing agenda item to be discussed at the ESPB meetings, in line with the information reported on in the annual service report (see R7).</p> <p>An annual valuation/life value should be obtained and reported to TBC to provide assurance the vehicles are being effectively maintained to meet the expected life of the fleet, or to allow the council to budget for alternatives should this not be the case.</p>	<p>made on the continued retention of Oscar 3 and its current hire by Stroud. If the arrangement continues, a formal agreement needs to be established.</p> <p>O1:</p> <p>R5</p> <p><u>Recommendation Priority: Medium</u></p> <p><u>Implementation date: TO BE CONFIRMED</u></p> <p><u>Responsible Officer: UBICO</u></p> <p>When TBC vehicles are used by other partners/parties, the council should be notified promptly. The partner should be charged a hire fee in line with the agreed daily rate, set by the Head of Community Services. Quarterly reports should be provided to the Council detailing the usage and income received.</p> <p>O3:</p> <p>R6</p> <p><u>Recommendation Priority: Medium</u></p> <p><u>Implementation date: end September 2018</u></p> <p><u>Responsible Officer: UBICO</u></p> <p>The reporting of RIDDOR accidents to TBC should be undertaken within 24 hours of the reportable incident.</p> <p>O4:</p> <p>R7</p> <p><u>Recommendation Priority: Low</u></p>
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			<p><u>Implementation date: end December 2018</u></p> <p><u>Responsible Officer: UBICO and TBC</u></p> <p>To enhance vehicle contract monitoring, the new suite of PI's should be reported to ESPB. "Fleet" should be incorporated as a standard agenda item in ESPB meetings.</p>
<p>Economic and Financial (EF)</p> <p>EF1: A budget for vehicles has not been allocated, or where a budget is in place this is not being monitored.</p> <p>EF2:Expenditure allocated against the budget is not related to the council's vehicles</p>	Satisfactory	<p>EF1:</p> <p>The audit found that the budget in respect of vehicle maintenance is incorporated within the operational service recharge budgets at Ubico and is noted within the council's budget under general operational service headings such as grounds maintenance, street cleansing etc. Monitoring of the Ubico budget is included within the monthly ESPB meetings.</p> <p>EF2:</p> <p>Budget data is extracted from the finance system maintained by Publica on behalf of Ubico. As part of the audit testing, an initial sample of council vehicle 2017/18 expenditure was traced from the vehicle job sheets and order forms to the finance system. In 9 out of the 10 cases sampled, expenditure totalling £2686 had been incorrectly allocated to Cheltenham Borough Council. It was subsequently identified that the misallocation was known and procedures within Ubico had been amended to mitigate future miscoding errors. Additional testing of 2018/19 expenditure corroborated this. Verbal assurance has been provided by Ubico that the miscoding has been rectified, and reasonable assurance has been obtained that parts will be correctly coded in future.</p>	

CORPORATE IMPROVEMENT WORK

HR

As part of corporate improvement the booking of annual leave was reviewed by sampling HR section leave records. In order to ensure consistency this testing will be rolled out throughout the Council. The sampling has identified a number of corporate issues around:-

The type of leave information required to be recorded

The flexi-time scheme and working hours of part-timers and the accuracy of the electronic spreadsheet used to record hours.

Training agreements and the adequacy of the information captured in order to demonstrate compliance with the agreement conditions. The agreement should also provide managers with an estimation of the staff time involved.

Recommendations associated with the above issues are currently in the process of being finalised.

Recommendations Rating

Priority:		Definition:
1	High	A fundamental weakness in the system that puts the Authority at risk. This might include non-compliance with legislation or council policy, or may result in major risk of loss or damage to council assets, information or reputation. Requires action as a matter of urgency; to be addressed within a 3-6 month timeframe wherever possible or within an extended time frame as agreed with Internal Audit if the recommendation requires extensive resources or time.
2	Medium	Observations refer mainly to issues that have an important effect on the system of internal control but do not require immediate action. Legislation or policy are unlikely to be breached as a consequence of these issues, although could cause limited loss of assets, information or adverse publicity or embarrassment. Internal audit suggest improvement to system design to minimise risk and/or improve efficiency of service. To be resolved within a 6-9 month timescale.
3	Low	Observations refer to issues that would if corrected, improve internal control in general and ensure good practice, but are not vital to the overall system of internal control. A desirable improvement to the system, to be introduced within a 9-12 month period.

Level of control:	Definition:	Guidance:
Good	Significant assurance- There is a sound system of control, and the controls are being consistently applied. Limited scope for improving existing arrangements. Significant action unlikely to be required.	No audit recommendations or no more than 3 low priority (3) recommendations.
Satisfactory	Reasonable assurance- There is a sound system of control, and the controls are generally being consistently applied. However, there are some minor weaknesses in control, and/or evidence of non-compliance.	No more than 2 medium priority (2) recommendations, possibly with some low (3) recommendations.
Limited	Limited assurance- Lapses in the framework of control in a number of areas, and/or evidence of significant non-compliance.	Between 1 and 3 high priority (1) and possibly several other priority recommendations OR 3 or more medium (2) recommendations.
Unsatisfactory	Inadequate assurance- The system of control is weak, and/or there is evidence of significant non-compliance, which exposes the council to the risk of significant error or unauthorised activity.	4 or more Priority 1s OR 6 or more medium priority (2) recommendations.