



East Herts Council
Performance, Audit and Governance
Oversight Committee

17 March 2020
Shared Internal Audit Service –
Progress Report

Recommendation

Members are recommended to:

- a) Note the Internal Audit Progress Report
- b) Note the Status of Critical and High Priority Recommendations

Contents

- 1 Introduction and Background
 - 1.1 Purpose
 - 1.2 Background

- 2 Audit Plan Update
 - 2.1 Delivery of Audit Plan and Key Findings
 - 2.4 Proposed Audit Plan Amendments
 - 2.5 Critical and High Priority Recommendations
 - 2.7 Performance Management

Appendices:

- A Progress against the 2019/20 Audit Plan
- B Implementation Status of Critical and High Priority Recommendations
- C Audit Plan Items (April 2019 to March 2020) - Indicative start dates agreed with management
- D Assurance Definitions / Priority Levels

1 Introduction and Background

Purpose of Report

- 1.1 To provide Members with:
- The progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's 2019/20 Internal Audit Plan as at 28 February 2020.
 - The findings for the period 1 April 2019 to 28 February 2020.
 - The proposed amendments required to the approved Internal Audit Plan.
 - The implementation status of previously agreed audit recommendations.
 - An update on performance management information as at 28 February 2020.

Background

- 1.2 Internal Audit's Annual Plan for 2019/20 was approved by the Audit Committee at its meeting on 12 March 2019. The Audit Committee receive periodic updates against the Annual Internal Audit Plan.
- 1.3 The work of Internal Audit is required to be reported to a Member Body so that the Council has an opportunity to review and monitor an essential component of corporate governance and gain assurance that its internal audit function is fulfilling its statutory obligations. It is considered good practice that progress reports also include proposed amendments to the agreed Annual Internal Audit Plan.

2 Audit Plan Update

Delivery of Audit Plan and Key Audit Findings

- 2.1 As at 28 February 2020, 88% of the 2019/20 Audit Plan days have been delivered (the calculation excludes contingency days that have not yet been allocated).
- 2.2 The following final reports have been issued since the last Performance, Audit and Governance Oversight Committee in January 2020:

Audit Title	Date of Issue	Assurance Level	Number of Recommendations
Contact Management	Dec 2019	Satisfactory	Two Medium priority
Council Tax	Jan 2020	Good	Four Low/Advisory priority
Non-Domestic Rating	Jan 2020	Good	None
Payroll	Jan 2020	Good	None
Recruitment	Jan 2020	Satisfactory	Eight Medium, One Low/Advisory priority
Community Grants/Lottery	Jan 2020	Satisfactory	Four Medium, Four Low/Advisory priority

IT Shared Service Agreement	Jan 2020	Not Assessed	Two Medium, One Low/Advisory priority
Housing Benefits	Feb 2020	Good	One Medium, One Low/Advisory priority

- 2.3 The table below summarises the position regarding 2019/20 projects as at 28 February 2020. Appendix A provides a status update on each individual project within the 2019/20 Internal Audit Plan. Details of start dates for the individual projects are shown in Appendix C.

Status	No. of Audits at this Stage	% of Total Audits
Final Report Issued	19	60%
Draft Report Issued	6	19%
In Fieldwork/Quality Review	4	12%
In Planning/Terms of Reference Issued	1	3%
Allocated	0	0%
Not Yet Allocated	0	0%
Deferred/Cancelled	2	6%
Total	32	100%

Proposed Audit Plan Amendments

- 2.4 There have been no proposed amendments to the Internal Audit Plan since the last committee meeting.

Critical and High Priority Recommendations

- 2.5 Members will be aware that a Final Audit Report is issued when it has been agreed (“signed off”) by management; this includes an agreement to implement the recommendations that have been made.
- 2.6 The schedule attached at Appendix B details any outstanding Critical and High priority audit recommendations.

Performance Management

- 2.7 The 2019/20 annual performance indicators were approved at the SIAS Board meeting in March 2019.
- 2.8 The actual performance for East Herts Council against the targets that can be monitored in year is set out in the table below:

Performance Indicator	Annual Target	Profiled Target	Actual to 28 Feb 2020
1. Planned Days – percentage of actual billable days against planned chargeable days completed	95%	85% (278/326 days)	88% (286/326 days)
2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects	95%	80% (24/30 projects)	83% (25/30 projects)
3. Client Satisfaction – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	100% (8 received) Note (1)
4. Number of Critical and High Priority Audit Recommendations agreed	95%	95%	100% (7 High agreed) Note (2)

Note (1) – 2 received in 2019/20 relate to 2018/19 audits.

Note (2) – the 7 recommendations are from the Hertfordshire County Council led internal audit of the Hertfordshire Home Improvement Agency. The audit report has been distributed to the Council as a contributing partner of the Agency.

APPENDIX A - PROGRESS AGAINST THE 2019/20 AUDIT PLAN

2019/20 SIAS Audit Plan

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	LA				
Key Financial Systems – 74 days									
Main Accounting System (General Ledger)						10	Yes	9.5	Draft report issued
Debtors						10	Yes	9.5	Draft report issued
Creditors						10	Yes	9.5	Draft report issued
Treasury Management						6	Yes	4	In fieldwork
Payroll	Good	0	0	0	0	10	Yes	10	Final report issued
Council Tax	Good	0	0	0	4	6	Yes	6	Final report issued
NDR	Good	0	0	0	0	6	Yes	6	Final report issued
Housing Benefits	Good	0	0	1	1	6	Yes	6	Final report issued
Asset Management						10	Yes	1	In planning
Payroll Pension Certificate						0	No	0	Cancelled
Operational Audits – 98 days									
Health and Safety	Satisfactory	0	0	3	1	10	Yes	10	Final report issued
Recruitment Process	Satisfactory	0	0	8	1	10	Yes	10	Final report issued
Land Charges	Satisfactory	0	0	1	0	10	Yes	10	Final report issued
Members Allowances and Expenses	Satisfactory	0	0	3	1	8	Yes	8	Final report issued
Recycling						10	Yes	4	In fieldwork
Homeless Reduction Act / Temp Accom.						0	Yes	0	Cancelled
Community Grants Programme / Lottery	Satisfactory	0	0	4	4	8	Yes	8	Final report issued
HHIA – Follow-up						2	Yes	1	In fieldwork
Consultation and Engagement	Satisfactory	0	0	1	1	10	Yes	10	Final report issued
Business Continuity Planning	Satisfactory	0	0	4	3	10	Yes	10	Final report issued
Budgetary Control						10	Yes	9.5	Draft report issued
Complaints Policy and Procedure	Satisfactory	0	0	0	3	10	Yes	10	Final report issued

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AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	LA				
Procurement, Contract Management and Project Management – 20 days									
Procurement	Satisfactory	0	0	1	1	10	Yes	10	Final report issued
Contract Management	Satisfactory	0	0	2	0	10	Yes	10	Final report issued
Risk Management and Governance – 16 days									
Insurance	Satisfactory	0	0	1	1	8	Yes	8	Final report issued
Risk Management	Satisfactory	0	0	1	4	8	Yes	8	Final report issued
IT Audits – 24 days									
IT Service Shared Service Agreement	Not Assessed	0	0	2	1	6	Yes	6	Final report issued
Cyber Security Follow-up						6	Yes	3	In fieldwork
Information Management						6	Yes	5.5	Draft report issued
Project Management						6	Yes	5.5	Draft report issued
Shared Learning and Joint Reviews – 10 days									
Shared Learning						4	Yes	2.5	Through year
Joint Reviews						6	Yes	5.0	Quality review
Counter Fraud – 3 days									
Counter Fraud – matters arising						3	No	0	Through year
Ad Hoc Advice – 11 days									
Ad Hoc Advice						11	Yes	3	Through year
Follow-up Audits – 8 days									
S106 Spend Arrangements	Not Assessed	0	0	0	0	7	Yes	7	Final report issued
CCTV – joint review	Not Assessed	0	0	0	0	1	Yes	1	Final report issued
Completion of 18/19 Projects – 6 days									
Various						6	Yes	6	Complete
Contingency – 14 days									
Contingency						14	No	0	Not yet allocated

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AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	LA				
Strategic Support – 56 days									
Annual Report and Head of Internal Audit Opinion 2018/19						5	Yes	5.0	Complete
Audit Committee						12	Yes	11.5	Through year
Follow Up of Audit Recommendations						4	Yes	3.5	Through year
Client Liaison						10	Yes	9.5	Through year
Liaison with External Audit						1	Yes	1.0	Through year
Plan Monitoring						9	Yes	8.0	Through year
SIAS Development						5	Yes	5.0	Through year
2020/21 Audit Planning						10	Yes	10	Complete
SBC TOTAL		0	0	32	26	340		286	

APPENDIX B – IMPLEMENTATION STATUS OF CRITICAL AND HIGH PRIORITY RECOMMENDATIONS

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment (28 Feb 2020)
1.	Cyber Security follow up (2018/19).	<p><u>Network access control.</u> Management should establish a network access control to block unknown or unauthorised devices from connecting to the Council’s IT network. This should include restricting the ability to physically connect to the IT network. Where there is a demonstrable need for a device to connect to the IT network, the Service should require: The purpose for the connection has been recorded Appropriate security controls have been enabled on the device connecting to the IT network The period of time that the device will require the connection All connections are approved before being allowed to proceed. Devices connected to the IT network should be reviewed on a routine basis.</p>	<p>The Council has created a Security & Network Team who has been tasked to look at security / network tools. There is also a planned upgraded Office 365 and in particular Intune to manage all mobile (non-network connected) devices. The plan is to ensure that only known devices are allowed to access Council systems.</p>	<p>ICT Strategic Partnership Manager.</p>	<p>Network Tools July 2019. Intune October 2019. Procurement of network tools revised to 2020/21.</p>	<p><u>July 2019.</u> This is a new addition and the management response opposite is therefore the latest comment. <u>September 2019.</u> Intune MDM has been installed and will be rolled out to manage all mobile devices and Windows 10 laptops. Plan in place to upgrade all Laptops to windows 10 is in place to ensure control via Intune encryption using Bitlocker. Financial and resource restrictions have forced the procurement of network tools to financial year 2020/21. <u>December 2019.</u> Revised date as</p>	<p>Partially implemented – continue to monitor. A follow up audit is being carried out. The final report will be distributed to Committee Members during April 2020.</p>

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						<p>above. It is very rare (if ever) that someone connects an external device to the IT network. The Zero Clients do not allow the transfer of data to anything plugged into it.</p> <p><u>February 2020.</u> Revised implementation date as above.</p>	
2.	Cyber Security follow up (2018/19).	<p><u>Firewall configuration.</u> There should be a record of the configuration of the Council’s firewalls, which includes but is not limited to: The purpose of all of the rules The expected configuration and activity for each rule The member of staff that requested and approved the rule The configuration of the firewall should be reviewed on a routine basis. The Service should develop a Firewall rule</p>	The Council has created a Security & Network Team who have been tasked to look at replacing the entire Firewall (and switch) estate. As part of this work all firewall configurations will need to be reviewed and recorded.	ICT Strategic Partnership Manager.	November 2019. Revised to April 2020.	<p><u>July 2019.</u> This is a new addition and the management response opposite is therefore the latest comment.</p> <p><u>September 2019.</u> Replacement of all firewalls scheduled for April 2020. Configurations and creation of new network environment is being worked on as part of that plan.</p>	<p>Not yet implemented – continue to monitor.</p> <p>A follow up audit is being carried out. The final report will be distributed to Committee Members during April 2020.</p>

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		policy to provide the list of controls that are required to secure firewall implementations to an approved level of security.				<p><u>December 2019.</u> As above.</p> <p><u>February 2020.</u> Revised implementation date as above.</p>	
3.	Incident Management follow up (2018/19).	<p><u>Updating the disaster recovery plan.</u> Management should update the Council's IT disaster recovery plan to include the procedure for establishing all IT services at a single data centre. A complete IT Disaster Recovery scenario test on all applications and systems should take place to provide assurance that recovery could happen within the expected time frame. The Service should document the results of the test to determine the further actions required to improve the efficacy of the plan.</p>	With our upgrade to horizon VDI, we are installing hardware which will allow either site to run 100% of capacity allowing the complete downing of one site for upgrade work but will of course allow for full capacity in the event on one data centre being of offline.	ICT Strategic Partnership Manager.	August 2019 – DR review. April 2020 - VDI upgrade.	<p><u>July 2019.</u> This is a new addition and the management response opposite is therefore the latest comment.</p> <p><u>September 2019.</u> VDI upgrade out to tender with award scheduled for October 2019.</p> <p><u>December 2019.</u> Expected completion for this work is now April 2020.</p> <p><u>February 2020.</u> As above.</p>	Not yet implemented – continue to monitor.

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		activities.	<p>with particular focus on technical roles, although there needs to be an acceptance that there will be short-term reliance on agency staff in technical roles until these can be reviewed.</p> <p>Undertake Financial Analysis to understand potential to grow staffing with revenue</p> <p>Review of processes to improve productivity and stop blockages. To be incorporated in recovery plan.</p>		<p>Oct/Nov 2019.</p> <p>In progress.</p>	<p>operational statistics alongside case monitoring infrastructure .</p> <p>A new caseworker started in November and technical officer have been recruited and due to start on 9 Dec 19.</p> <p>Senior Technical Officer role was re-graded and interviews are taking place this month for the second time.</p> <p>A review of the HIA team structure is due to take place in early 2020. As the HIA moves towards a client centred approach.</p> <p><u>February 2020.</u> As above. Revised implementation date May 2020.</p>	
5.	Herts Home Improvement Agency 2018/19. <i>As above.</i>	Further training should be provided to HHIA staff to ensure that the case management system is completed and updated in	<p>Undertaking review of CMS system</p> <p>Process mapping exercise completed to understand how</p>	Head of HHIA and Business Improvement Manager.	<p>In progress completion by August 2019.</p> <p>Mapping complete.</p>	<p><u>September 2019.</u></p> <p>Review and process mapping complete. Some training completed July 2019</p>	<p>Partially implemented – continue to monitor.</p> <p>Revised</p>

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		<p>line with expectations. Regular data quality checks should be performed on the case management system to obtain assurance that records are updated in an accurate and timely manner (including a review of data exceptions – e.g. blank fields). A mapping exercise should be performed to identify the key fields within the case management system that support key monitoring and KPI routines, with data quality checks focusing in particular on these areas. We also recommend that HCC Finance is provided with access to a reporting suite within the case management system, sufficient to support the production of financial monitoring / Board reports.</p>	<p>staff currently use the system and where changes need to be made</p> <p>Identification of training needs for staff and resource to undertake these. Training to include inputting and quality of data.</p> <p>Super-user / system manager to be identified to oversee data checks, develop the system e.g. for mobile working, and work with Finance to develop reporting suite.</p> <p>Review access to CMS/ other reporting suites for Finance to allow for improved financial reporting or define how this will be achieved e.g. Business Analyst to report on non-SAP data.</p>		<p>Further recommendation by Aug 2019.</p> <p>By August 2019 Training by Oct 2019.</p> <p>Autumn 2019 (funding and resource dependent).</p> <p>Autumn 2019.</p>	<p>and Business Analyst (when in post) to oversee superusers and work with Finance to develop reporting protocols. Due to issues raised in review, a meeting is to be held with Foundations and systems developer in August 2019 to raise issues around outstanding development of the system. Report will be made to HHIA Board regarding potential options which could include replacing the system when the current contract ends (Sept 2020).</p> <p><u>December 2019.</u> A full review of the CMS system has now been completed. Report is available - with recommendations now being incorporated into the audit tracker for monitoring.</p>	<p>implementation date: 1 March 2020.</p> <p>A follow up audit is being carried out. The final report will be distributed to Committee Members during April 2020.</p>

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						<p>All current HIA staff will undertake "Ferret Training" in January 2019 to ensure all staff are "up skilled" and we are resilient as a team.</p> <p>The new Business Analyst will be the Super user of the team, followed by Senior Business Support after training.</p> <p>The Business Analyst has begun working with finance to align CMS and SAP reporting.</p> <p>The Business analyst starting from November to undertake random monthly "spot check" audits.</p> <p><u>February 2020.</u> As above.</p>	
6.	Herts Home Improvement	We recommend that the HHIA seeks further clarification (in writing)	Meet with Foundations to seek relevant advice and	Head of HHIA and Head of HES.	July 2019.	<u>September 2019.</u> Advice sought from	Not yet implemented –

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	<p>Agency 2018/19. <i>As above.</i></p>	<p>from the relevant government department in relation to the restrictions on recovering overheads from the DFG. This should include the position on whether:</p> <ul style="list-style-type: none"> - It is permissible to recover general staff costs that are relevant to delivering the service, but which cannot be attributed to a specific project; - The current design and project management fee charges, which by their nature are set at a level to recover overheads, are permissible within the grant conditions; and - The cost of extended warranties can be funded through the DFG, given the wider value for money implications if this not permissible. <p>Given the above comment on staff overhead costs,</p>	<p>understand where written assurances can be sought in relation to staff costs and fees.</p> <p>Use information obtained to inform project plan e.g. develop policy concerning warranties.</p> <p>Project support to work with SE/MA and Business Intelligence to develop timesheet tracker system for staff activities, similar to those in use by SIAS and HCC HR. These will more accurately track how resources are utilised.</p> <p>Review charges for works that are aborted – currently no costs are recovered so charging scheme to be put in place (if deemed permissible)</p> <p>Review viability of</p>		<p>Oct/Nov 2019.</p> <p>October 2019.</p> <p>October 2019.</p>	<p>Foundations was contradictory but further investigation around warranties is in progress. Fees and charges and abortive works are being reviewed with a view to implementation and a time tracker for staff is in preparation (finance looking at costings to be input prior to development of tracker). Revenue model to be reviewed at end of financial year once changes made to discretionary policy, charges etc.</p> <p><u>December 2019.</u> The director of ACS wrote to MHCLG in June.</p> <p>There has been on-going conversation with finance regarding capitalisation of staff overheads. The head of service has completed analysis of capitalised staff</p>	<p>continue to monitor.</p> <p>Revised implementation date 31 March 2020.</p> <p>A follow up audit is being carried out. The final report will be distributed to Committee Members during April 2020.</p>

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No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment (28 Feb 2020)
		<p>we also recommend that the HHIA introduce more formal systems to evidence and monitor the chargeable activities performed by staff. We highlight that the implementation of a timesheet system would also ensure that appropriate evidence is available to support claims made against the DFG and will allow an increased level of management information to be produced on staff productivity.</p> <p>Should the HHIA not be financially viable without 100% recovery of all staff costs or overheads through the DFG, consideration should be given as to whether this issue could be resolved through DFG funding being retained by the individual partners, allowing the HHIA to invoice as a third party, although further legal and finance advice would be required.</p> <p>Alternatively, the HHIA</p>	<p>revenue model after the above actions have been taken and analysis made. Also consider potential revenue in light of review of discretionary policy/ resources needed.</p>		<p>End 2019/20 financial year.</p>	<p>activity. This has been agreed with finance.</p> <p>We are currently investigation the possibilities of incorporating maintenance agreements into applications of specific adaptations</p> <p>We are currently looking at a supervision system to evidence/support the head of service analyse staffing time against capitalisation.</p> <p><u>February 2020.</u> As above. Revised implementation date 31 March 2020.</p>	

APPENDIX B – IMPLEMENTATION STATUS OF CRITICAL AND HIGH PRIORITY RECOMMENDATIONS





No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment (28 Feb 2020)
		would need to investigate whether it is viable to increase the volume of non-DFG funded adaptations, thereby providing a separate income route to address any shortfalls in costs that are recoverable from the DFG.					

APPENDIX C – AUDIT PLAN ITEMS (APRIL 2019 TO MARCH 2020) – INDICATIVE START DATES AGREED WITH MANAGEMENT

Apr	May	Jun	July	Aug	Sept
2018/19 Projects Completed	Complaints Policy and Procedures (Final Report Issued)	Risk Management (Final Report Issued)	Land Charges (Final Report Issued)	CCTV (follow up) (Final Report Issued)	IT Shared Service Agreement (Final Report Issued)
Payroll Annual Pension Certificate (Cancelled)	Insurance (Final Report Issued)	S106 (follow up) (Final Report Issued)	Business Continuity Planning (Final Report Issued)	Community Grants / Lottery (Final Report Issued)	Contract Management (Final Report Issued)
Health and Safety (Final Report Issued)		Consultation and Engagement (Final Report Issued)	Members Allowances and Expenses (Final Report Issued)	Procurement (Final Report Issued)	
Oct	Nov	Dec	Jan	Feb	Mar
Recruitment Process (Final Report Issued)	Council Tax (Final Report Issued)	Payroll (Final Report Issued)	Main Accounting (Draft Report Issued)	IT Cyber Security (follow up) (In Fieldwork)	Herts Home Improvement Agency (In Fieldwork)
	Business Rates (Final Report Issued)	IT Information Mgmt (Draft Report Issued) (c/f from Nov)	Homelessness/Temporary Accommodation (Cancelled)	IT Project Management (Draft Report Issued) (c/f from June)	
	Housing Benefits (Final Report)	Budgetary Control (Draft Report Issued) (c/f from Sept)	Recycling (In Fieldwork)	Asset Management (In Planning)	
			Debtors (Draft Report Issued) (c/f from Dec)	Treasury Management (In Fieldwork) (c/f from Dec)	
			Creditors (Draft Report Issued) (c/f from Dec)		

APPENDIX D – ASSURANCE / PRIORITY LEVELS

Assurance Level	Definition
Good	The design and operation of the internal control framework is effective, thereby ensuring that the key risks in scope are being well managed and core objectives will likely be achieved. There are minor reportable audit findings.
Satisfactory	The internal control framework is largely working well in managing the key risks in scope, with some audit findings related to the current arrangements.
Limited	The system of internal control is only partially effective, with important audit findings in key areas. Improvement in the design and/or operation of the control environment is necessary to gain assurance risks are being managed to an acceptable level, and core objectives will be achieved.
No	The system of internal control has serious gaps, and controls are not effective in managing the key risks in scope. It is highly unlikely that core objectives will be met without urgent management intervention.

Priority Level			Definition
Corporate	Critical		Audit findings which, in the present state, represent a serious risk to the organisation as a whole, i.e. reputation, financial resources and / or compliance with regulations. Management action to implement the appropriate controls is required immediately.
Service	High		Audit findings indicate a serious weakness or breakdown in control environment, which, if untreated by management intervention, is highly likely to put achievement of core service objectives at risk. Remedial action is required urgently.
	Medium		Audit findings which, if not treated by appropriate management action, are likely to put achievement of some of the core service objectives at risk. Remedial action is required in a timely manner.
	Low / Advisory		Audit findings indicate opportunities to implement good or best practice, which, if adopted, will enhance the control environment. The appropriate solution should be implemented as soon as is practically possible.