

# Audit Report for South Lakeland District Council

## Neighbourhood Services Directorate



### Audit of Leisure Services

Draft Report Issued: **19<sup>th</sup> February 2016 (revised draft issued 9<sup>th</sup> June 2016)**

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*Internal Audit Services are delivered to South Lakeland District Council under contract by Cumbria Shared Internal Audit Service, Cumbria County Council*

## Audit Resources

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## Audit Report Distribution

For Action:	Simon Rowley, Assistant Director Neighbourhood Services Jim Maguire, Community and Leisure Manager
For Information:	David Sykes, Director People and Places
Audit Committee	The Audit Committee, which is due to be held on 21st July, will receive a copy of the report.

*Note: Audit reports should not be circulated wider than the above distribution without the consent of the Audit Manager.*

## 1. Background

- 1.1. This report summarises the findings from the audit of Leisure Services. This review was a planned audit assignment, which was undertaken in accordance with the 2015/16 Audit Plan.
- 1.2. SLDC entered into a ten year Leisure Partnership Agreement (with the potential to be renewed for a further two periods of five years), beginning on April 1<sup>st</sup> 2014, with North Country Leisure (NCL), a Charitable Trust.
- 1.3. North Country Leisure work with South Lakeland District Council, managing Kendal Leisure Centre, Ulverston Swimming Pool and Outdoor Complex and Windermere Outdoor Centre.

## 2. Audit Approach

### 2.1. Audit Objectives and Methodology

- 2.1.1. Compliance with the mandatory Public Sector Internal Audit Standards requires that internal audit activity evaluates the exposures to risks relating to the organisation's governance, operations and information systems. A risk based audit approach has been applied which aligns to the five key audit control objectives which are outlined in section 4; detailed findings and recommendations are reported within section 5 of this report.

### 2.2. Audit Scope

- 2.2.1. The Audit Scope was agreed with management prior to the commencement of this audit review. The Client Sponsor for this review was Simon Rowley, Assistant Director Neighbourhood Services and the agreed scope was to provide assurance over management's arrangements for risk management, governance and internal control in the following areas:
  - The arrangements for management of the leisure partnership contract in accordance with the Council's contract management policy and other best practice contract management framework
  - The adequacy of controls in place for identifying, monitoring and management contractual (operation and strategic) risks; and
  - The adequacy and effectiveness of controls in place to monitor and manage the contractor's performance to ensure that there is a drive for continuous improvement and achieving value for money for the Council.

### 3. Assurance Opinion

- 3.1. Each audit review is given an assurance opinion and these are intended to assist Members and Officers in their assessment of the overall level of control and potential impact of any identified system weaknesses. There are 4 levels of assurance opinion which may be applied. The definition for each level is explained in **Appendix A**.
- 3.2. From the areas examined and tested as part of this audit review, we consider the current controls operating within the Leisure Contract provide **Partial** assurance.

*Note: as audit work is restricted by the areas identified in the Audit Scope and is primarily sample based, full coverage of the system and complete assurance cannot be given to an audit area.*

### 4. Summary of Recommendations, Audit Findings and Report Distribution

- 4.1. There are three levels of audit recommendation; the definition for each level is explained in **Appendix B**.
- 4.2. There are **8** audit recommendations arising from this audit review and these can be summarised as follows:

Control Objective	No. of recommendations		
	High	Medium	Advisory
1. <b>Management</b> - achievement of the organisation's strategic objectives achieved (see section 5.1)	-	2	-
2. <b>Regulatory</b> - compliance with laws, regulations, policies, procedures and contracts (see section 5.2)	1	1	-
3. <b>Information</b> - reliability and integrity of financial and operational information (see section 5.3)	1	3	-
4. <b>Security</b> - safeguarding of assets	-	-	-
5. <b>Value</b> - effectiveness and efficiency of operations and programmes	-	-	-
<b>Total Number of Recommendations</b>	2	6	-

4.3. **Areas for development:** Improvements in the following areas are necessary in order to strengthen existing control arrangements:

4.3.1. High priority matters:

- The audit was unable to provide assurance that the Leisure Partner had the required Professional Indemnity Insurance in place over the period of the contract, and there are currently no arrangements for the Council to receive assurance that the Partner is complying with all legislative requirements set out in the Leisure Partnership Agreement.
- The Leisure Partner did not provide a delivery plan in advance as required by the Leisure Partnership Agreement.

4.3.2. Medium priority matters:

- Responsibilities within the Council in relation to the contract have not formally assigned and there are no formal arrangements for senior management to be assured that both the Council's and the Leisure Partner's obligations under the contract are being fulfilled.
- Key risks faced by the Council with respect to the Leisure Partnership have not been documented and there is no evidence to demonstrate that risks are being formally considered in line with the Council's risk management processes.
- Performance monitoring of the Leisure Partnership has not been fully developed.
- The risk assessment that led to a decision to take a light touch approach to verification of performance information provided by the Partner has not been formally documented.
- We were unable to provide assurance that contract management meetings are held regularly or that minutes of contract meetings including the Partnership Board are circulated promptly.
- Contract monitoring procedures for the Leisure Partnership have not been documented.

4.3.3. Advisory issues:

There were no advisory matters arising from the audit

## Comment from the Director, People and Places

To get value from this audit we have had to be challenging and have sought to explain the very significant difference of approach we have developed in the design, procurement, and operation of the Leisure Partnership.

Fundamental to our success is the creation and development of partnership, based upon a sharing of organisational values, co-production and trust. The council has not simply specified a service and detail the inputs and outputs required. It has created the opportunity for an experienced and expert partner to operate in South Lakeland and deliver both the Partner's and the Council's purposes. Divisions of responsibilities have been carefully constructed so that responsibilities which impinge on performance are as far as possible self-fulfilling. For example, financial sustainability is dependent upon customer usage, in turn dependent upon pricing and programming, facility condition, cleanliness and safety. If the significant element of a sustainable financial operation is being achieved, then the risks to health and safety management, property presentation maintenance being addressed are lowered. The customer experience is critical.

We are also critically aware that the management fee the Council pays to the Partner only helps fund the operation of Kendal and Ulverston Leisure Centres. The other specification requirements of developing and providing outreach programmes, strategic influence of works to improve health and wellbeing are delivered due to the co-production and partnership approach. This is a sophisticated partnership, where delivery and success is a significant way from being wholly dependent upon what the Council pays. 'Contract Management' is and has to be positive, honest and nurturing.

We have been developing a risk based approach, so that the management effort can be focussed on securing this stronger and wider delivery and not absorbed by checking and verifying inputs and records. At times, the approach adopted by the audit has felt like we should be pursuing a fastidious approach to checking and being able to verify inputs and outputs for particular clauses in the contract. This is not what we are about.

As with all audits, benefits accrue and in this case it has been to bring attention to how we explain and document the risks of our approach and align them more strongly with the Council's risk management approach. We recognise absolutely the need to ensure and demonstrate value for money, effective management of the respective responsibilities and to be aware and prepared should under performance or noncompliance occur.

The Partnership is developing. In line with some of the audit findings we can now do more to record and demonstrate success whilst providing assurance.

## 5. Matters Arising / Agreed Action Plan

5.1. **Management** - achievement of the organisation's strategic objectives.

● **Medium priority**

### Audit finding

#### 5.1.1. Clarity of roles and responsibilities and accountabilities

(a). Contract monitoring of the Leisure Partnership does not form part of the Community and Leisure Manager's performance appraisal objectives, and measures of success with respect to the Community and Leisure Manager's contract management of the Leisure Partnership have not been developed and reviewed.

Without clear objectives relating to this area of the Community and Leisure Manager's responsibility, it is difficult for the Director to demonstrate that he is assured that the contract is being monitored in accordance with senior management / Member expectations.

(b). The partnership agreement sets out the division of responsibility for maintenance obligations between the Council and the Leisure Partner. We were advised that the maintenance elements of the contract are the responsibility of the Corporate Asset Manager.

We understand that the Corporate Asset Manager is interim and new to the Council and at the time of the audit, he had not been made aware of his maintenance responsibilities within the Leisure contract. We noted that the Quest report for Kendal Leisure Centre dated 12<sup>th</sup> June 2015 states that the annual gas boiler service, which is the responsibility of the Leisure Partner, was overdue.

(c). We have therefore been unable to confirm that there are adequate arrangements in place for Senior Management to be assured that both the Council's or the Leisure Partner's maintenance obligations with respect to the Leisure Partnership are being fulfilled.

#### Recommendation 1:

All responsibilities under the contract should be formally assigned and documented and objectives

### Management response

#### Agreed management action:

Senior management is confident that the Community and Leisure Manager understands his role and responsibilities towards the Leisure Partnership. Progress is considered through 1:2:1s with his line manager.

This will be further reinforced through the documentation of procedures referred to in the response to recommendation 4

The Performance Appraisal does not record every aspect of a Group Manager's work. However, leisure and strategic work on facilities is specifically referred to in the 2016 Performance Appraisal.

NCL document all maintenance and building management works due and undertaken which provides the basis for periodic inspection and assessment of their activities. The Gas certificate issue arose through it being at the expiry of an arrangement under the previous leisure partnership and the commencement of NCL's direct instruction

and measures of success are communicated through annual appraisals.

The Director / Assistant Director should establish arrangements to be assured that all aspects of contract activity and monitoring are being undertaken in accordance with organisational requirements.

of gas certification. The new certificate was in place from the 16<sup>th</sup> June and recorded no defects requiring attention. Future certification is now wholly within NCL's property management system.

The Community and Leisure Manager will work with the Corporate Asset Manager to agree their respective responsibilities towards the management of the contract and in particular the periodic inspection and assessment of NCL's building and plant maintenance programme.

October implementation date enables the arrival of the new Asset Manager

[Link to recommendation 4](#)

**Risk exposure if not addressed:**

- Contract underperforms because it is not being measured in accordance with senior management expectations.
- The Council is placed at risk if maintenance responsibilities are not being fulfilled under the terms of the contract.

**Responsible manager for implementing:**  
**Assistant Director Neighbourhood Services**  
**Date to be implemented:**  
**October 2016**

• **Medium priority**

Audit finding	Management response
<p><b>5.1.2. Risk Management</b>                      During the audit, a risk management process was introduced and presented to the Partnership</p>	<p><b>Agreed management action:</b>                      A risk aware approach to the management of the</p>

board. The process considers the risks to both the Council and to the Leisure Partner. Consideration is now being given to aligning the Leisure Partnership risk management process with the Council's Corporate risk management process.

However, at the time of the audit, assurance could not be given that specific risks to the Council with respect to the Leisure Partnership had been considered as part of the Community and Leisure Services risk management process which informs the corporate risk management process and the strategic risk register as appropriate.

**Recommendation 2:**

To further strengthen the new Leisure Partnership risk management process, management should formally consider the key risks that SLDC faces with respect to the Leisure Partnership to inform the Community and Leisure Services Plan and the corporate risk management process.

**Risk exposure if not addressed:**

- SLDC is exposed to unnecessary risk without adequate mitigations in place.
- Senior management / elected Members are unaware of emerging risks that may need to be escalated to the Corporate risk register.

contract is critical if we are to achieve the full potential of the Leisure Partnership and avoid a risk averse approach which ties valuable resources in unproductive checking and verification of the fine detail of the contract and specification.

The Audit recognises the work to undertaken to develop the approach in accordance with the Corporate and Service planning risk management process.

**Responsible manager for implementing:**

**Director People and Places**

**Date to be implemented:**

**October 2016**

**5.2. Regulatory** - compliance with laws, regulations, policies, procedures and contracts.

● **High priority**

**Audit finding**

**Management response**

**5.2.1 Insurance and legislative requirements**

- a) The Leisure Partnership agreement sets out the required insurances for both parties. The insurance documents provided during the audit did not contain sufficient evidence to confirm that the Leisure Partner had taken out Professional Indemnity Insurance with "a limit of

**Agreed management action:**

The required insurances are, and have been, in place. NCL provided a copy of 'Insight –

indemnity not less than £2 million in relation to any one claim or series of claims”, as required by the Leisure Partnership agreement. Following completion of the audit fieldwork, a second insurance certificate has been provided (electronic document title includes date of 09/12/15). This certificate states that Professional Negligence insurance is in place until the end of the period of cover (31/3/16). It is not clear from the documentation provided that cover was in place during the period 25<sup>th</sup> March 2015 to 9<sup>th</sup> December 2015.

- b) The Leisure Partnership states that the Leisure Partner shall maintain such records as are necessary in relation to applicable law and shall promptly on request make them available for inspection. There was insufficient evidence that SLDC receive regular assurance from the Leisure Partner that they comply with all legislative requirements set out in the Leisure Partnership.

### Recommendation 3:

Arrangement should be in place to obtain regular documented assurances that the provider has the required level of insurance cover in place during the life of the contract.

Arrangements should be introduced for the Council to receive periodic assurances that the Leisure Partner complies with all legislative requirements set out in the Leisure Partnership.

Community Risks Policy Schedule’ referring to Policy No. XAO-262020-5603, with the period of insurance indicated as 1<sup>st</sup> April 2015 to 31<sup>st</sup> March 2016. This did not specifically refer to Professional Negligence insurance.

However, the subsequent statement from Zurich (as referred to with the electronic document title 09/12/15) confirms that Public Negligence insurance forms part of the cover under Policy No. XAO-262020-5603

When sought, documentary evidence has been forthcoming. We are assured that NCL has complied with the insurance requirements of the Leisure Partnership. The Auditor should consider revision to the priority of this recommendation.

With regard to assurance over compliance with all legislative requirements, the Partnership Board receives updates on activities and progress which focus on areas where risk of potential non-compliance may be greatest, for example, Health and Safety, Finance, Employment. The overarching spirit/requirement of this clause is activated in practice through these review meetings.

To date, the review meetings have not presented any issues on which we would need to seek

	<p>evidence of compliance.</p> <p>In response to the Audit and to provide greater assurance, The Community and Leisure Manager has agreed with NCL that there will be two of their contract management meetings, one in December and one in June at which relevant documentation and procedures will be examined.</p>
<p><b>Risk exposure if not addressed:</b></p> <ul style="list-style-type: none"> <li>Leisure Partner encounters financial difficulty because insurance is insufficient to cover claims.</li> <li>SLDC is subject to legal action because Leisure Partner has not complied with relevant legislation.</li> </ul>	<p>Responsible manager for implementing: <b>Community and Leisure Manager</b></p> <p>Date to be implemented: <b>Complete – no further action</b></p>

● **Medium priority**

Audit finding	Management response
<p><b>5.2.2 Written procedures</b></p> <p>Contract monitoring procedures for the Leisure Partnership have not yet been documented. Internal audit are therefore unable to provide assurance that these have been fully developed.</p>	<p>Agreed management action:</p> <p>Contract management practice is in place and informed by the requirements of the specification Section 9 – Performance Management.</p>
<p><b>Recommendation 4:</b></p> <p>Procedures for the monitoring of the Leisure Partnership contract should be documented, and aligned with the Council's contract monitoring policy and procedure, financial and contract procedure rules and other relevant internal regulations.</p>	<p>Contract management practice is evolving and documentation of procedures will take place.</p>
<p><b>Risk exposure if not addressed:</b></p> <ul style="list-style-type: none"> <li>A lack of effective business continuity arrangements for the monitoring of the Leisure</li> </ul>	<p>Responsible manager for implementing: <b>Community and Leisure Manager</b></p>

<p>Partnership to cover for unexpected absence of the Community and Leisure Manager.</p> <ul style="list-style-type: none"> <li>Management assurances over the effective management of the contract are weakened without agreed procedures for the monitoring.</li> </ul>	<p><b>Date to be implemented:</b> <b>Dec 2016</b></p>
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**5.3. Information** - reliability and integrity of financial and operational information.

• **High priority**

Audit finding	Management response
<p><b>5.3.1 Annual Delivery Plan</b></p> <p>The Partnership Agreement states that Contract Management will rely on key documents including an annual delivery plan. The annual delivery plan is to be produced by the Leisure Partner and will set out in advance the priorities, actions, targets and annual financial estimates which inform the management fee. It will also include a risk assessment of plan delivery.</p> <p>The current delivery plan was due prior to 1<sup>st</sup> April 2015, however we are advised that it was not produced until October 2015. Management have stated that they are confident the year 3 delivery plan will be provided at or before the new financial year.</p>	<p><b>Agreed management action:</b></p> <p>NCL provided a comprehensive business plan at the commencement of the partnership in April 2014. In January 2015 the Board (minutes have been supplied) considered the financial and business plan for 15/16 – agreed and accepted the projections. The board were accepting of the original plan extending into year 2 of the partnership. This is an appropriate exercise of management discretion</p> <p>The Year 3 delivery plan was discussed in draft at the Board meeting in May 2016 and agreed some additional detail and information was required. The plan is being finalised.</p>
<p><b>Recommendation 5:</b></p> <p>A deadline for receipt of the delivery plan for future years should be agreed with the Leisure Partner and arrangements introduced to ensure that this is received by the due date.</p>	
<p><b>Risk exposure if not addressed:</b></p> <ul style="list-style-type: none"> <li>SLDC unaware of how Leisure Services will be delivered to the public.</li> <li>Leisure Services not delivered in line with Council priorities and objectives.</li> </ul>	<p><b>Responsible manager for implementing:</b> <b>Community and Leisure Manager</b></p> <p><b>Date to be implemented:</b> <b>Complete – no further action</b></p>

● **Medium priority**

## Audit finding

### 5.3.2 Performance Monitoring

The Partnership Agreement sets out the outcomes that SLDC seeks to achieve through investment in 'Wellbeing' related services. Themes for higher level and operational indicators to assess the partnership's progress in achieving those outcomes are also set out in the Partnership Agreement, requiring them to be reported by the Leisure Partner through quarterly contract management meetings and translated into work tasks and targets throughout the organisation.

On reviewing minutes of the contract management meetings, it is not clear that these key performance indicators have been fully developed. Higher level indicators are of particular significance because of the requirement for the Leisure Partner to prepare and present them to SLDC's Cabinet on an annual basis.

#### Recommendation 6:

To strengthen SLDC's performance monitoring of 'Wellbeing' related services, higher level and operational indicators addressing the themes set out in the Partnership Agreement, should be fully developed and reported through the quarterly contract management meetings.

The Council should ensure that the performance indicators and targets are translated into work tasks and targets throughout the organisation.

## Management response

#### Agreed management action:

Operational performance indicators (e.g. Activity/Usage, Health and Safety, finance) and narrative about progress on initiatives are reported to Leisure Partnership Board on a quarterly basis. The contract commenced with an absence of baseline information from the previous operator. Now in year three, informed targets can be established in addition to the financial performance targets (budget projections/assumptions on revenues) that have been in place through the business plan.

In 2016, NCL are implementing a new business management software (LEGEND) which is in operation across all GLL Sites. This provides data for benchmarking and the analysis of performance, enabling informed and realistic assessment of performance and target setting.

Operational Performance is the easy task.

Much more challenging is to relate activity and interventions to the higher level health and wellbeing outcomes the Council is seeking for the South Lakeland area. For example, *that older people remain active and independent for longer*

	<p><i>due to better health and mobility through exercise’.</i></p> <p>NCL/SLDC have identified the opportunity in year three of the partnership to move forward, influencing partnership and collaborative action to address these higher level outcomes. Narrative will continue to be reported to the Partnership Board.</p>
<p><b>Risk exposure if not addressed:</b></p> <ul style="list-style-type: none"> <li>• ‘Wellbeing’ related services outcomes are not achieved with Management unaware.</li> </ul>	<p>Responsible manager for implementing:  <b>Operational Indicators / targets:</b>  <b>Community and Leisure Manager</b>  <b>NCL Contract manager to ensure reflection of targets in organisations work programmes.</b>  <b>Higher level outcomes:</b>  <b>Community and Leisure Manager, Assistant Director Neighbourhood Services</b></p> <p>Date to be implemented:  <b>Operational Indicators / targets:</b>  <b>October 2016</b>  <b>Higher level outcomes:</b>  <b>Leisure Partnership Board progress report – May 2017</b></p>

● Medium priority

**Audit finding**

**Management response**

### 5.3.3 Activity monitoring

The Leisure partnership states that the Council may at all reasonable times during the term; audit, inspect and satisfy itself as to the adequacy of the Leisure partner's monitoring of performance (including but not limited to carrying out sample checks). It was established during the audit that quarterly usage figures and the monitoring of leisure activities on site are taken on trust and there is no mechanism in place for these to be verified by the Council.

We have been advised that a risk-based approach is being taken to the monitoring and verification of information provided due to resource limitations. Management consider this contract to be low risk.

#### Recommendation 7:

Management should formally document the risk assessment that supports the decision not to undertake independent verification of the performance information provided by the Leisure Partner.

The risk assessment should follow the Council's risk management process, and should include input from relevant professionals such as Legal Services to ensure that the Council is not exposed to unacceptable contract-related risks.

#### Risk exposure if not addressed:

- Leisure Service usage is overstated and Management are unaware
- Non delivery of the Council's priorities and objectives in relation to wellbeing

#### Agreed management action:

The Community and Leisure Manager is in regular contact, including on site presence with NCL. The financial performance (which is critically dependent upon activity and usage) and the observations whilst on site do not indicate any doubts about the veracity of the data.

Management consider this a low risk and this will be documented in the risk assessment.

In the response to recommendation 3, we have indicated that the Community and Leisure Manager has established two of the contract management meetings in year will consider specific information. This will include verification checks.

#### Responsible manager for implementing:

**Risk documentation:**

**Director People and Places**

**Verification:**

**Community and Leisure Manager**

**Date to be implemented:**

**Risk Documentation:**

**October 2016**

**Verification:**

**Completed – no further action**

● **Medium priority**

## Audit finding

### 5.3.4 Meetings and Minutes

(a). During the audit, we were advised that regular 4 to 6 weekly meetings were held between the Community and Leisure Manager and his Leisure Partner counterpart. The risk management document presented to the Leisure Partnership Board in October 2015 identified 'regular contact and progress meetings' between lead officers as a mitigating action against the risk that responsibilities for management of the contract are not acted upon.

From the minutes of the contract management meetings provided during the audit, we have been unable to provide assurance that the meetings have taken place on a regular basis as per the risk mitigation action.

(b). During the audit, the contract management and Partnership Board minutes were reviewed. Minutes are a key governance document that allow the Council to demonstrate that effective contract monitoring is being undertaken and that actions for improvement are being identified, recorded, assigned and monitored by both the Council and the Partnership.

The audit identified opportunities for further strengthening the recording of meetings through more structured minutes and ensuring there is a record of their distribution.

### Recommendation 8:

Regular contract management meetings between the lead officers should be held as per the risk mitigation identified on the Partnership risk register. To ensure there is transparency and an accurate record of decisions taken, Management should review procedures for the administration of meetings to ensure that agendas pick up all outstanding actions and minutes fully record:

- When an action is required, who is required to resolve the action
- What is required from the action

## Management response

### Agreed management action:

Contract Management meetings take place on a monthly basis (required quarterly by the Contract) and Partnership meetings take place on a quarterly basis, (as required by the Contract). Notes are produced and circulated.

Notes of meetings will be circulated within 2 weeks of the meeting

<ul style="list-style-type: none"><li>• When the action should be resolved by</li><li>• What the resolution was (in subsequent minutes)</li></ul> <p>We also recommend that management seek their own assurances that all decisions have been appropriately communicated through prompt circulation of minutes.</p>	
<p><b>Risk exposure if not addressed:</b></p> <ul style="list-style-type: none"><li>• Leisure partner fails to fulfil its contract obligations.</li><li>• Key decisions taken at meetings are not actioned.</li></ul>	<p>Responsible manager for implementing: <b>Community Leisure Manager / NCL Contract Manager</b></p> <p>Date to be implemented: <b>Complete – no further action</b></p>

## Audit Assurance Opinions

There are four levels of assurance used; these are defined as follows:

	Definition:	Rating Reason
<b>Substantial</b>	There is a sound system of internal control designed to achieve the system objectives and this minimises risk.	<p>The controls tested are being consistently applied and no weaknesses were identified.</p> <p>Recommendations, if any, are of an advisory nature in context of the systems and operating controls &amp; management of risks.</p>
<b>Reasonable</b>	There is a reasonable system of internal control in place which should ensure that system objectives are generally achieved, but some issues have been raised which may result in a degree of risk exposure beyond that which is considered acceptable.	<p>Generally good systems of internal control are found to be in place but there are some areas where controls are not effectively applied and/or not sufficiently developed.</p> <p>Recommendations are no greater than medium priority.</p>
<b>Partial</b>	The system of internal control designed to achieve the system objectives is not sufficient. Some areas are satisfactory but there are an unacceptable number of weaknesses which have been identified and the level of non-compliance and / or weaknesses in the system of internal control puts the system objectives at risk.	<p>There is an unsatisfactory level of internal control in place as controls are not being operated effectively and consistently; this is likely to be evidenced by a significant level of error being identified.</p> <p>Recommendations may include high and medium priority matters for address.</p>
<b>Limited / None</b>	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and this exposes the system objectives to an unacceptable level of risk.	<p>Significant non-compliance with basic controls which leaves the system open to error and/or abuse.</p> <p>Control is generally weak/does not exist. Recommendations will include high priority matters for address. Some medium priority matters may also be present.</p>

## Grading of Audit Recommendations

Audit recommendations are graded in terms of their priority and risk exposure if the issue identified was to remain unaddressed. There are three levels of audit recommendations used; high, medium and advisory, the definitions of which are explained below.

		Definition:
<b>High</b>	●	Significant risk exposure identified arising from a fundamental weakness in the system of internal control
<b>Medium</b>	●	Some risk exposure identified from a weakness in the system of internal control
<b>Advisory</b>	●	Minor risk exposure / suggested improvement to enhance the system of control