

INTERNAL AUDIT REPORT



Beckmill Court Regeneration Project 2018/19

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Beckmill Court Regeneration 2018/19

Executive Summary

1. Introduction and overall opinion

The Beckmill Court regeneration project is a major capital scheme that supports the Council's corporate objective of helping to provide homes and environments that meet local needs. In 2012 the buildings were given a negative value and consultants were engaged to undertake a condition survey. In 2013 a feasibility study was undertaken to consider options for the building. In 2014 a further feasibility study and cost estimation exercise was undertaken for the preferred option. In 2015 a development study was undertaken and a budget estimate of £3.1m advised by consultants. In 2016 design work and preparations for tender were carried out. In 2017 a contract was awarded to Fortem for £2.02m and works commenced in October 2017 with a planned completion date of June 2018.

Overall arrangements for management and control of the project were not fully compliant with the Council's established project management framework. Documentation is lacking in several areas making it difficult to demonstrate that the project has been robustly managed at all stages and that value for money has been achieved, particularly in respect of the appointment of consultants. The project has been delivered over an extended period of time compared to the original timescales established at the feasibility stage. There have been several changes of staff in key project roles during this time and it has not always been possible to establish whether the absence of documentation is due to a failure of process or a failure of record keeping.

Officers are satisfied that the key outcomes of the project (to complete essential repairs and regeneration works to improve residents quality of life) will be delivered as planned although there have been significant delays and latest estimates indicate that the project will be overspent by approximately £116k.

The audit was carried out in accordance with the agreed Audit Planning Record (APR), which outlined the scope, terms and limitations to the audit. The auditor's assurance opinion is summarised below:

Internal Audit Assurance Opinion					
Control environment	Satisfactory Assurance		●		
Compliance	Limited Assurance		●		
Organisational impact	Moderate		●		
Risk	Control environment	Compliance	Recommendations		
			H	M	L
01 - Weak or ineffective project governance arrangements.	Satisfactory Assurance	Limited Assurance	2	3	0
02 - Failure to comply with contract procedure rules and procurement regulations.	Satisfactory Assurance	Limited Assurance			
03 - Poor cost, quality and progress management arrangements.	Satisfactory Assurance	Limited Assurance			
Total Number of Recommendations			2	3	0

2. Summary of findings

Risk 1 - Weak or ineffective project governance arrangements.

Project initiation

The Council's project management framework requires all capital projects to have an approved mandate prior to being included in the capital programme. This enables the Programme Board and Members to consider projects and their relative priority in the context of the wider capital programme. Once the mandate has been approved, a project initiation document with detailed business case is expected to be prepared to provide a "full and firm foundation" for the project manager to begin initiating the project. The business case is expected to include a clear statement of the scope, objectives and outcomes of the project, options appraisal, key business risks and financial implications.

Officers have been unable to provide evidence that a project mandate, initiation document or business cases were prepared or approved for the Beckmill Court project. The initiation of the project dates back to 2013/14, prior to the current Project Manager (Project Officer) and Project Sponsor joining the Council, and no evidence of these documents could be located in the project file. It is not clear whether this is the result of failure to complete the necessary documentation or a failure of record keeping. A project management filing structure is set up on the shared network drive with a unique project number. However, the file is incomplete and unstructured and there is no standard approach to project or procurement document management within the department (**see recommendation 1**).

Internal Audit review of Committee reports confirmed that the project was first included in the 2013/14 Housing Asset Management Plan (HAMP) approved by the Communities and Social Affairs (CSA) Committee in March 2013 and established an initial budget of £1.5 million. In November 2014 the HAMP was updated and re-approved with the preferred option of phased refurbishment and regeneration of Beckmill Court at a cost of £2.397million. The report included a project plan indicating that a full business case would be submitted for approval in early 2015 and that the initial repair works would be completed by October 2014. In March 2015 the HAMP was again updated and a detailed feasibility report was presented and approved by CSA based on a more holistic single phase full regeneration project. The report stated that final costs would be presented to committee in June 2015 and included an indicative timetable for the full project showing a proposed completion date of January 2016. A further update was presented to CSA in June 2015 stating that officers had completed the design development and that a further report outlining the final costs would be presented at a later date.

Although there is no evidence of a formal project mandate or preparation of a detailed business case, as signalled in the November 2014 report, the feasibility report presented in March 2015 and various HAMP reports largely achieve the same outcome. Reports indicate that the main aim is to undertake essential repairs and deliver additional enhancements to improve the quality of life for residents. Nevertheless, project managers and project sponsors should be reminded of the need to comply with the Council's comprehensive and established project management framework and associated template documents to ensure that a strong culture of compliance is established and there is a sound basis for management and monitoring of project progress and outcomes in future (**see recommendation 2(a)**).

Governance structures, roles and responsibilities

Governance structures broadly follow the corporate framework with oversight provided by the Place and Regeneration Programme Board and operational management provided by the officer project team consisting of the Project Sponsor and Project Manager with consultancy support from Gleeds Building Surveying Ltd. The role of the programme board is set out in the project management toolkit, specifically:

- To maintain an overview of all approved projects;
- Ensure projects are on track in terms of budget, timescale and quality;
- To support and challenge Project Sponsors;
- To resolve key issues;
- To ensure correct project management principles are being applied;
- To take key decisions;
- Review lessons learnt;
- Providing overall strategic guidance for the project; and
- Engaging with wider strategic stakeholders.

There is no formal terms of reference for the project team and no evidence of any project team meetings prior to the construction stage. However, officers stated that there are regular team/departmental meetings at which progress on key projects is discussed but not formally reported. Whilst it is accepted that the frequency and timing of project team meetings should remain flexible to match the nature and circumstances of each project, Internal Audit has advised that project team meetings should be held and formally recorded at appropriate intervals in future (e.g. initiation, design/pre contract, procurement, delivery and post-completion review).

During the life of the project there have been several staff changes but there has always been a formally nominated Project Sponsor and Project Manager. The roles of Project Sponsor and Project Manager are not formally documented, other than the generic roles and responsibilities set out in the corporate project management toolkit.

Officers stated that, as far as they are aware, there is no formal project plan for the project using the Council's corporate template. As noted above, an indicative project timetable was prepared in June 2015 by Gleeds but there is no evidence that this was updated or finalised (**see recommendation 2(b)**).

Design and cost estimation

Robust initial design involving all key stakeholders together with sound cost estimation arrangements are essential to ensure that the project will meet its stated objectives and deliver value for money. Officers were unable to provide details of the arrangements in this case as the project commenced and was designed before current project staff were employed by the Council. However, they were able to confirm that the design process was led by Gleeds and would have been submitted to the previous project sponsor for review and approval.

Based on review of committee reports, initial outline design proposals were set out in the feasibility report presented to CSA for approval in June 2015. The report clearly refers to a 'stakeholder meeting' at which various issues were raised and fed into the design proposals. Subsequent reports also refer to consultation with residents.

The June 2015 committee report states that a further report outlining the final project costs will be presented to the committee when final costs are known. Internal Audit has been unable to find evidence of any subsequent reports specifically on the cost of the project, although the capital programme is presented to Members annually for approval and the accepted tender was within the approved budget, indicating that initial costings were sufficiently accurate.

Project meetings

Review of programme board minutes confirmed that meetings are held on a monthly basis and cover all projects. All programme board meetings are fully and comprehensively minuted, including actions and responsibilities. The Beckmill Court project has been included in the monthly project monitoring spreadsheet since September 2014 and has been specifically referred to in the minutes of the programme board periodically since October 2016. In April 2017 the minutes state that project highlight reports will be prepared for programme board bi-monthly with

the first one due 15th May 2017. However, review of subsequent board minutes and reports has found no evidence of any highlight reports being prepared or presented to the programme board at any stage of the project.

As noted above, there have been no project team meetings prior to the construction stage and discussion of projects at departmental/team meetings is not formally recorded in the project file. During the construction stage (November 2017 to July 2018) meetings have been held with the contractor on a monthly basis and review of minutes noted the following standard agenda items:

- Contractor Progress Report;
- Key Performance Indicators (KPIs);
- Design Matters;
- Health & Safety;
- Client & Resident Matters; and
- Financial Matters.

All meetings were attended by the Project Manager and one was attended by the Project Sponsor. Minutes are all clear and concise with actions and responsibilities clearly noted although KPIs were not included in the reports and minutes until February 2018 (4 months after commencement of the works).

Risk management

Based on initial discussions with officers, there were conflicting views over whether a risk register was being maintained for the project. This lack of clarity and ready availability of a formal risk register raises questions over whether project risks have been actively and effectively managed through the life of the project. It later transpired that a risk register is being maintained by Gleeds. Officers stated that the register is treated as a live document which is over-written each time it is updated. Previous versions are not retained meaning it is not possible to follow the audit trail.

A copy of the latest risk register was reviewed by Internal Audit and includes the following details:

- • Description of the risk;
- • Risk owner;
- • Actionee;
- • Probability score;
- • Impact score;
- • Risk importance;
- • Action plan; and
- • Status.

It was noted that the risk owner and 'actionee' is expressed only in organisational terms rather than a named individual. In addition, the status column only states whether the risk remains open or closed, there is no information on progress against the stated actions. There is also no evidence that the risk register or key risks have been reported during contractor meetings, project meetings or to the Programme Board and no evidence that any strategic risks related to this project have been included in the corporate risk register (**see recommendation 2(c)**).

Health & Safety

Based on discussion with officers, Health and Safety is primarily the responsibility of the principal contractor. The initial tender submission included a number of key questions in respect of Health and Safety covering policies, accreditations, risk assessments, staff training etc. as well as requiring all bidders to have sufficient employer's liability and public liability insurance. The tender evaluation process included a 10% weighting for assessment of Health and Safety arrangements.

The Project Manager stated that the contractor has a Health and Safety team that conducts regular site audits and any failures or issues are reported to the monthly contractor meetings and recorded in the minutes. Any serious issues or incidents are escalated through management via the Project Sponsor.

Prior to commencement of on-site works the contractor was also required to prepare a construction phase plan which includes detailed risk and method statements. Any significant variations or additional works specified during the construction phase have to be added to the construction plan and additional risk and method statements prepared.

As noted above, Health and Safety is a standard agenda item at contractor meetings. Review of minutes confirms this to be the case, including regular references to audits and inspections during the course of the works. Minutes also indicate that there has been only one minor incident and one complaint to date; both matters were noted as resolved.

Based on the above findings, the assurance rating for the design of controls to mitigate this risk is **Satisfactory Assurance** and the rating for compliance with controls is **Limited Assurance**.

Risk 2 - Failure to comply with contract procedure rules and procurement regulations.

Contract Procedure Rules

Procurement of the main contractor was led by the Council's consultant, Gleeds Building Surveying Ltd. Previous audits have raised issues about the need to ensure that consultants acting on behalf of the Council are aware of the need to ensure compliance with the Council's contract procedure rules (CPRs). Officers stated that the appointment of Gleeds commenced prior to their employment at the Council. Consequently, whilst it would be normal practice to ensure the requirement to comply with CPRs is written into the consultant's appointment brief, officers were unable to provide any assurances that this had been done for the Beckmill Court project.

An Internal audit review of procurement in 2017/18 was unable to confirm full compliance with contract procedure rules in respect of the appointment of the main contractor due to failure to provide all the requested evidence. Further enquiries and evidence provided as part of this review confirmed that most CPR requirements had been satisfied, with the exception of the following matters.

- Approval to award the contract – the project manager stated that this would likely be in the form of an email from the former Head of Communities and Neighbourhoods. Further enquiries led to evidence of approval by the Interim Asset Manager. However, contract procedure rules (paragraph 16.5.4) require contracts over £1m to be approved “by the relevant Director in conjunction with the relevant Policy Chair.” Consequently, this approval does not meet CPR requirements.
- Signed/sealed contract – the project manager initially stated that the contract has been signed by the contractor but not yet signed or sealed by the Council. Further enquiries determined that the contract was sealed on 15th May 2018, approximately six months after commencement of the works. Paragraph 17.4 of CPRs states “All contracts valued over £50,000 must be concluded or evidenced in writing before the supply, service or work begins except in genuinely exceptional circumstances...”

The only information provided in relation to the appointment of Gleeds is a fee proposal letter dated November 2014 suggesting that a formal appointment is made through the ESPO 2664 Framework Agreement. Contract procedure rules allow the use of framework agreements only where the ‘call off’ procedures defined in the agreement are followed.

Based on review of the ESPO 2664 user guide, in order to make an appointment under the framework the Council is required to sign an access agreement and call-off/order form. Officers have been unable to provide any evidence that these forms have been completed or that the relevant conditions have been complied with. For example, the ESPO user guide indicates a price of 4% for projects over £500k whereas the agreed fee for this project is 6%. Where quotations have to be obtained rather than selecting a single supplier based on the specified fee rates in the framework agreement, the guide states that a mini-competition should be applied. It is clear from the fee letter that the Council obtained at least one quote for the works but not clear whether any further competition was applied in accordance with the terms of the framework. Consequently, it is not possible to provide assurance that the appointment was compliant with CPR requirements or that value for money was achieved in respect of this appointment (**see recommendation 3**).

Contracts, agreements and safeguards

As noted above, no signed agreement or call-off documentation has been provided for the appointment of Gleeds and officers were unable to confirm whether or not the appointment made clear the requirement to comply with the Council's Contract procedure Rules (**see recommendation 4**).

Review of the main construction contract confirmed use of a standard JCT design and build contract with appropriate clauses for dispute resolution, liquidated damages and defects retention. The contract also included an appropriate parent company guarantee and there was clear evidence of consultation and input from the Council's legal and procurement teams. A financial appraisal and credit check of the contractor was also evidenced.

Based on the above findings, the assurance rating for the design of controls in respect of this risk is **Satisfactory Assurance** and the rating for compliance with controls is **Limited Assurance**, primarily due to the lack of evidence to support the appointment of the main consultant.

Risk 3 - Poor cost, quality and progress management arrangements.

Roles and responsibilities

Overall responsibility for the success of the project lies with the Project Sponsor with day-to-day management provided by the Project Manager. Although technical support and expertise can be procured through the use of specialist consultants, it remains management's responsibility to ensure that all projects are effectively controlled and delivered in accordance with internal rules and procedures to ensure value for money. Where consultants are employed to support a project the role and responsibilities of the consultant should be clearly set out in a formal contract or agreement. As noted above, no formal agreement could be located for the appointment of Gleeds other than a fee proposal letter with a broad outline of the main areas of responsibility. Consequently, it has not been possible to determine the consultant's specific role and responsibilities for cost, quality or progress management (**see recommendation 4**).

Monitoring and reporting

Monitoring and reporting of the on-site works has been relatively robust with regular, fully minuted, contractor meetings supported by formal progress reports from the contractor and a monthly cost plan provided by consultants. There have been regular site visits and evidence of proactive management of progress, costs, risks and health and safety matters. The works are now nearing completion, subject to an agreed extension of time of 10.4 weeks for inclement weather and agreed changes to the scope of the works. The Council's consultant has advised that they do not believe the contractor will be able to meet the revised date and, as well as applying pressure to complete as soon as possible, we will be issuing a certificate of non-completion. This may entitle the Council to deduct liquidated damages. Based on review of the latest cost plan and discussion with the Project Manager, the final cost of the works is expected to be in the region of £2.26 million.

Monitoring and reporting at a project level has been less than effective. The lack of an overall project plan with key milestones dates, absence of a project cost plan, lack of regular project meetings and no formal progress or project highlight reports means it is not possible to conclude that the project has been effectively managed or controlled throughout its lifetime. The Project Sponsor has attended programme board meetings to provide verbal updates and the corporate project tracking spreadsheet has been updated periodically. However, based on review of committee reports and programme board reports, the project has been significantly delayed at various stages and the reasons are not always clear. Based on the initial feasibility report (March 2015), which included an indicative completion date of 1/01/2016, the overall project delay is around 32 months (approximately 2.5 years). Based on the project plan set out in the revised Housing Asset Management Plan (June 2015), which included a completion date of 31/12/2016, the overall project delay is around 21 months.

Cost reporting and monitoring at a corporate level is led by the finance team who prepare regular reports for programme board, senior management team and service committees. The quality and accuracy of capital budget forecasts is inevitably dependent upon information provided to finance by budget holders and project managers. The total project budget has varied since inception, although the reasons for the variations are not clear (table 1).

Table 1. Approved Capital Programme	Budget 000
2013-18 – Approved November 2013	£2,397
2014-19 – Approved November 2014	£2,397
2015-20 – Approved November 2015	£1,900
2016-21 – Approved March 2016 (HAMP)	£2,000
2016-21 Revised – Approved November 2016	£2,200
2017-22 – Approved January 2018 (HAMP)	£2,372

Until recently, capital monitoring reports have indicated that the project was expected to remain within the overall budget of £2.372 million, albeit that additional costs had been incurred on the main contract (primarily for fire compliance and additional landscaping works). More recently, reports indicated a small overspend of approximately £25k. Based on Internal Audit's analysis of actual expenditure and the Project Manager's forecast of remaining costs, an overspend of approximately £116k was identified. The difference relates primarily to accumulated costs incurred in previous years which had not been taken into account in the Project Manager's forecasts. This indicates that cost management and reporting at a project level is insufficiently robust (see **recommendation R2(d) and R2(e)**).

Contract variations

The contractor has been advised, both verbally during meetings and as a contractual condition, that no variation of the specified works is to be undertaken unless formally specified in writing and approved by the Council (or Gleeds acting as the Council's agent). The Project Manager confirmed that all variations are discussed and agreed with him prior to approval and issue by Gleeds and that any variations that significantly increase the overall contract sum are referred to the project sponsor for approval. Similarly, any contractor claims for extension of time or additional costs have to be approved by the Council prior to approval by Gleeds. The Project Manager stated that approvals are normally evidenced by way of email.

Based on review of the latest cost plan and discussion with the Project Manager, the final contract sum is estimated at approximately £2.268 million, representing an increase over the original contract sum of approximately £245k. To date, project sponsor approvals have been seen for £214k, although the final account has not yet been determined and the cost plan includes a number of 'risk items' that may not materialise.

A sample of four contract instructions was selected for detailed testing. Three of the four were agreed from the latest cost plan to the approved signed instruction, subject to the following exceptions:

- Instruction number five was not priced when issued (the price was marked TBA) and the cost plan included an item for £500 that was attributed to this instruction number but could not be found on the signed instruction.
- Instruction number 13 includes an item priced at £0.00 but the cost plan included £2,207 for this item.
- The cost plan included an item priced £1395 attributed to instruction number 18 but there is no mention of this item on the signed instruction.

Officers stated that the fourth instruction in the sample (number eight) had not yet been issued as the works were ongoing and cost had not been finalised, albeit the contract and meetings notes state that work on variations should not commence until formal instructions are issued. A similar explanation was provided for the anomalies noted above in that the instructions were not finalised for some items until the works and related costs were known with certainty (**see recommendation 5**).

Stage payments

Monthly stage payments are claimed by the contractor based on the value of works completed to date. Claims are reviewed and certified as accurate by Gleeds prior to submission to the Council for payment. Once received by the Council, the payment certificates are reviewed by the Project Manager and approved for payment by the Project Sponsor in accordance with corporate approval limits. Once practical completion has been achieved, the contractor's final account will initially be submitted to Gleeds for review who will then notify the Project Manager of any concerns or issues. These will then be discussed and challenged with the contractor if necessary. The agreed final account will then be sent to the Council for review and approval for payment. There is a 5% retention, half of which is released on practical completion with the remainder released on issue of the Notice of Completion of Making Good (any remaining defects).

Tested confirmed that all contractor stage payments made to date and all payments to Gleeds could be agreed to approved invoices and certificates without exception.

Based on the above findings, the assurance rating for design of controls to mitigate this risk is **Satisfactory Assurance**, and the rating for compliance with controls is **Limited Assurance**, primarily due to the lack of project documentation and limited evidence of robust financial management and progress reporting at project level.

3. Action Plan

The Action Plan at appendix 1 includes a number of recommendations to address the findings identified by this review. If accepted and implemented, these should positively improve the control environment and aid the Council in effectively managing its risks.

4. Limitations to the scope of the audit

This is an assurance audit and an opinion is provided on the effectiveness of arrangements for managing only the risks specified in the Audit Planning Record. The Auditor's work does not provide any guarantee against material errors, loss or fraud. It does not provide absolute assurance that material error, loss or fraud does not exist.

Appendix 1

ACTION PLAN

Rec No.	ISSUE	RECOMMENDATION	Management Comments	Priority	Officer Responsible	Due date
1	<p>There is an absence of project documentation although it is unclear whether this is a result of a failure of process or failure of record keeping. It is noted that a project management filing structure is set up on the shared network drive with a unique project number. However, the file is incomplete and unstructured and there are no document management standards for projects or procurement within the department.</p> <p>This increases the risk that projects might fail to deliver the expected outcomes or may not be delivered in a timely manner and within budget.</p>	Develop clear and robust document management systems and filing standards using the project folders in the shared network drive to ensure that a full evidenced audit trail is available for all major projects in future, including compliance with procurement processes.	Agreed	H	Director for Growth and Regeneration	31 October 2018

Rec No.	ISSUE	RECOMMENDATION	Management Comments	Priority	Officer Responsible	Due date
2	<p>There is a lack of evidence of compliance with the Council's contract management framework meaning it is not possible to confirm that the project has been robustly managed through its lifetime.</p> <p>Lack of a formal business case means there is a risk that project objectives and outcomes are not clearly established at the outset to enable measurement of the success of the project.</p> <p>Undocumented project governance arrangements means there is a lack of clarity over roles, responsibilities and decision making arrangements.</p> <p>Risk management is not fully evidenced and links to the corporate / strategic risk register are unclear.</p> <p>Lack of a project level cost plan and weaknesses in financial management mean that a potential overspend of over £100k has only recently been identified.</p> <p>There have been significant delays to the project but lack of formal project highlight reports means the reasons have not been clearly recorded.</p>	<p>Project Managers and Sponsors should be reminded that the Council has a well-designed, robust corporate project management framework which should be applied to all major projects, including HRA capital projects. In particular:</p> <ul style="list-style-type: none"> a) Preparation of a detailed business case; b) Documentation of project governance arrangements, terms of reference, roles and responsibilities and a clear project plan; c) Robust operational and strategic risk management and reporting; d) Development of a comprehensive cost plan; and e) Monthly project highlight reports. <p>This should be reinforced at departmental management team meetings and individual officers held to account through personal performance targets and appraisals.</p>	Agreed	M	Director for Growth and Regeneration	30 November 2018

Rec No.	ISSUE	RECOMMENDATION	Management Comments	Priority	Officer Responsible	Due date
3	Evidence of compliance with contract procedure rules has been difficult and slow to obtain (see R1). The appointment of the main contractor was substantially compliant (except for approval to award the contract and delays in sealing the contract documentation). No documentation could be provided to demonstrate compliance in respect of the appointment of the consultant building surveyor meaning it is not possible to provide assurance that value for money has been achieved.	Project Managers and Sponsors should ensure full compliance with contract procedure rules in respect of the appointment of contractors and consultants and retain evidence of the process. Where appointments are made through a framework agreement, there should be clear documentation of the rationale and justification in terms of value for money.	Agreed	H	Director for Growth and Regeneration	31 October 2018
4	No evidence could be provided of a formal agreement or contract with the Council's consultant building surveyor. This increase the risk of a lack of clarity and potential disputes over the respective roles and responsibilities of the Consultant.	Project Managers and Sponsors should ensure that the role and responsibilities of consultants and the terms and conditions of appointment are clearly set out in a formal agreement or contract and that all contract documentation is securely stored and easily located in future.	Agreed	M	Director for Growth and Regeneration	30 November 2018
5	Testing identified some inconsistencies between the cost plan and approved contract instructions, some of which related to works that had commenced prior to issue of an instruction. There was also one instruction that had not been priced in advance of issue. This increases the risk that additional costs may be incurred without proper prior approval.	The project manager should ensure all contract instruction are checked and reconciled to the cost plan. Works in respect of contract variations should not commence prior to issue of a formal instruction and all contract instructions should be priced in advance wherever possible.	Agreed	M	Director for Growth and Regeneration	30 November 2018

GLOSSARY

The Auditor's Opinion

The Auditor's Opinion for the assignment is based on the fieldwork carried out to evaluate the design of the controls upon which management rely and to establish the extent to which controls are being complied with. The tables below explain what the opinions mean.

Compliance Assurances		
Level	Control environment assurance	Compliance assurance
Substantial ●	There are minimal control weaknesses that present very low risk to the control environment.	The control environment has substantially operated as intended although some minor errors have been detected.
Good ●	There are minor control weaknesses that present low risk to the control environment.	The control environment has largely operated as intended although some errors have been detected.
Satisfactory ●	There are some control weaknesses that present a medium risk to the control environment.	The control environment has mainly operated as intended although errors have been detected.
Limited ●	There are significant control weaknesses that present a high risk to the control environment.	The control environment has not operated as intended. Significant errors have been detected.
No ●	There are fundamental control weaknesses that present an unacceptable level of risk to the control environment.	The control environment has fundamentally broken down and is open to significant error or abuse.

Organisational Impact		
Level	Definition	
Major ●	The weaknesses identified during the review have left the Council open to significant risk. If the risk materialises it would have a major impact upon the organisation as a whole.	
Moderate ●	The weaknesses identified during the review have left the Council open to medium risk. If the risk materialises it would have a moderate impact upon the organisation as a whole.	
Minor ●	The weaknesses identified during the review have left the Council open to low risk. This could have a minor impact on the organisation as a whole.	

Category of Recommendations

The Auditor prioritises recommendations to give management an indication of their importance and how urgent it is that they be implemented. By implementing recommendations made managers can mitigate risks to the achievement of service objectives for the area(s) covered by the assignment.

Priority	Impact & Timescale	
High ●	Action is imperative to ensure that the objectives for the area under review are met.	
Medium ●	Requires actions to avoid exposure to significant risks in achieving objectives for the area.	
Low ●	Action recommended to enhance control or improve operational efficiency.	