NHS Lothian
Internal Audit Report 2021/22

Estates Follow up of implementation of internal audit recommendations

Assurance Rating: Significant Assurance

Date: June 2022

Final Report

Contents

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Timetable

- Date closing meeting held: Client responded directly to draft report
- Date draft report issued: 6 June 2022
- Date management comments received : n/a
- Date Final report issued: : 9 June 2022
- Date presented to Audit and Risk Committee: 20 June 2022

Executive Summary

Introduction

During the 2020/21 audit cycle, a review looking at the wider control environment within the Estates function was commissioned which included the review of the policies and procedures in place, governance over the department and adherence to on-call processes. The 'Overall Estates Control Environment Review' was completed in April 2021 with an assessment of 'limited assurance' presented to the Audit and Risk Committee.

Consequently, a Senior Management Team for Estates and Facilities was established to oversee and drive responses to the recommendations within the internal audit report. This included undertaking a robust project management approach and the implementation of a detailed tracker to monitor the actions to address the recommendations.

The Audit and Risk Committee requested an ongoing update on the progress made to date regarding the findings of the Estates Internal Audit report and progress updates have been provided at each Audit and Risk Committee. Additionally, it was agreed that the Internal Audit team would undertake further monitoring and follow-up audits of the implementation of these actions.

Scope

The objective of the review was to provide assurance that the recommendations set out in the Overall Estates Environment Review have been implemented within the organisation.

An ongoing update on progress is provided to the Audit and Risk Committee by management. We sought to confirm the actions reported as closed within these updates have been appropriately implemented and where any actions were outstanding, we confirmed the progress to date and provide update on target implementation dates. Testing was undertaken if transactions have taken place and where no transactions have occurred, walkthroughs of the updated controls will be undertaken.

The scope of the review will be focused on the key risk area below and mitigating controls in place, assessing their design and implementation.

Risks:

- There is insufficient evidence to support the closure of actions included within the Overall Estates Environment Review follow up and resultantly, actions have not been appropriately implemented within the organisation.

Approach

To date management have collated responses to the IA recommendations and progress has been presented to the Audit and Risk Committee. In accordance with our Internal Audit Plan for 2021/22, we have undertaken an independent review of progress, validating actions to (re)confirm status.

The status reported is based on responses provided to Internal Audit by managers responsible for the implementation of recommendations. All ratings of recommendations (i.e. high to low we have obtained appropriate evidence of the status of implementation and a status update from the managers responsible. A complete list of staff involved in the audit and documents reviewed can be seen at Appendix 1.

Acknowledgments

We would like to thank all staff consulted during this review for their assistance and cooperation.

Summary of Findings

We have concluded that the controls in place in respect of NHS Lothian's absence management procedures provides a **SIGNIFICANT** level of assurance.

Significant Assurance

Conclusion

Of the 14 actions reported by management as closed, we confirm that all have been implemented and are appropriately marked as closed.

Our independent verification of each action is included in ***Appendix 1 – IA Recommendations.***

Grant Thornton

NHS Lothian

Appendices

Appendix 1 – IA Recommendations

Finding reference	Rating	Recommendation and Management Update from February 2022	Due Date	NHS Lothian Status	IA Verification	IA Status
1.1 Estates management meetings are not documented and do not appear to follow standard agenda items, with routine papers to support decision making	High	**Management Response** We acknowledge this recommendation and although performance and delivery metrics exist, it is recognised many management meetings are often driven by immediate operational issues. We will design and deploy a formal management for Estates and Facilities to oversee the delivery of the Estates priorities and strategy. This will include monitoring compliance with policies at both senior management level and across the wider directorate. **Management Action** We will establish a structure of meetings, including a more formalised senior management team meeting and subsequent area manager/service level meetings. There will be a consistently linked standard agenda (at every level in the directorate) alongside ad-hoc issues which may arise. This will compliment the quarterly performance meeting Estates & Facilities already attend which is led by the Deputy Chief Executive and explores a suite of system wide performance and compliance metrics. Clear reporting lines into existing E&F committees and the Executive team will be demonstrated. Lastly, a standard action and decision log will be established across all of these meetings to ensure decisions and outcomes are recorded. In addition, effective communication channels will be explored (such as teams channels, circulation of meeting minutes, dedicated space on the intranet as a single point for immediate briefings and the notification of the release of new policies).	Aug. 2021	Closed	We obtained the Estates & Facilities Senior Management Team Meeting Terms of Reference and Standard Agenda which evidenced the standard written reports required. We confirmed that papers are stored within the Microsoft Teams Group and are accessible by members and a relevant member of staff can be contacted for copies of specific papers, future meeting dates, minutes and up to date action log of meetings. We received evidence and assurances that monthly 1-2-1 meetings, Quarterly Estates Meeting and a Monthly Compliance and Assurance meeting are all in place.	Closed

Appendix 1 – Continued

Finding reference	Rating	Recommendation and Management Update from February 2022	Due Date	NHS Lothian Status	IA Verification	IA Status
1.2 Estates organisational structure is not complete and has not been communicated effectively.	Medium	**Management Response** We recognise and agree with this recommendation regarding our structure. NHS Lothian has been conducting a Strategic Review of Estates & Facilities and this was similarly identified as an issue. We have since established principles on the process required to do this and initial work has commenced regarding the review of job descriptions. **Management Action** We will create an organisational chart (organogram) of both job roles and a separate chart detailing committees/key governance channels. This will be concluded by August 2021 and then maintained by our business management function. Linked to the previous finding, the establishment of a more focused and impactful performance and compliance meeting and review cycle will ensure joint SMT level objectives are developed and decision making is taken collectively for the department, rather than in siloed approach. In addition, effective communication channels will be explored (such as teams channels, circulation of meeting minutes, dedicated space on the intranet as a single point for immediate briefings and notifications).	Nov. 2021	Closed	We selected a sample of job roles and noted that there are job descriptions that fitted the sample selected.	Closed

Appendix 1 – Continued

Finding reference	Rating	Recommendation and Management Update from February 2022	Due Date	NHS Lothian Status	IA Verification	IA Status
2.1 On call procedures are inconsistent and have not been governed by an overarching policy.	Critical	**Management Response** We are in agreement that this is an area requiring improvement. We have now produced a new policy with supporting procedures which has since been agreed by partnership colleagues. This new SOP details roles, responsibilities, and authorising capabilities. This overhaul in our on-call approach includes the introduction of sophisticated technology on key sites an integrated onto individual land held logon/logoff devices. We expect this to be live by end of August 2021. **Management Action** Equipment has been ordered to implement the process and controls in line with the new policy. The following steps will be taken to launch this: • Implement new staff access control systems (Time & Attendance Equipment) • Introduce handheld reporting technology • Issue SOP to all on call staff and seek signatures to ensure they have been read by staff and they confirm their responsibilities to within the SOP. In addition, we will look to utilise the new assurance resource to sample audit this moving forwards.	Aug. 2021	Closed	We have obtained the on call standard operating procedure. We have confirmed that Toolbox talks were rolled out to staff. Staff were briefed on the Standard operating Procedure, which has been evidence through the attendance logs. We confirmed that where staff have declined to attend, the Head of Hard FM has reviewed on a case by case basis and if necessary has removed the staff member from on call. We confirmed that all equipment has been installed and is operational across the estate. An assurance exercise is scheduled for later in the year when resources allow.	Closed

Appendix 1 – Continued

Finding reference	Rating	Recommendation and Management Update from February 2022	Due Date	NHS Lothian Status	IA Verification	IA Status
2.2 There is an absence of policies and procedures governing estates activities.	High	**Management Response** We recognise that a significant number of the policies utilised by Estates and Facilities are wider NHSL policies. We do have some local policies and more commonly, we have far more local SOPs and we will explore technology opportunities such as a cloud based document management and storage system to aid the communication, dissemination and control of such SOPs and policies. We have recently established an estates & facilities Policy Review Group, chaired by the Associate Director for the directorate. In addition, the facilities Health & Safety advisor has begun to conduct a gap analysis of our register of policies. **Management Action** We will continue with the work commenced via the Policy Review Group and the gap analysis process. In addition, we will refresh our suite of Tool Box Talks and ensure that there is a standard set delivered via a program at similar times of the year. We will ensure the register of attendees is kept up to date and finally, we will seek further input from the NHSL Policy Advisory Group on document control and establish a hierarchy of policies – NHSL, department, operational etc.	Nov. 2021	Closed	Policies have been identified and listed in the NHS Lothian Hard FM Policy and Standard Operating Procedures Register. The ongoing review and update of the documents is overseen by the Facilities Policy Review Group, established in August 2021 as an assurance and approvals group to ensure all Facilities Policies and Procedures are subject to the correct level of governance. he Facilities Policy Review Group action tracker from March 2022 was reviewed - this includes the most up-to-date version of the Policy Register, with the status and review dates noted.	Closed

Appendix 1 – Continued

Finding reference	Rating	Recommendation and Management Update from February 2022	Due Date	NHS Lothian Status	IA Verification	IA Status
2.3 There is an absence of a register of interests and gifts and hospitality register maintained .	High	**Management Response** Currently NHS Lothian manages a central register via the Associate Director of Procurement, Procurement Department. Currently, we are not aware of department level registers, however note the additional controls this may provide the organisation with regards to preventing fraud, bribery and corruption. **Management Action** We will consult with the wider organisation on this recommendation and may seek to develop alternative documentation to capture this information. For example, a Tool Box talk that captures the existence and requirements of the central register. This will become an annual requirement for all areas. In addition, senior staff have all attended fraud awareness sessions run by the Board and this learning will be disseminated by managers across the directorate.	Dec. 2021	Closed	Estates & Facilities Anti-Bribery & Corruption Sessions were attended by all relevant staff across the 12th, 13th and 20th of October 2021. The establishment of a register of interests for staff out with the Board Members/Executive Team is out with the requirements of existing NHS Lothian policy. Developing a standalone policy for Estates & Facilities was not supported by the Estates & Facilities Senior Management Team. Staff are advised to refer to the NHSL Policy, accessible through the NHSL Intranet As the procurement function has transferred, assurance has been obtained that all staff members adhere to NHS Lothian Policy and have the opportunity through this to declare conflicts of interest as part of the process, with will be formally recorded and paperwork obtained. The electronic gifts register is updated by staff via MS Teams, with screenshots provided to evidence this. The output and monitoring of returns is carried out by the Business Manager, Estates & Facilities. Expectation is on each department to complete a minimum twice yearly return, ensuring an update during each applicable occasion.	Closed

Appendix 1 – Continued

Finding reference	Rating	Recommendation and Management Update from February 2022	Due Date	NHS Lothian Status	IA Verification	IA Status
3.1 There is not a formal or consistent induction process across Estates, covering policies and procedures.	High	**Management Response** We recognise the need for evidenced and structure approach when new starts join the department. **Management Action** We will ensure, via the development of a toolbox, local induction procedures are formalised, using the NHS Lothian Corporate Induction Handbook for guidance and checklists, where appropriate be retained by the line manager and employee, including any shadowing which was completed by the individual. The induction will include local policies and procedures relating to the role of the person, organisational structures of the department and local code of conducts. The role out of a standard suite of tool box talks delivered in a Pan Lothian time frame will assist in comprehensive induction of employees and over the year will ensure good awareness of policies and procedures.	Nov. 2021	Closed	A review of the induction forms completed far a sample of five new starts confirmed that the content of the corporate induction checklist is being followed. The checklists have been created to confirm completion of corporate induction and ensure that local induction requirements are being met. Elsewhere, we have confirmed that core toolbox talks, linked to NHSL's Key Risks, are in place and delivered in conjunction with specific local departmental/site talks.	Closed
4.1 A wider scheme of delegation is not in place across Estates detailing who can approve payments not raised in PECOS. Additionally, improvements could be made to PECOS documentation.	High	**Management Response** A scheme of delegation exists for the PECOS process and we will work with Finance Directorate to ensure clarity on the application of this scheme when approving out with PECOS. We recognise there are operational improvements which can be made when a cost code is used which does not fall under Estates ASD. **Management Action** We will work with Finance Directorate to ensure clarity on the application of the scheme of delegation when approving out with PECOS, and if required develop a separate Scheme of Delegation for this purpose. We will explore the operational reasons behind the use of cost codes which do not fall under Estates ASD and ensure staff are able to and aware of the need for providing and retaining full documentation that enhances and evidences necessary control.	Dec. 2021	Closed	Updated scheme of delegation was shared with Finance at the end of January 2022 The Scheme of Delegation is applicable to payments not raised in PECOS. Additionally, the PECOS finance team have identified key improvement opportunities which the Estates & Facilities team are adhering to.	Closed

Appendix 1 – Continued

Finding reference	Rating	Recommendation and Management Update from February 2022	Due Date	NHS Lothian Status	IA Verification	IA Status
5.1 There is a lack of formal and consistent management information provided to and reviewed by senior staff to support decision making.	High	**Management Response** A quarterly performance cycle led by the Deputy Chief Executive allows for system level scrutiny of Finance, Workforce, Program of Change, Assurance, Complaints, H&S, local and National Monitoring arrangements. We recognise a more frequent, SMT level reporting mechanism is required which will allow closer control, identify trends and rectify concerns, in a controlled manner. It will also act as our principle escalation process. **Management Action** We will establish monthly/quarterly SMT meetings which host these items as core agenda. In addition, ensuring a performance and compliance meeting and governance reporting structure feeds into the SMT as mentioned in a previous action. Agreed actions include: • Introduce a monthly NHSL Facilities Performance Summary. • Introduce Quarterly meetings for Area Managers to review individual • progress/performance. • An action list with close out dates, responsible person etc. will be the future measurement of success around performance control. • A minimum time period for trends, accounting for the impact of Covid-19 will be drawn up in line with other departments such as acute services.	Oct. 2021	Closed	The SMT meets on monthly basis. Meetings include fixed agenda items which have been determined over time and require formal papers to be submitted. This includes Financial Governance, Staff Governance. and Health & Safety Detailed minutes of the group meetings are recorded and distributed promptly to the members of the SMT and retained on file within MS Teams to demonstrate good management, appropriate and timely actions and good governance. An action note is also maintained and updated after each meeting. Evidence reviewed: - SMT Financial Performance reports from 18/10/2021 and 13/04/22 - SMT Workforce Reports from March 2022 and October 2021 Meetings - Assurance Reporting structure - March 2022 SMT Action Note Minutes from the Hard FM Area Manager's quarterly meetings were also obtained and confirmed for October 2021, with evidence of a second meeting scheduled for June 2022 also obtained. Q1 meeting had been missed , however management are now committed to holding these meetings at least quarterly.	Closed

Appendix 1 – Continued

Finding reference	Rating	Recommendation and Management Update from February 2022	Due Date	NHS Lothian Status	IA Verification	IA Status
6.1 Performance of suppliers against contracts is not monitored.	High	**Management Response** We acknowledge the need for appropriate contract review procedures to be in place with the appropriate staff within the Estates department identified and instructed to facilitate them. Therefore, an overhaul of our contract review process will be introduced in the coming months. **Management Action** A phased approach will be taken to close this risk: 1. An initial review and categorisation of all suppliers will be undertaken. This will involve representatives from across the organisation to ensure transparency and service input and identify key controls, spend and KPIs from each contract. NHSL procurement will be asked to support this process to ensure best practice is adhered to. 2. Following the categorisation and rationale of existing contracts a review cycle and process will be established involving key stakeholders. This will involve the monitoring of set KPIs and may require more regular meetings with suppliers to review their delivery and performance. 3. A 10% annual random sample will be externally evaluated on an annual basis, and a report prepared. 4. Alongside this we will evolve a framework for future performance indicators in contracts that supports significant consistency and transparency in the performance of such contracts.	Nov. 2021	Closed	We obtained the tender waiver Standard Operating Procedure for this control to confirm that standardised methodology has been put in place. We obtained evidence of initial review to confirm existence. These included review of Categories and Commercial Spend Analysis of Capital. It was confirmed that revenue spend with Estates, Capital, Construction and Maintenance suppliers is planned. We reviewed the data analysis presented on 1 April to verify this We obtained Operational Review meeting minutes as evidence that a responsible action owner has been identified in Procurement for setting KPIs. The organisation plans to produce and agree the Category Strategy and Plan for Estates. We obtained evidence of supplier meetings with JL Com in adherence with the Improvement Plan. We obtained the Operational Review meeting agendas (1 April 2022) which demonstrates external evaluation of the: • Action Log • Contract compliance • Asset list • PO and invoice assurance • Risks & issues • Continuous improvement	Closed

Appendix 1 – Continued

Finding reference	Rating	Recommendation and Management Update from February 2022	Due Date	NHS Lothian Status	IA Verification	IA Status
6.2 There is an opportunity to review procurement processes within Estates, transferring these to the NHS Lothian procurement team so that a central team can have overall responsibility	High	**Management Response** We agree in principle with this recommendation and have identified similar risks through our Strategic Review of Estates & Facilities. Following the conclusion of this diagnostic review, recommendations will be made to the Executive Leadership Team on this finding. **Management Action** Through the Estates & Facilities Strategic Review, to explore opportunities to seek improvements in our procurement controls including; register of interests, retention of documentation and evidence of award decisions. It may also be possible to explore national opportunities with HFS to undertake the procurement under a Once for Scotland approach. This is already in progress and NHSL has been instrumental in supporting and establishing a programme with HFS procurement.	March 2022	Open	A copy of the contracts awarded were obtained to confirm existence of the Register/Declaration of interests inbuilt. We received Electrical Contractors contract and the Award Recommendation for Electrical Contractors. It was confirmed that documents related to tender and procurement are retained in PCST and shared zDrive. We received two disclosures of conflicts of interest as evidence of award decision.	Closed
7.1 Improvements could be made to the documentation of the procurement process for Jamieson and JL Com		**Management Response** As part of the existing evaluation declaring an interest will become part of formal evaluation and recording within tender suite of documents. Where an officer appoints the 2nd ranked provider this will be documented within the PO and also within a local register. The Area Manager will be responsible for review monitoring to assure this becomes normal practice. Works not covered within the contract summary and also breach an agreed financial limit will follow the waiver process. **Management Action** We will: • Create a section within the PO to record a reason for utilising the second ranked provider including contact names or contracting manager to allow verification. • Ensure Area Managers establish a local log of using 2nd ranked service provider. • Retain these documents/records for 7 years (whether paper or electronically)	Dec. 2021	Open	This action was considered by the joint working group between Estates and Procurement. It was refined to bring Estates Procurement into line with core Procurement, utilising the Procurement Journey and best practice. This action has been superseded by the transfer of Estates Procurement into core NHS Lothian Procurement.	Closed

Appendix 1 – Continued

Finding reference	Rating	Recommendation and Management Update from February 2022	Due Date	NHS Lothian Status	IA Verification	IA Status
7.2 A review of expenditure with JL Com and Jamieson is not performed to ensure it is allowable under the framework and providing value for money.	High	**Management Response** We recognise the vulnerabilities highlighted in this report. We will put in place an appropriate contract review procedure, including an independent review of an agreed sample at a later date to confirm whether controls are adequate. **Management Action** We will undertake a review of the spend with each of our supplies (as referenced in an earlier finding) and identify areas where directorates (such as Capital and eHealth) across the organisation can work to collaborate and eliminate repetition in contracts. With regards to the £600 Land rover spend, these vehicles have been used intermittently on site (they are adapted with cherry picker functionality) and following a review, this has now ceased. A large proportion of spends noted in this report are within other departments and we would require these departments to comment on their specific areas. Finally, we will work with our Fraud Liaison Officer to identify areas of concern and ensure the controls implemented are adequate in prevention and early detection of any fraudulent or corrupt behaviour.	Nov. 2021	Open	We received evidence to demonstrate that Procurement had carried out a review of spend against the four identified suppliers during 2020/2021. This has noted that spend was not unique in terms of the estimate that the Estates Team predicted Management confirmed that the Procurement team train Procurement Staff on Counter Fraud each year. We also received two completed fraud checklists for Electrical Engineering Team contractors and Fuse Board inspections at St John's hospital which were completed by persons requiring all suppliers to fulfil a new with a value over £50k. Contracts. The fraud checklist includes the contact details of the persons completing and the questions and answers to the questionnaire alongside the rating of risk and if further action is required.	Closed

Appendix 1 – Continued

Finding reference	Rating	Recommendation and Management Update from February 2022	Due Date	NHS Lothian Status	IA Verification	IA Status
7.3 Total spend with suppliers is above the framework contract amounts and has potentially breached OJEU thresholds.	High	**Management Response** We acknowledge the findings highlighted and recognise this is a wider organisational risk which requires support and input from a variety of stakeholders (due to an overlap in supplier usage). **Management Action** The contracts reviewed had been appropriately published in OJEU journal. However, we will now formalise a review process on contracts that go over our estimated contract limits. We will implement an external review of 10% random sample by an accredited provider to help report and evidence contract control and quality of contract performances.	Nov. 2021	Closed	We received operational review meeting minutes for the period 1 March 2022 to 8 April 2022. This included evidence of the expectation of the external supplier (JLCOM) to circulate a report including the following information in subsequent meetings: • The percentage of planned maintenance carried out • A list of inspection reports issued • A call out log • List of equipment repaired and replaced • Any training which took place. • Continuous Improvement • Asset Register • Purchase invoice and invoice assurance activities We received documentation of initial and detailed Reviews Work Underway with Electrical Contractors using randomly selected checks of 10% of all contracts.	Closed
7.4 NHS Lothian should remove endorsements from company websites.	Medium	**Management Response** This provider Jamieson's has been requested to remove this comment from the contractor's web site on 19/05/21. I can confirm this has now been actioned. **Management Action** Facilities will write to its known supply chain requesting material of this type be removed. In addition, separate communication internally to staff will be made reminding them of their duty of impartiality. Email will be drafted to all our managers.	June 2021	Closed	We obtained a copy of the relevant week's weekly communications sent to all staff during COVID-19 (13 July 2021). It stated that 'we follow procurement law and the NHS Lothian Standing Financial Instructions so that there is fair and open competition for the awarding of contracts to suppliers. We also obtained the email sent to known suppliers (15 July 2021) with endorsements requesting that material be removed.	Closed

Appendix 2 – Staff Involved and Documents Reviewed

Staff Involved

Business Manager, Estates & Facilities
Business Manager, Deputy Chief Executive Office
Facilities Site Manager
Personal Assistant, Facilities
Personal Assistant to Director of Operations, Facilities
Estates and Facilities Risk, Safety & Quality Adviser

Documents Reviewed

- Estates & Facilities Senior Management Team Meeting Terms of Reference
- Senior Management Team Standard Agenda with indication of written reports required:
  - Agendas – March 2022 and April 2022
  - Financial Performance Reports - October 2021 and March 2022
  - Workforce Reports October 2021 and March 2022
  - Action Note – March 2022
- Quarterly Hard FM Area Managers Meeting
  - Agenda June 2022
  - Meeting Note October 2021
- Job description list
- Updated job descriptions
- Organisational charts
- Email from Hard FM to all staff advising on the updated job descriptions and structures
- Policy register – showing current policies and review dates
- Facilities Policy Review Group Action Notes October 2021 and March 2022
- TOR Facilities Policy Review Group
- Estates Hard FM - Time and Attendance Standard Operating Procedure
- timecard report provided for all staff for the period 16 May 2022 - 22 May 2022 and 9 May 2022 - 15 May 202
- Screenshots from the new time and attendance system which demonstrates real-time monitoring of devices covering the period 24 April 2022 – 22 May 2022
- Toolbox talks menu and guidance for use
- Bribery and corruption training – Estates attendees
- Gifts, Hospitality & Conflicts of Interest - staff communication
- Evidence of register accessed via Microsoft Forms
- Local induction forms – Catering, Domestics and Logistics
- NHS Lothian Local Induction Checklist
- Domestic Assistant Training Checklist
- Procurement Department Standard Operating Procedure: Tender Waiver Checklist
- Operational Review meeting agendas – 1April 2022

Appendix 2 – Continued

Documents Reviewed - continued

- Work Underway with Electrical Contractors to review 10% of the contracts
- Email sent to known suppliers with endorsements requesting that material be removed (15 July 2021)
- Weekly COVID-19 communication including guidance on open competition in awarding contracts in line with procurement law and the NHS Lothian Standing Financial Instructions

Appendix 3 – Our IA Report assurance levels

The table below shows the levels of assurance we provide and guidelines for how these are arrived at. We always exercise professional judgement in determining assignment assurance levels, reflective of the circumstances of each individual assignment.

Rating	Definition	When Internal Audit will award this level
Significant assurance	The Board can take reasonable assurance that the system(s) of control achieves or will achieve the control objective. There may be an insignificant amount of residual risk or none at all.	There is little evidence of system failure and the system appears to be robust and sustainable. The controls adequately mitigate the risk, or weaknesses are only minor (for instance a low number of findings which are all rated as 'low' or no findings)
Moderate Assurance	The Board can take reasonable assurance that controls upon which the organisation relies to achieve the control objective are in the main suitably designed and effectively applied. There remains a moderate amount of residual risk.	In most respects the "purpose" is being achieved. There are some areas where further action is required, and the residual risk is greater than "insignificant". The controls are largely effective and in most respects achieve their purpose with a limited number of findings which require management action (for instance a mix of 'medium' findings and 'low' findings)
Limited Assurance	The Board can take some assurance from the systems of control in place to achieve the control objective, but there remains a significant amount of residual risk which requires action to be taken.	This may be used when: ▪ There are known material weaknesses in key control areas. ▪ It is known that there will have to be changes that are relevant to the control objective (e.g. due to a change in the law) and the impact has not been assessed and planned for. The controls are deficient in some aspects and require management action (for instance one 'high' finding and a number of other lower rated findings)
No assurance	The Board cannot take any assurance from the audit findings. There remains a significant amount of residual risk.	The controls are not adequately designed and / or operating effectively and immediate management action is required as there remains a significant amount of residual risk(for instance one Critical finding or a number of High findings)

Appendix 3 - Continued

The table below describes how we grade our audit recommendations based on risks

Rating	Description	Possible features
High	Findings that are fundamental to the management of risk in the business area, representing a weakness in the design or application of activities or control that requires the immediate attention of management	▪ Key activity or control not designed or operating effectively ▪ Potential for fraud identified ▪ Non-compliance with key procedures / standards ▪ Non-compliance with regulation
Medium	Findings that are important to the management of risk in the business area, representing a moderate weakness in the design or application of activities or control that requires the immediate attention of management	▪ Important activity or control not designed or operating effectively ▪ Impact is contained within the department and compensating controls would detect errors ▪ Possibility for fraud exists ▪ Control failures identified but not in key controls ▪ Non-compliance with procedures / standards (but not resulting in key control failure)
Low	Findings that identify non-compliance with established procedures, or which identify changes that could improve the efficiency and/or effectiveness of the activity or control but which are not vital to the management of risk in the business area.	▪ Minor control design or operational weakness ▪ Minor non-compliance with procedures / standards
Advisory	Items requiring no action but which may be of interest to management or which represent best practice advice	▪ Information for management ▪ Control operating but not necessarily in accordance with best practice


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