

Eden District Council
Accounts and Governance Committee
27 September 2018

Internal Audit: Completed Reports and Progress against Annual Plan

Portfolio:	None
Report from:	Director of Finance
Wards:	All Wards
OPEN PUBLIC ITEM	
Appendix E is exempt under Paragraph 3 of Schedule 12 A of the Local Government Act 1972	

1 Purpose

1.1 To advise Members of:

- the findings and recommendations of reports that have recently been completed by the Council's Internal Audit Service; and
- progress against the agreed Annual Plan for 2018-2019.

2 Recommendation

That the contents of the report be noted.

3 Report Details

- 3.1 The Accounts and Audit (England) Regulations 2015 state that 'A relevant body must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes taking into account public sector internal auditing standards'. The standards referred to are the Public Sector Internal Audit Standards (PSIAS) and the associated Chartered Institute of Public Finance and Accountancy (CIPFA) Local Government Application Note (LGAN).

- 3.2 The PSIAS provides the following definition of internal audit:

Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

- 3.3 The LGAN expands on this definition as follows:

The organisation is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal Audit plays a vital part in advising the organisation that these arrangements are in place and operating properly. The annual internal audit opinion, which informs the governance statement, both emphasises and reflects the importance of this aspect of internal audit work. The organisation's response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation's objectives.

To provide optimum benefit to the organisation, Internal Audit should work in partnership with management to improve the control environment and assist the organisation in achieving its objectives. This partnership must operate in such a way as to ensure that legal requirements and those of the PSIAS are met.

Internal audit provides an independent and objective opinion to the organisation on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. It may also undertake consulting services at the request of the organisation, subject to there being no impact on the core assurance work and the availability of skills and resources.

- 3.4 Section 151 of the Local Government Act 1972 states that every local authority in England and Wales should 'make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs'. CIPFA has defined 'proper administration' in that it should include 'compliance with the statutory requirements for accounting and internal audit'.
- 3.5 The CIPFA *Statement on the Role of the Chief Financial Officer in Local Government* states that the Chief Financial Officer must:
- Ensure an effective internal audit function is resourced and maintained;
 - Ensure that the authority has put in place effective arrangements for the internal audit of the control environment;
 - Support the authority's internal audit arrangements, and
 - Ensure that the audit committee receives the necessary advice and information, so that both functions can operate effectively.
- 3.6 Audit reports presented throughout the year maintain this compliance. Reporting requirements are set out at paragraphs 7.4, 7.5 and 7.8 of the Council's Accounts and Audit Regulations. In accordance with Regulation 7.8b this report includes summaries of all internal audit reports completed since the last meeting of the Accounts and Governance Committee. Summary reports are used to demonstrate 'openness' in audit and governance processes but protect information on data and procedures that may be confidential or are not relevant in the public domain. Full copies of the reports are available to Members on request.

3.7 Audits Completed

- 3.7.1 The following audit reports have been finalised since the last reports to the meeting of the Accounts and Governance Committee on 26 June 2018. Please note that Appendix E, Assurance Review of the Digital Innovation Programme is not for publication by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972

Audit	Summary Report	Assurance* Level	Recommendations (by Priority*)		
			1	2	3
In-house Service					
Internal Audit of Fundamental Systems – Periodic Update Report April to August 2018	Appendix B (Page 8)	Reasonable (Six systems)	0	0	0

Audit	Summary Report	Assurance* Level	Recommendations (by Priority*)		
			1	2	3
Bought-in-Service (TIAA Limited)					
Assurance Review of Insurance, Risk Management and Health and Safety	Appendix C (Page 18)	Substantial	0	0	0
Assurance Review of the Digital Innovation Programme	Appendix E (Page 27)	Limited	1	6	0

*See Appendix D (page 25) for Definition of Assurance Levels and Recommendation Priorities

3.7.2 There are two reports from TIAA Limited on this report. The Director of Finance meets monthly with TIAA Limited to track delivery of the Plan. The Assurance Review of the Digital Innovation Programme was included in the 2017-2018 Plan and was withdrawn from the meeting of this Committee on 26 June 2018.

3.7.3 **Rejected Recommendations (Priority 1 and 2)**

There were no rejections.

3.7.4 **Recommendations (Priority 1 and 2) from Previous Audits Not Actioned**

There are none.

4 Policy Framework

4.1 The Council has four corporate priorities which are:

- Decent Homes for All;
- Strong Economy, Rich Environment;
- Thriving Communities; and
- Quality Council.

4.2 This report meets the Quality Council corporate priority. Implementation of the recommendations arising from internal audit reports will aid the achievement of all of the Council's priorities and objectives.

5 Consultation

5.1 There has been no consultation with Councillors.

6 Implications

6.1 Financial and Resources

6.1.1 Any decision to reduce or increase resources or alternatively increase income must be made within the context of the Council's stated priorities, as set out in its Council Plan 2015-2019, as agreed at Council on 17 September 2015.

6.1.2 One of the purposes of internal audit is to 'add value' and improve an organisation's operations and processes. Many of the recommendations made because of audit work are dependent on achieving these requirements. Recommendations are likely to result in cost savings because of improved working methods, or reduce the risk of loss or waste, rather than increase costs. There may also be cases where a weakness in controls identifies additional resources to address.

6.2 Legal

6.2.1 The legal implications are set out at paragraphs 3.1 to 3.4 of this report.

6.3 Human Resources

6.3.1 There are no Human Resources implications.

6.4 Statutory Considerations

Consideration:	Details of any implications and proposed measures to address:
Equality and Diversity	There are no implications
Health, Social Environmental and Economic Impact	There are no implications
Crime and Disorder	There are no implications
Children and Safeguarding	There are no implications

6.5 Risk Management

Risk	Consequence	Controls Required
Issues raised by Internal Audit are not appropriately actioned by management	Weak systems control, increased risk of theft and fraud.	Reporting of internal audit recommendations publicly to Committee and tracking implementation of these.
Audit programme slipping	Approved programme not delivered, resources not directed as planned and reported.	Regular reporting on internal audit progress.

7 Other Options Considered

7.1 None.

8 Reasons for the Decision/Recommendation

8.1 The summary reports for the completed audits and progress against the agreed Plan are set out for Members' review.

Tracking Information

Governance Check	Date Considered
Chief Finance Officer (or Deputy)	6 September 2018
Monitoring Officer (or Deputy)	13 September 2018
Assistant Director	N/A

Background Papers:	Internal Audit working papers and reports 2018-2019 Agreed Internal Audit Plan 2018-2019 (report F17/18; Accounts and Governance Committee, 22 February 2018	
Appendices:	Appendix A	Progress against the 2018-2019 Internal Audit Plan as at 31 August 2018
	Appendix B	Internal Audit of Fundamental Systems - Periodic Update Report April to August 2018
	Appendix C	Assurance Review of Insurance, Risk Management and Health and Safety
	Appendix D	Definition of Assurance Levels and Recommendation Priorities
	Appendix E	Assurance Review of the Digital Innovation Programme - Please note that Appendix E is not for publication by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972
Contact Officer:	Clive Howey, Director of Finance, 01768 212213	

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Progress against the 2018-2019 Internal Audit Plan

TIAA's Limited are shaded grey

	Days	Current Position
Fundamental Systems		
Payroll	23	Planned work is currently 16 days behind schedule and there has been an over-run of 4 days in the work that has been undertaken to date. Further details are included in the Periodic Audit Work Report included as Appendix B
Creditors/Ordering	18	
Income Collection	16	
Sundry Debtors	14	
Main Accounting System	21	
Treasury Management/Investments	8	
Fundamental Systems Consultancy	30	See separate Audit Consultancy Report
Council Tax	10	Planned for Quarter 3.
Business Rates	10	Planned for Quarter 3.
Benefits	20	Planned for Quarter 3.
Other Services/Systems		
Insurance, Risk Management and Health and Safety	10	Audit complete – included on this agenda
Premises and Clubs Licenses	10	Audit commenced 28 August 2018; report to Committee 29 November 2018
Procurement and Contract Monitoring	10	Planned for Quarter 3.
Development Control and Building Regulations	10	Planned for Quarter 3.
	210	

**Internal Audit of Fundamental Systems - Periodic Update Report
April to August 2018**

KEY POINTS	
Overall Assurance Level*	Main Accounting – Substantial Payroll – Reasonable Creditor Payments / Ordering – Reasonable Income Collection – Reasonable Sundry Debtors – Reasonable Treasury Management - Reasonable
Recommendations*	
Priority 1	None
Priority 2	None
Priority 3	None
Other Issues	
Action Plan	
This report has been issued to the respective managers for information and requests made to take action on the minor issues noted. Any ongoing problems in these areas will be included in future reports to the Accounts and Governance Committee.	

* See Appendix A for Definitions of Assurance Level and Recommendation Priorities

Background

The Internal Audit Plan requires that an internal audit of each of the Council's 'fundamental financial systems' is undertaken each year. In order for sufficient reliance to be placed on the work undertaken on these systems for the purpose of providing the Annual Internal Audit Opinion and satisfying the requirements of External Audit it is generally expected that sample testing of transactions to verify the satisfactory operation of controls and procedures within these systems covers a minimum of 9 months of the financial year. To minimise the pressure on Internal Audit resources in the final quarter of the year, audit work on the fundamental systems is therefore planned to be undertaken on a periodic basis so that testing can be spread across the year.

The purpose of this report is to record the progress of this work and raise any issues that require management attention so that action can be taken now, rather than in response to the 'final' report for each system which will be issued when work is complete at the end of the financial year.

Reporting progress on audit work and informing the Accounts and Governance Committee and Management of Governance, Risk and Control issues is a requirement of the Public Sector Internal Audit Standards (PSIAS).

Basis of Audit Work

Audit work included:

- establishing the objectives of each system and the management criteria for determining whether these objectives are being accomplished
- identifying the risks and controls associated with the system
- undertaking appropriate testing to establish that controls are operating consistently and effectively, appropriate records are kept and resources are utilised efficiently.

An assessment was then made of:

- the extent to which defined system objectives are being met
- the adequacy and effectiveness of Governance, Risk Management and Control issues in respect of the system
- the probability of significant errors, fraud and non-compliance

It should be noted that the Assurance Levels shown below are based on audit work undertaken to date which covers only the system areas shown. Further sampling and testing is required before a final opinion can be given. This will then form the basis of the Annual Audit Opinion.

System – Main Accounting		
Control / System Areas Examined in Period: <ul style="list-style-type: none"> • Preparation & Approval of Budget Estimates • Uploading & Reconciliation of Budgets to Financial Ledger • Reconciliation of Control Accounts • Review and Verification of Bank Reconciliations • Ledger Trial Balances • Journal Transactions • VAT Returns & Records • Supplementary Estimates • Opening Balances 		
Issues Arising		
<ul style="list-style-type: none"> • No Issues Arising 		
Audit Opinion		
Issue	Audit Comment	Assurance
Governance	No Governance issues identified	Substantial
Risk Management	No issues identified.	Substantial
Control Processes	No Control issues identified from the work undertaken to date	Substantial
Probability of Significant Errors, Fraud or non-compliance	On the basis of work undertaken to date the probability of any of these is considered low.	Substantial

System – Payroll		
Control / System Areas Examined in Period: <ul style="list-style-type: none"> • Payroll Control Account • Monthly Processing Records & Checks • Pay Tables including Tax & NI Rates • Payroll Deductions • Verification of Monthly Payment Totals and Costing & Accounting Entries • BACS Payment Records, Reports & Checks • Verification of Payslip Totals / Details 		
Issues Arising		
<ul style="list-style-type: none"> • Payment Control Sheets – there is an ongoing issue that these are not always signed to confirm that the BACS Input Report had been downloaded even though audit testing shows this is being done. 		
Audit Opinion		
Issue	Audit Comment	Assurance
Governance	No Governance issues identified	Substantial
Risk Management	No issues identified	Substantial
Control Processes	The only issue identified was that payment control forms are not always signed to evidence that the BACS Input Report has been downloaded.	Reasonable
Probability of Significant Errors, Fraud or non-compliance	Testing to date would indicate that probability is low with only the minor issue above noted	Reasonable

System – Creditors & Ordering		
Control / System Areas Examined in Period: <ul style="list-style-type: none"> • Creditors Control Account • Payment Run Controls & Checks • BACS & Cheques Payment Records & checks including Cash Book Entries • National Fraud Initiative (NFI) Matches 		
Issues Arising		
<ul style="list-style-type: none"> • NFI Matches – review of returned matches identified two duplicate payments (to the same firm) totalling £4,122.70 		
Audit Opinion		
Issue	Audit Comment	Assurance
Governance	No Issues identified	Substantial
Risk Management	The identification of duplicate payments shows that there is an element of risk in this area.	Reasonable
Control Processes	The NFI matches identified two duplicate payments which indicates a possible weakness in controls but previous testing would indicate that this may be an isolated incident (both payments were to the same company)	Reasonable
Probability of Significant Errors, Fraud or non-compliance	No issues other than the two duplicate payments noted above which related to invoices for the same work being submitted twice by the same company.	Reasonable

System – Income Collection
<p>Control / System Areas Examined in Period:</p> <ul style="list-style-type: none"> • Income Collection & Receipting Records • Posting of Income Totals to Collection Funds / Control Accounts • Verification of Income Received to Bank Account Entries • PARIS System Issues & Consultancy Work including proposal to transfer income collection system
Issues Arising
<ul style="list-style-type: none"> • PARIS system – whilst there are still some intermittent issues these are now much less frequent and the system generally appears more stable. However the product was bought by another company who subsequently decided to no longer support it. The Council therefore needs to replace the current software within the next year.

Audit Opinion		
Issue	Audit Comment	Assurance
Governance	Card payment or system failures can lead to poor customer satisfaction but reports of this happening are now less frequent.	Reasonable
Risk Management	Income may be lost if a card payment fails and the customer cannot be identified. The transfer to a new software package obviously carries a number of risks if not managed correctly.	Reasonable
Control Processes	Control processes are good and generally work well identifying any errors that do occur. It will need to be ensured that appropriate controls are in place with the new software.	Reasonable
Probability of Significant Errors, Fraud or non-compliance	Whilst some transaction errors do occur these tend not to be 'significant' and existing controls are effective in identifying and correcting these.	Reasonable

System – Sundry Debtors		
Control / System Areas Examined in Period: <ul style="list-style-type: none"> • Sundry Debtors Control Account • Invoice Authorisation • Write-Offs • Verification of Paid Invoices to Receipts • Posting of Income to Debtor Accounts • Sundry Debtors Suspense Account 		
Issues Arising		
<ul style="list-style-type: none"> • Control Account – problems continue to be found with evidence of a lack of understanding in some areas of the process. The Control A/C was subsequently reconciled and transactions corrected following assistance by audit but no reconciliations in the current year have been ‘signed off’ yet. • Invoice Authorisation – further evidence was found of delays in authorising some invoices. 		
Audit Opinion		
Issue	Audit Comment	Assurance
Governance	Delays in sending out invoices does not reflect well on the Council. Previous issues also prevent ‘Substantial’ assurance being given until the system is fully reviewed.	Reasonable
Risk Management	Only minor risks arising from the issues noted above have been identified so far in the current year but some processes need to be fully reviewed following risks highlighted in previous audit reports.	Reasonable
Control Processes	Control processes have improved since the various weaknesses reported as a result of previous audits but the issues noted above still indicate a lack of understanding in the processes required in some areas. It is also a concern that issues continue to exist with control account reconciliations.	Reasonable
Probability of Significant Errors, Fraud or non-compliance	Apart from the issues noted above, audit work undertaken in the year to date has not highlighted any major concerns in this respect.	Reasonable

System - Treasury Management		
Control / System Areas Examined in Period: <ul style="list-style-type: none"> • Policy Statement & Strategy • Monitoring Reports to the Executive & Scrutiny Co-ordinating Board • Performance Indicators & Benchmarking • Cash Flow Management • Weekly Reporting to Management • Procedure Notes • Approved List & Direct Dealing Mandates • Borrowing & Investment Register • CCLA Property Fund 		
Issues Arising		
<ul style="list-style-type: none"> • Borrowing & Investment Register – the audit recommendation made last year to ensure all monitoring and reporting records and processes record the same totals i.e. all fund investment types has caused some delays in compiling / reconciling the Register. A meeting is due to be held to resolve the remaining problems and testing indicates that satisfactory progress is being made and any remaining differences between records are reconcilable. 		
Audit Opinion		
Issue	Audit Comment	Assurance
Governance	Treasury Management is a high profile area and any weaknesses are likely to have an impact on governance arrangements. No issues were identified from the work undertaken today apart from the need to finalise new reporting procedures as noted above.	Reasonable
Risk Management	Treasury Management is inherently subject to risk due to the sums involved and the markets invested in. From the work undertaken to date it appears that risks are generally well managed and controlled.	Substantial
Control Processes	Control procedures are generally good and the issue concerning consistency of reporting is being addressed.	Reasonable
Probability of Significant Errors, Fraud or non-compliance	Due to the amounts generally involved there is the possibility of any error being significant, but generally controls are good so actual probability is low.	Substantial

Periodic Audit Work Plan Progress

System	Annual Days	Planned Days To Date	Actual Days To Date	Planned Work Outstanding	Over (+) Under(-) Planned
Main Accounting	21.0	7.8	9.3	1.5	+3.0
Payroll	23.0	6.8	2.7	3.2	-0.9
Creditors & Ordering	18.0	5.8	1.3	4.1	-0.4
Income Collection	16.0	6.4	3.3	3.2	+0.1
Sundry Debtors	14.0	3.8	1.9	2.6	+0.7
Treasury Management	8.0	2.9	2.9	1.6	+1.6
Totals	100.0	33.5	21.4	16.2	+4.1

It can be seen from the above table that 16 days planned work remains outstanding as at the end of August. This is primarily due to time being needed at the start of current year to complete last year's planned audit work. The delay in completing last year's work was primarily due to the time spent investigating a number of reports which were made under the Council's Confidential Reporting Code.

The over-run of 4 days in comparison to time planned for this year is partly due revising testing strategies and working paper formats due to changes in some of the systems audited and partly due to some increased sample sizes as testing was undertaken to the date of the test rather than just for the period originally planned. Corresponding savings will therefore be made when testing in these areas is completed later in the year.

Work was also undertaken in the period in respect of some of the 'Consultancy' audit work included in the plan although the need to replace the Income Collection system as noted above means that this will need to be re-planned, as changes to improve the PARIS system will no longer be required and much of the Payment Card Industry Data Security Standards (PCI-DSS) work will now no longer need to be done as the proposed replacement Income Collection system is a "fully hosted" service. This means that many of the PCI-DSS compliance requirements are now longer the responsibility of the Council as card data is not recorded and processed via its computer network. Initial demonstrations of the proposed replacement software also indicate that it may be possible to address some of the problems identified with the Sundry Debtors system with additional functionality available in the new Income system in comparison to what the PARIS system is able to do. Progress will be reported in future audit reports.

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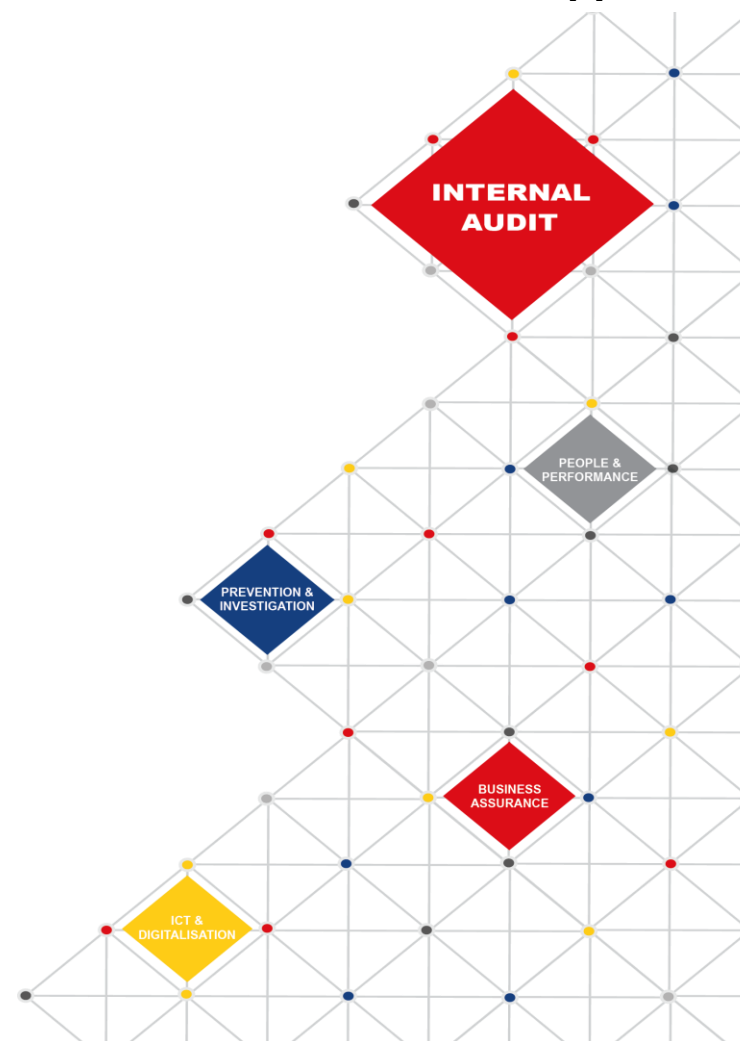
Eden District Council

Assurance Review of Insurance, Risk Management and Health and Safety

July 2018

FINAL

Appendix C



Executive Summary

OVERALL ASSURANCE ASSESSMENT



OVERALL CONCLUSION

The Council takes a proactive, joined up approach to risk management, insurance and health and safety and its risk register is reviewed regularly.

- Officers have sufficient knowledge and experience to be able to deliver the services in a professional and efficient manner.
- Quarterly meetings of the Health & Safety Management Group and the Risk Management Group help ensure that important actions are tracked and implemented.
- There is a comprehensive suite of corporate health and safety procedures, regularly reviewed and updated, and an annual review of the Risk Management Strategy.
- Health and safety incident reporting is well-controlled using standard template forms, with proper action taken and lessons learned put in place.

SCOPE

The review provided a high level assessment of the controls and processes around risk management, insurance and corporate health and safety.

ACTION POINTS

Urgent	Important	Routine	Operational
0	0	0	0

Management Action Plan - Priority 1, 2 and 3 Recommendations

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
There are no recommendations arising from this review.							

Operational Effectiveness Matters

Ref	Risk Area	Item	Management Comments
No Operational Effectiveness Matters were identified.			

Detailed Findings

Introduction

1. This review was carried out in June 2018 as part of the planned internal audit work for 2018/19. Based on the work carried out an overall assessment of the overall adequacy of the arrangements to mitigate the key control risk areas is provided in the Executive Summary.

Background

2. Risk management, insurance and corporate health and safety are key areas of operation whereby insufficient controls could expose the Council to potentially large claims and loss of reputation.

Materiality

3. Insurance Premiums for the 2018/19 financial year are expected to be approx. £74,000, representing 0.8% of the overall Base Budget of £8.7 million and a decrease of 27.7% below the previous year's actual premiums.

Key Findings & Action Points

4. The key control and operational practice findings that need to be addressed in order to strengthen the control environment are set out in the Management and Operational Effectiveness Action Plans. Recommendations for improvements should be assessed for their full impact before they are implemented.

Scope and Limitations of the Review

5. The review provided a high level assessment of the controls and processes around risk management, insurance and corporate health and safety.
6. The definition of the type of review, the limitations and the responsibilities of management in regard to this review are set out in the Annual Plan.

Disclaimer

7. The matters raised in this report are only those that came to the attention of the auditor during the course of the internal audit review and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty

of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

Risk Area Assurance Assessments

8. The definitions of the assurance assessments are:

Substantial Assurance	There is a robust system of internal controls operating effectively to ensure that risks are managed and process objectives achieved.
Reasonable Assurance	The system of internal controls is generally adequate and operating effectively but some improvements are required to ensure that risks are managed and process objectives achieved.
Limited Assurance	The system of internal controls is generally inadequate or not operating effectively and significant improvements are required to ensure that risks are managed and process objectives achieved.
No Assurance	There is a fundamental breakdown or absence of core internal controls requiring immediate action.

Acknowledgement

9. We would like to thank staff for their co-operation and assistance during the course of our work.

Release of Report

10. The table below sets out the history of this report.

Date draft report issued:	12 th July 2018
Date management responses received:	18 th July 2018
Date final report issued:	23 rd July 2018

Definition of Assurance Levels and Recommendation Priorities

Assurance Level	Definition	Basis of Opinion
Substantial	There is a sound system of internal control in place which adequately supports the achievement of system objectives and minimises risk.	Audit testing indicates that controls are consistently and effectively applied and no weaknesses were identified. However, as audit work is primarily sample-based, 'complete' assurance cannot be given.
Reasonable	There is a reasonable system of internal control which should ensure that system objectives are generally achieved but some weaknesses have been identified which may result in errors or performance issues in certain areas.	Testing has identified that whilst there is generally a good system of internal control, there are some areas where controls could be improved, or are not always effectively applied. Consequently, a small number of errors may also have been identified.
Partial	Although some areas may be satisfactory, an unacceptable number of weaknesses have been identified across the control system, which means there is a high risk of failure of meeting all objectives and there is the possibility of loss, damage to reputation, or fraud, in some areas.	The results of the audit work indicate that an unsatisfactory level or range of internal controls are in place, or that controls are not being operated effectively and consistently. This is likely to be evidenced by a significant level of error being identified by audit testing.
Minimal	The overall system of control is weak and the system is vulnerable and open to error and abuse. There is a high risk of system objectives not being achieved and / or the achievement of objectives cannot be substantiated.	Significant non-compliance, or a lack of adequate controls was identified, leaving the system vulnerable to error and abuse. Control arrangements are of a generally poor standard. High numbers and / or values of errors have been identified.

Audit Recommendation Priorities and Follow-up Protocol

Priority	Definition	Follow Up
Priority 1	The recommendation addresses a serious control weakness which, if not corrected, is highly likely to result in a failure to meet the relevant system objective and it is considered there is a high risk of loss, error, fraud, or reputational damage.	Follow-up will be performed by a specific date agreed with senior management.
Priority 2	The recommendation addresses a weakness in control procedures which could result in failure to meet the stated system objective and / or may result in loss, fraud, error, or reputational damage	Follow-up will be performed within 6 months.
Priority 3	A recommendation which is concerned with improving operational procedures or efficiency, but does not necessarily relate to an identified control weakness and is unlikely to result in additional risk if not actioned.	Follow-up will be undertaken as part of the next audit, or within a year (whichever is sooner).