

INTERNAL AUDIT REPORT



External Placements 2015-16

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Author:	Trevor Croote		Mark Andrews, Deputy Director for People
			John Morley, Head of Adult Social Care
			Mark Fowler, Head of Lifelong Learning
			Emma Jane Perkins, Service Manager (Adult Social Care)
			Karen Kibblewhite, Head of Commissioning
			Helen Briggs, Chief Executive (final report only)
			Sav Della Rocca, Assistant Director (Finance) (final report only)
			Cllr Clifton – Portfolio Holder for Adult Social Care and Health (final report only)
			Cllr Willby – Portfolio Holder for Lifelong Learning (final report only)
			Cllr King – Portfolio Holder for Place, Finance and Resources (final report only)
			Cllr MacDuff – Chair of Audit & Risk Committee (final report only)

External Placements 2015-16 Executive Summary

1. Introduction and overall opinion

The People Directorate accounts for over 45% of all money spent by the Council and provides services to some of the most vulnerable local residents. A significant proportion of these services are delivered by external providers and it is important to ensure that the Council has a robust framework of controls to ensure services are being delivered to the required standard and achieve value for money. Based on discussions with management and analytical review, the audit focused on special educational needs (SEN) placements, disabled children residential care, learning disability residential care and older people residential care.

A Head of Commissioning has been appointed and has been tasked with developing a strategic approach to all commissioning activity within the department. At the time of audit, this work was in the early stages of development with plans in place to establish a project group and appropriate governance arrangements.

An Individual Placements policy has been drafted. At the time of audit testing, the policy was yet to be finalised, formally adopted and fully implemented. The draft policy includes a requirement for specialist procurement input into the commissioning process which, if implemented, will help to ensure value for money and provide additional safeguards through separation of duties. Evidence to demonstrate the achievement of value for money (VFM) needs to be better documented in most cases and sample testing found a majority of placements were not supported by a valid signed contract. The approach to contract management also needs to be clarified and strengthened, particularly in relation to out-of-county and educational placements. It was highlighted that there are well established processes in place for dealing with any safeguarding concerns in external placements. Testing identified, however, that the processes for undertaking checks at the pre-contract stage could be improved to ensure all checks are consistently evidenced.

Based on these findings, the framework of controls currently in place provide **Limited Assurance** that the identified risks have been appropriately mitigated. Detailed findings are set out in section 2 below. The audit was carried out in line with the scope set out in the approved audit planning record (APR). The assurance opinion is based upon testing of the design of controls to manage the identified risks and testing to confirm the extent of compliance with those controls, as summarised in Table 1 below.

Table 1 – Assurance opinion

Internal audit assurance opinion	Direction of travel				
	N/A				
Limited Assurance					
Risk	Design	Comply	Recommendations		
			H	M	L
Risk 1 - Weak or ineffective arrangements for procuring external placements with limited challenge or negotiation of costs leading to poor value for money.	Limited assurance	Limited assurance	2	7	0
Risk 2 - Inadequate arrangements for ensuring compliance with contracts, including service quality (e.g. safeguarding) and financial management.	Limited assurance	Sufficient assurance	3	3	1
Total number of recommendations			5	10	1

Summary of findings

Risk 1 – Weak or ineffective arrangements for procuring external placements with limited challenge or negotiation of costs leading to poor value for money.

Management asserted that the lack of a formal departmental commissioning strategy has been a long-standing issue within the directorate. Positive action was taken to address this last year with the appointment of a new Head of Commissioning tasked with developing a strategic approach to all commissioning activity within the department. At the time of audit, due to other workload pressures and limited capacity, development of the strategy was inevitably still in the early stages with intentions to establish a project group and appropriate governance arrangements still at the planning stage.

Officers stated that opportunities to improve value for money through greater use of block and framework contracts will be considered as part of development of the departmental commissioning strategy. At present, limited use is made of such agreements. Whilst there is no evidence that this has had a detrimental effect on value for money, the size of the Council means it has limited purchasing power or capacity to negotiate preferential rates when making spot purchases. There may, therefore, be merit in considering working collaboratively with other councils or NHS bodies to develop framework agreements or other joint commissioning arrangements.

The approach to individual placements is set out in a draft policy dated September 2013, although the policy has not yet been finalised or formally adopted by the Council. Consequently, some aspects of the policy have not been fully implemented or embedded into current procedures. For example, the draft policy specifies that the Contracts and Procurement Team should be involved in the commissioning process, including negotiation of costs to help ensure value for money. In practice, due to limited capacity in the contracts and procurement team, the commissioning process is largely led by social workers with little specialist procurement input. Social workers are inevitably focused on addressing the needs of the service user and do not necessarily have the skills or experience to manage the commissioning process most effectively. The involvement of specialist procurement staff in the commissioning process as set out in the draft policy is more likely to maximise value for money and would provide additional safeguards through separation of duties.

Placements are exempt from the competition requirements of Contract Procedure Rules (CPRs), subject to approval by the relevant Chief Officer, Head of Legal, Director of Resources and portfolio holder. However, there is a lack of clarity amongst some staff about whether an approval is required for all individual placements or just those with new providers.

Given that placements are exempt from contract procedure rules it is important that alternative arrangements are in place to demonstrate how value for money has been achieved. For older people residential care services the Council negotiates and sets annual standard banded rates. The standard rates are applied whenever possible although some flexibility is necessary based on needs and availability of places. For other services officers asserted that value for money is achieved primarily through obtaining costings from a minimum of three potential providers, although this is not always possible in cases involving specialist or complex care. Negotiation of cost is particularly difficult in cases where there are few or only one provider willing and able to meet the assessed needs. Nevertheless, CPRs require

the basis for selection of providers to be clearly documented and officers asserted that this is usually set out in the relevant funding panel referral form.

Officers stated that arrangements are in place to ensure that a formal contract with appropriate terms and conditions is in place for all placements and that all contracts have been reviewed and approved by legal services. A record of all contracts is maintained and a system is in place to provide an early warning of contracts that are due to expire. CPRs require the relevant Chief Officer to be satisfied that any contract extension achieves value for money and must record the basis of this conclusion. All extensions have to be approved by the relevant Chief Officer, Head of Legal, Director of Resources and relevant portfolio holder and are recorded using a standard form.

CPRs require the Chief Officer to ensure that the provider meets the relevant national minimum standards (for example those set out in relevant legislation). It is also good practice to ensure that providers are fit for purpose prior to making a placement by checking relevant policies, procedures (such as safeguarding arrangements, health and safety, business continuity etc.), insurances and financial standing. Officers asserted that basic checks are always undertaken (e.g. CQC registration) to ensure that service users are not placed at risk. However, there was a lack of clarity over the extent of the expected checks, who was responsible for undertaking them or how they should be documented. Consequently there is a lack of consistency in how these checks are undertaken and evidenced; which could result in the Council finding it difficult to demonstrate the exercise of appropriate due diligence if challenged.

The draft Individual Placements policy includes a Core Process Checklist with a specific section to demonstrate how value for money has been achieved, for example through benchmarking, negotiation of costs and use of various costing tools. Officers asserted that the checklist is not regularly used in practice and that documentation to demonstrate value for money could be more robust. Furthermore, access to tools such as the national care funding calculator is no longer available as the Council has not renewed its subscription to these services.

Based upon these findings, the assurance rating for the design of controls in respect of this risk is **limited assurance**.

A sample of 20 placements was tested and found:

- there was no valid current contract in place for 13 (65%) of the placements and nine of these (45%) also had no Individual Placement Agreement (IPA);
- four cases related to SEN placements and officers asserted that current procedures do not require contracts in respect of maintained schools;
- where contracts were in place all included relevant clauses and provisions;
- the basis for shortlisting and selection of providers was not clearly documented in many cases;
- there was no clear evidence of any pre-contract checks in 11 cases (55%) and checks in respect of the other nine were variable in nature and coverage;
- there was no evidence of pre-contract checks of policies, procedures or insurance in any of the cases tested;
- financial checks were evidenced in seven cases, although some providers were classified as high risk and it was not clear how the information influenced the placement decision or any subsequent actions;
- CPR exemption approval forms were seen in only one of the cases tested, although officers asserted that some cases pre-date the approval requirement and, as stated above, there was a lack of clarity over whether an exemption was required for all placements or just those with new providers;

- the Core Process Checklist was seen in only two cases and there was limited evidence available of consideration of value for money, although older people residential placements were consistent with agreed banded rates in most cases; and
- funding panel approval forms were not available in three cases and a further three were unsigned.

Based upon these findings, the assurance rating for compliance with controls in respect of this risk is **limited assurance**.

Risk 2 – Inadequate arrangements for ensuring compliance with contracts, including service quality (e.g. safeguarding) and financial management.

The Council has clear and well established arrangements for dealing with safeguarding concerns, including those related to external providers. There are designated safeguarding managers and internal meetings are held every two weeks to discuss any relevant issues and concerns. Safeguarding concerns can be raised through a number of sources and are initially routed through the Duty Team. As well as contractual requirements to notify the Council, all external providers have a ‘duty of candour’ meaning they are legally required to record and inform the Council and CQC of all safeguarding incidents.

The response to safeguarding reports depends on the nature and seriousness of the incident. However, officers asserted that any serious safeguarding issues related to external providers are likely to result in the suspension of future placements pending investigation. A full and detailed review of safeguarding procedures was outside of the scope of this audit although adult safeguarding arrangements have recently been subject to peer review by the Association of Directors of Adult Social Services (ADASS).

It is the responsibility of individual providers to ensure that their staff are properly trained to deal effectively and appropriately with all safeguarding issues. However, it is good practice for councils to support safeguarding training for external providers, particularly for smaller providers that may not have the necessary infrastructure to deliver in-house training. In the past, the Council used to facilitate safeguarding training for external providers through a subscription to the Leicestershire Social Care Development Group (LSCDG) although this was ended some time ago as part of departmental efficiency savings.

Contract Procedure Rules state that all contracts should have a named contract manager who must monitor the overall performance of the contract. There are, however, no documented procedures for contract management and the draft Individual Placements Policy does not clearly specify roles, responsibilities or procedures for contract management. In practice, the relevant budget holder is regarded as the nominated contract manager and responsibilities are shared between the contracts and procurement team and relevant case worker. The contracts and procurement team monitor in-county residential contracts to ensure compliance with overall contractual terms and quality requirements whilst the relevant case worker is responsible for ensuring the needs of individual service users are being met and are regularly reviewed and updated when necessary.

Monitoring by the contracts and procurement team includes the following.

- Quarterly monitoring returns – gathering information from each provider on occupancy, staffing levels, safety incidents, safeguarding concerns etc. This information is shared with the Duty Team and used to determine whether a targeted inspection or other follow-up action is necessary.
- Annual inspections – covering most aspects of contractual requirements such as staffing levels, training, policies, insurances, health and safety, communications etc.

- Targeted inspections – focused on a specific area or areas of concern arising from quarterly monitoring information, Care Quality Commission (CQC) reports, previous inspections etc.

Officers asserted that inspections are recorded using standard forms and any issues or recommendations are followed up by the most appropriate means.

For out-of-county placements reliance is placed on the contract and performance monitoring arrangements of the relevant 'host' council. Officers liaise closely and meet regularly with neighbouring councils through various forums and share intelligence and any concerns about providers, although there is no routine mechanism for sharing and recording specific performance monitoring information between authorities. The Council also works closely and meets regularly with the CQC and contracts compel all providers to inform the Council of any safeguarding incidents or other significant issues and events. Nevertheless, the current system is largely reactive and relies on third parties informing the Council of issues and concerns. Without a programme of proactive monitoring of out-of-county providers there is an increased risk that poor service quality or non-compliance with contractual obligations could go undetected.

For SEN placements reliance is placed on the annual review process which is focused on assessing the progress and needs of the service user. It is the school's responsibility to arrange and manage annual reviews and to involve the Council by sharing relevant information and reports and inviting the Council to attend the review meeting. The school also leads the process of setting personal objectives and targets for the service user but the Council has an opportunity to review and challenge these targets. Officers asserted that review meetings are attended whenever possible but that the current caseload and limited resources means that it is not possible to attend them all. There is currently no process in place for monitoring compliance with overall contractual obligations in respect of SEN placements.

The Care Act introduced a responsibility on councils to manage failure of providers in their area, even if the provider has no local authority funded residents. In response to this requirement the Head of Commissioning has drafted a policy for managing provider failure which follows national guidance. The CQC undertake national monitoring of certain 'hard to replace' providers, of which three operate within Rutland. For other Rutland providers officers asserted that financial failure is relatively low risk as there are few large national providers in the area and a relatively high proportion of self-funders. However, there is currently no evidence of formal risk assessment or periodic refresh of financial checks in respect of individual providers. A corporate review of financial assessment processes is currently being carried out by a working group led by the Procurement and Contracts Team Manager which should address this issue.

Payments to residential care providers are managed by the Community Care Finance team. The team is informed of all placements by way of a signed Notice of Placement (NoP) which sets out the details of the placement and agreed payment rates. The finance team makes regular payments to the provider based on the rates set out in the NoP. For SEN placements a purchase order is raised on Agresso and approved by the Head of Service. Termly invoices are checked to the placements budget spreadsheet (which records all placements, agreed rates and dates) before being approved for payment by the SEN Operations and Finance Officer.

Based primarily on the lack of contract monitoring in respect of out-of-county and SEN placements, the assurance rating for the design of controls is **limited assurance**.

Testing of a sample of 20 placements found that 14 (70%) were out-of-county and therefore not subject to in-house inspections. Of the six in-county placements:

- one related to an SEN placement and was therefore not subject to any contract monitoring activity;

- evidence of some form of inspection was seen for all of the remaining five cases. It was noted that one inspection was over two years old and the other four were all targeted inspections focused on specific areas or follow-up of previous issues. There was no evidence of a routine annual inspection in any of these cases but officers asserted that all inspections tend to be targeted in this way as there is insufficient capacity to carry out a full annual inspection of every in-county provider; and
- in one case the inspection report included recommendations that were classified as ‘immediate actions required’. Officers asserted that they believed the actions were followed up at the time of the inspection but were unable to locate the evidence.

Testing confirmed that an annual review had been conducted in 17 of the 20 cases in the sample (85%). Of the remaining three, one review was planned but overdue due to a backlog of work. One related to an educational exclusion placement in which there was evidence of review by the school but no evidence of council involvement in the review process. One case related to an SEN placement in which details of the review had been requested by the Council but not provided by the school at the time of audit.

Testing of a sample of 19 payments found that 18 (95%) were supported by an approved Notice of Placement or official purchase order. Payment rates were agreed to contract documents in 14 out of 15 cases (93%): one SEN payment was lower than the rate in the contract but was consistent with the initial quote provided by the school.

Although monitoring of compliance with overall contractual obligations needs to be improved, there is clear evidence that individual placements are being regularly reviewed to ensure service users’ needs are being met. Based upon these findings, the assurance rating for the operation of controls is **sufficient assurance**.

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

2. Limitations to the scope of the audit

This is an assurance piece of work 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
<i>Risk 1: Weak or ineffective arrangements for procuring external placements with limited challenge or negotiation of costs leading to poor value for money.</i>						
1	A placements policy exists but has not been finalised, formally adopted or fully implemented in practice.	The draft Individual Placements Policy should be reviewed, updated, approved and fully implemented. It should include detailed process maps for all placement types and examples of completed documents.	The placements policy will be reviewed in line with the recommendations and implemented with the agreement of the three service heads.	H	Head of Commissioning / Head of Adult Social Care) / Head of Lifelong Learning	31 January 2016
2	The commissioning process is led by social workers with limited specialist procurement input. The involvement of specialist procurement and contract compliance staff would represent a better use of relevant skills and experience and help to ensure value for money and improve probity safeguards through separation of duties.	Prepare a business case with cost/benefit analysis to determine the options and viability of using specialist procurement and contract compliance staff in the identification and short-listing of providers and negotiation of costs in respect of all placements.	A business case was previously prepared for this but was not progressed for reasons unknown as this pre-dates the current Heads of Service. Consideration will be given to reviewing this and taking it forward.	M	Head of Commissioning	31 January 2016
3	Lack of a departmental commissioning strategy has been a long-standing issue. Positive action has been taken to appoint a Head of Commissioning to prepare a strategy, which is currently in the early stages of development	A project plan and appropriate governance arrangements should be established to support preparation of a detailed commissioning strategy for the People Directorate.	The governance arrangements for developing a strategy are already in place. The need to review and effectively commission placements is not reliant on such a strategy, and therefore the prioritisation will be of the policy and placement process rather than of an overarching strategy per se.	M	Head of Commissioning	31 March 2016

Rec no.	Issue	Recommendation	Management comments	Priority	Officer responsible	Due date
4	There is currently limited use of framework and block contracts or joint commissioning as a means of improving value for money.	The commissioning strategy should include proposals to seek opportunities to improve value for money through greater use of framework agreements, block contracts and joint commissioning where appropriate.	This work has very recently begun and will be taken forward over the next 9-12 months for the various placement types.	M	Head of Commissioning	30 June 2016
5	There is a lack of clarity over the nature and responsibility for undertaking pre-contract checks. Officers asserted that basic checks are always carried out to ensure service users are not placed at risk, although testing found that this had not been fully and consistently evidenced in 55% of cases.	The Individual Placement Policy and supporting procedures should specify the pre-contract checks that are expected to be carried out before making a placement. This should include clarification of roles and responsibilities for carrying out the checks and details of how they are to be evidenced and documented.	This will be undertaken as part of Recommendation 1.	M	Head of Commissioning / Head of Adult Social Care) / Head of Lifelong Learning	31 January 2016
6	The Individual Placements Policy requires completion and presentation of a Core Process Checklist as part of the panel approval process for all placements. In practice the checklist is rarely completed and, whilst there is no direct evidence of poor value for money, testing found that evidence of how value for money has been achieved could be better documented in many cases.	The Core Process Checklist in the draft Individual Placements Policy should be completed and retained in all cases, or some other means developed to clearly demonstrate how value for money has been assured. Consideration should be given to what tools and information would be useful to support this process (e.g. the Care Funding Calculator). Funding panels should ensure that the checklist or other evidence of value for money is presented as part of the panel's consideration and approval of the placement.	Agreed (Head of Learning & Skills). This will be undertaken as part of Recommendation 1. Please note that there is no funding panel for Adult Social Care in line with Care Act guidance.	M	Head of Adult Social Care) / Head of Lifelong Learning	31 January 2016

Rec no.	Issue	Recommendation	Management comments	Priority	Officer responsible	Due date
7	Testing found that 65% of placements in the sample did not have a valid signed contract at the time of audit. This increases the risk of difficulties in resolving any disputes or disagreements over the obligations of both parties.	All current placements should be reviewed and arrangements made to ensure that an up-to-date signed contract and Individual Placement Agreement is in place for them all. This should include SEN placements in all except RCC maintained schools.	Work has begun and is focusing on ensuring correct processes and contracts are in place going forward and are put in place at point of review.	H	Head of Commissioning	31 December 2015
8	Testing found that signed panel approvals were not retained in six cases and a further two cases did not go to panel as costs were below £10k. Officers asserted that panel approval is not required below £10k but this was not formally specified. There was also a lack of clarity over when a CPR exemption form was required and testing found only one case with an approved exemption.	The Individual Placement Policy and any supporting guidance notes and procedures should clarify exactly when a panel approval is required for each type of placement and when completion of the CPR exemption form is expected.	Agreed, Head of Learning and Skills. This will be undertaken as part of Recommendation 1.	M	Head of Lifelong Learning	31 January 2016
9	Testing found that signed panel approvals were not available in six cases and the basis for shortlisting and selection of providers was not clearly documented in most cases.	The basis for shortlisting and selection of providers should be clearly documented in all cases and signed panel approval forms or other evidence of formal management approval of the placement should be retained.	Agreed, Head of Learning and Skills. This will be undertaken as part of Recommendation 1	M	Head of Lifelong Learning	31 December 2015
<i>Risk 2: Inadequate arrangements for ensuring compliance with contracts, including service quality (e.g. safeguarding) and financial management.</i>						
10	Roles and responsibilities for contract monitoring are not clearly documented.	The Individual Placements Policy should be updated to include details of roles, responsibilities and procedures in respect of contract management for each type of placement.	Agreed, Head of Learning and Skills. This will be undertaken as part of Recommendation 1.	M	Head of Commissioning / Head of Adult Social Care) / Head of Lifelong Learning	31 January 2016

Rec no.	Issue	Recommendation	Management comments	Priority	Officer responsible	Due date
11	Although individual placements are being regularly reviewed, there is currently no proactive monitoring of overall contractual obligations in respect of out-of-county placements. Reliance is placed on the host council and CQC for monitoring provider performance and notifying the Council of any issues or concerns.	Develop more formal proactive arrangements for monitoring overall contractual obligations in respect of out-of-county placements either through extension of the existing monitoring and inspection regime or obtaining formal periodic assurances from the relevant 'host' council.	This work has started.	H	Head of Commissioning	29 February 2016
12	Again, although individual placements are being regularly reviewed, there is currently no contract monitoring of in-county or out-of-county SEN placements.	Contract monitoring should include all placement contracts, including SEN.	This is the responsibility of the individual budget holders as well as the Procurement and Contracts Team. This will be undertaken as part of Recommendation 1.	H	Head of Commissioning	29 February 2016

Rec no.	Issue	Recommendation	Management comments	Priority	Officer responsible	Due date
13	Officers asserted that contract monitoring includes quarterly information returns, annual inspections and targeted inspections. In practice, limited resources mean that most inspections are focused on a specific area or concern. However, the basis for determining the focus of each inspection is not clearly documented and there are no mandatory aspects. Testing found evidence that follow-up of recommendations arising from inspections is not always evidenced.	<p>The overall approach to contract monitoring and inspections should be clarified and documented, including:</p> <ul style="list-style-type: none"> the basis for determining the type of inspection to be undertaken each year (e.g. full, targeted, follow-up etc); any areas that should be subject to mandatory annual inspection (e.g. insurance certificates, safeguarding policies etc); justification for the focus of targeted inspections and/or the areas not covered by the inspection should be clearly documented in inspection reports; and retention of evidence of follow-up of recommendations / actions arising from inspections. 	This will be undertaken as part of Recommendation 1	H	Head of Commissioning	31 March 2016

Rec no.	Issue	Recommendation	Management comments	Priority	Officer responsible	Due date
14	<p>Testing found that most placements (85%) had been subject to an annual review except:</p> <ul style="list-style-type: none"> one case (older person residential) was overdue; one case (educational exclusion) had no evidence of council involvement; and one case (SEN) had no evidence of review. 	<p>Ensure that an annual review has been carried out or is planned for all individual placements.</p>	<p>ASC has recruited two designated review officers whose job is to carry out all ASC reviews.</p> <p>The cases described are surprising; this will be reviewed, Head of Learning and Skills.</p>	M	Head of Adult Social Care) / Head of Lifelong Learning	31 December 2015
15	<p>The council no longer facilitates safeguarding training for residential care providers.</p>	<p>Consider reinstating training provision for external providers via the LSCDG.</p>	<p>This provision has already been reinstated.</p>	L	Head of Adult Social Care)	31 March 2016
16	<p>There is no periodic refresh of the financial standing of care providers in order to provide an early warning of any potential failure and timely initiation of contingency plans.</p>	<p>Introduce periodic refresh of financial monitoring checks, particularly in respect of any high-risk providers.</p>	<p>A Financial Due Diligence policy is currently being developed in line with Financial Procedure Rules and Contract Procedure Rules.</p>	M	Head of Commissioning	29 February 2016

Appendix 2

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 table below explains what the opinions mean.

Level	Design of control framework	Compliance with controls
SUBSTANTIAL	There is a robust framework of controls making it likely that service objectives will be delivered.	Controls are applied continuously and consistently with only infrequent minor lapses.
SUFFICIENT	The control framework includes key controls that promote the delivery of service objectives.	Controls are applied but there are lapses and/or inconsistencies.
LIMITED	There is a risk that objectives will not be achieved due to the absence of key internal controls.	There have been significant and extensive breakdowns in the application of key controls.
NO	There is an absence of basic controls which results in inability to deliver service objectives.	The fundamental controls are not being operated or complied with.

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	Management action is imperative to ensure that the objectives for the area under review are met.
MEDIUM	Management action is required to avoid significant risks to the achievement of objectives.
LOW	Management action will enhance controls or improve operational efficiency.