CARLISLE CITY COUNCIL www.carlisle.gov.uk	**Report to Audit Committee**	**Agenda Item:** **A.6**

Meeting Date:	18 December 2020
Portfolio:	Finance, Governance and Resources
Key Decision:	Not applicable
Within Policy and Budget Framework	YES
Public / Private	Public

Title:	INTERNAL AUDIT REPORT CITY CENTRE
Report of:	CORPORATE DIRECTOR FINANCE & RESOURCES
Report Number:	RD48/20

Purpose / Summary:

This report supplements the report considered on Internal Audit Progress and considers the review of City Centre

Recommendations:

The Committee is requested to

(i) receive the final audit report outlined in paragraph 1.1;

Tracking

Audit Committee:	**18 December 2020**
Scrutiny Panel:	**Not applicable**
Council:	**Not applicable**

1. BACKGROUND INFORMATION

1.1 An audit of City Centre was undertaken by Internal Audit in line with the agreed Internal Audit plan for 2020/21. The report, appended as Appendix A of this report was found to provide reasonable assurances and contains 11 medium graded recommendations.

2. RISKS

2.1 Findings from the individual audits will be used to update risk scores within the audit universe. All audit recommendations will be retained on the register of outstanding recommendations until Internal Audit is satisfied the risk exposure is being managed.

3. CONSULTATION

3.1 Not applicable

4. CONCLUSION AND REASONS FOR RECOMMENDATIONS

The Committee is asked to

i) receive the final audit report as outlined in paragraph 1.1;

5. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

5.1 To support the Council in maintaining an effective framework regarding governance, risk management and internal control which underpins the delivery the Council's corporate priorities and helps to ensure efficient use of Council resources.

Contact Officer:	**Michael Roper**	**Ext:**	**7280**
Appendixes	**APPENDIX A - INTERNAL AUDIT REPORT CITY CENTRE**		

Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers:

- **None**

CORPORATE IMPLICATIONS/RISKS:

Legal – In accordance with the terms of reference of the Audit Committee, Members must consider summaries of specific internal audit reports. This report fulfils that requirement.

Finance – Contained within the report

Equality – None

Information Governance – None

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Audit of City Centre (Inc Events & Inspections)

Draft Report Issued: 2nd November 2020
Director Draft Issued: 25th November 2020
Final Report Issued: 2nd December 2020

Audit Report Distribution

Client Lead:	Destination Manager
Chief Officer:	Deputy Chief Executive Chief Executive
Others:	Health & Wellbeing Manager City Centre Officer Team & Events Co-ordinator Information Governance Manager Health and Wellbeing Project Manager
Audit Committee:	The Audit Committee due to be held on 18th December 2020 will receive a copy of this report.

Note: Audit reports should not be circulated wider than the above distribution without the consent of the Designated Head of Internal Audit.

1.0 Background

1.1. This report summarises the findings from the audit of the City Centre (Inc Events & Inspections). This was an internal audit review included in the 2020/21 risk-based audit plan agreed by the Audit Committee on 30th July 2020.

1.2 Events and promotions in the City Centre are important to the Council as they promote the district and grow the city's culture, heritage and visitor economy through increasing footfall, overnight stays, encouraging use of Carlisle city centre and supporting high street businesses.

1.3 The City Centre events and promotions also support the Council's priority to promote Carlisle regionally, nationally and internationally.

1.4 There is a signed Memorandum of Understanding between the City Council and Cumbria County Council which gives the City Council authority to undertake maintenance work in the city centre such as repairing benches, bollards etc.

1.5 Carlisle City Council has the power to grant licences for street cafés under section 115(E) of the Highways Act 1980 and are required to consult with Cumbria County Council as the Highways Authority.

2.0 Audit Approach

Audit Objectives and Methodology

2.1 Compliance with the mandatory Public Sector Internal Audit Standards requires that internal audit activity evaluates the exposures to risks relating to the organisation's governance, operations and information systems.

2.2 A risk-based audit approach has been applied which aligns to the five key audit control objectives (see section 4). Detailed findings and recommendations are reported within section 5 of this report.

Audit Scope and Limitations.

2.3 The Client Lead for this review was the Destination Manager and the agreed scope was to provide independent assurance over management's arrangements for ensuring effective governance, risk management and internal controls of the following scope areas:

- Failure to achieve business objectives due to insufficient governance.
- Loss or breach of information / fines and sanctions / reputational damage due to failure to securely process, retain, share and dispose of records and information.
- Partnership arrangements / contracts / agreements are not formally agreed resulting in conflict and reputational damage to the Council.
- Failure to effectively manage events / promotions resulting in financial risk and reputational damage to the Council.

- Budgets are not effectively managed resulting in financial risk to the Council.

2.4 There were no instances whereby the audit work undertaken was impaired by the availability of information.

3.0 Assurance Opinion

3.1 Each audit review is given an assurance opinion intended to assist Members and Officers in their assessment of the overall governance, risk management and internal control frameworks in place. There are 4 levels of assurance opinion which may be applied (See **Appendix B** for definitions).

3.2 From the areas examined and tested as part of this audit review, we consider the current controls operating within the City Centre (Inc Events & Inspections) provide **reasonable assurance**.
Note: as audit work is restricted by the areas identified in the Audit Scope and is primarily sample based, full coverage of the system and complete assurance cannot be given to an audit area.

4.0 Summary of Recommendations, Audit Findings and Report Distribution

4.1 There are two levels of audit recommendation; the definition for each level is explained in **Appendix C**. Audit recommendations arising from this audit review are summarised below:

Control Objective	High	Medium
1. Management - achievement of the organisation's strategic objectives achieved (see section 5.1)	-	3
2. Regulatory - compliance with laws, regulations, policies, procedures and contracts (see section 5.2)	-	4
3. Information - reliability and integrity of financial and operational information (see section 5.3)	-	2
4. Security - safeguarding of assets (N/A)	-	-
5. Value – effectiveness and efficiency of operations and programmes (see section 5.4)	-	2
Total Number of Recommendations	**-**	**11**

4.2 Management response to the recommendations, including agreed actions, responsible manager and date of implementation are summarised in Appendix A.

4.3 **Findings Summary (good practice / areas for improvement):**

While eleven recommendations have been made, the majority relate to minor non-compliance of existing controls. No significant areas of weakness have been identified and therefore reasonable assurances are in place.

There is an up to date structure in place and the team have relevant job descriptions. Delegated authority / responsibility for approving / issuing pavement café licences should be included in the relevant scheme of delegation.

A Discover Carlisle – Visitor Economy Recover Plan from the COVID-19 pandemic which includes the city centre recovery has been completed. Promotional videos have been produced to try to increase consumer confidence in both retail and hospitality sectors.

Whilst there is guidance and application forms for the public to complete for promotions, events, funding and pavement café licences there are no documented procedures for the tasks that officers complete to review and action such applications.

The Fees & Charges Report should be updated to ensure it accurately reflects all fees and charges in relation to the City Centre.

There are three operational risks recorded, which need to be regularly monitored in line with the Corporate Risk Management Policy.

Controls are in place for data security, but there is a need to further the controls to comply with data protection legislation, including preparing a privacy notice specifically for the service, ensuring that all documentation is included in the Councils retention schedule and putting a document disposal system into place. Document retention should be streamlined to aid day to day working practices.

Although the Events Risk Management Group review and approve / reject promotions and events, there is a need for this to be clearly documented in the group's meeting minutes to ensure that there is a clear audit trail of decisions made.

Comment from the Deputy Chief Executive

This report has already proven to be a valuable internal intervention for our Destination Management team assisting them to strengthen their procedures, record keeping and decision making. The recommendations and management responses will provide the Council with assurance and confidence that city centre management and events are being managed to a high professional standard.

5.0 Audit Findings & Recommendations

5.1 Management – Achievement of the organisation's strategic objectives

5.1.1 The Council's Constitution dated April 2020, delegates responsibility for city centre management to the Deputy Chief Executive.

5.1.2 There is a structure in place, which was reviewed in May 2020, which is supported by job descriptions that reflect current roles.

5.1.3 The City Centre Officer reports directly to the Destination Manager. The City Centre Officer's role includes responsibility for:

- Providing the key point of contact for city centre management and event bookings and lead on the day to day promotions, regulation and management of the city centre pedestrian area;
- Provide advice to applicants on the protocol for the issuing of licences and the approval of pavement café licences;
- Commission planned and reactive repairs to street furnishings, utilities and components and to monitor and manage city centre maintenance budgets.

5.1.4 Both the City Centre Officer and Destination Manager's roles are subject to basic DBS check which have been completed.

5.1.5 The team are currently working from the 2019/20 service plan, the Destination Manager confirmed that no further service planning has been completed at the time of the audit due to the current COVID-19 pandemic. A Discover Carlisle – Visitor Economy Recover Plan, which includes the city centre recovery has been completed as a response to the pandemic. Promotional videos have also been produced to try to increase consumer confidence in both retail and hospitality sectors.

5.1.6 The events programme is included within the Carlisle Plan Priority which links into the Council's Corporate Plan 2018 - 2021.

5.1.7 Whilst various guidance is available to officers, there are no documented procedures for tasks including the process for booking events and promotions, commissioning city centre maintenance / repairs and the processes undertaken for pavement café licences.

Recommendation 1 – Procedures / guidance for tasks should be documented, including pavement café licenses, events (external & internal), promotions and commissioning maintenance work in the city centre.

5.1.8 The Charges Review Report 2020/21 for Community Services was approved by the Executive in December 2019. This report includes City Centre promotional booking charges, which includes pavement café licenses. The City Centre officer confirmed there was an increase of 3% on charges from the previous year.

5.1.9 Audit testing during this review highlighted that the following are not included in the current fees & charges report:

- Fees for a single pitch in the city centre;
- Legal fees for the preparation of the pavement café licences;
- Pitch fees for speciality events which included the Christmas Light Switch On 2019, Audit was advised that the pitch fees were calculated specifically for each event and the formulas used are not detailed within the fees and charges report.

Recommendation 2 – The fees and charges report should include all fees in relation to the city centre.

5.1.10 Team meetings, 1 to 1's and annual appraisals are undertaken.

5.1.11 The City Centre Officer's training record was up to date and a review highlighted that training is actively undertaken which is relevant to the role.

5.1.12 Three risks are recorded in SharePoint in relation to this audit area, each with an appropriate control strategy / mitigating actions recorded. Two of these risks were last reviewed in January 2020 and the third was last reviewed in June 2020.

Recommendation 3 - Risks including the control strategy / mitigating actions should be reviewed and updated on a quarterly basis in line with the Corporate Risk Management Policy.

5.1.13 City Centre updates are included with the Tourist Information Centre and Discover Carlisle and are detailed in the quarterly Portfolio Holder reports for Culture, Heritage & Leisure.

5.2 Regulatory – compliance with laws, regulations, policies, procedures and contracts

5.2.1 There is no specific privacy notice to cover the city centre management and events. Application forms for events and promotions do not include the Council's privacy information.

Recommendation 4 – A privacy notice should be completed to cover the city centre management, including pavement café licenses, promotions and events. Application forms should also be updated to include the relevant privacy information.

5.2.2 Both the Destination Manager and the City Centre officer have completed GDPR and Cyber Security Training.

5.2.3 Documentation is retained in relation to booking promotions, internal and external events, applications for pavement café licences and funding applications all are stored electronically with restricted access. This documentation is retained in several different areas, including team sites on the intranet, SharePoint and in an officer's outlook calendar. In addition, application forms and supporting documentation for pavement café licences is also retained in a locked drawer. Document retention should be streamlined, for example: pavement café license application forms and supporting documentation should be retained in the team SharePoint site along with the copy of the licence, external events and promotion documentation should be stored in the event team intranet site.

Recommendation 5 – Documentation retained should be streamlined to minimise records retained and should be easily accessible for all relevant officers.

5.2.4 City Centre Management and events are included within the Council's Retention Schedule; however, it was noted that there is no reference to Pavement Café Licenses and there was no disposal log or process in place to dispose of documentation once the appropriate time has lapsed.

Recommendation 6 – Documentation retention relating to Pavement Café Licences should be reviewed and added to the Council's Document Retention Schedule and a disposal log / process implemented to dispose of documentation once the appropriate time has lapsed.

5.2.5 The Council shares information with partner organisations including the Police and Cumbria County Council (Fire & Rescue, Trading Standards and the Probation Service). An information sharing agreement (ISA) is in place with these organisations. The Police have confirmed that they have a copy of the ISA that has been signed by all parties and the Information Governance Manager has requested a copy of this document for the Council's files.

5.2.6 A weekly update meeting with partners known as the 'Local Focus Hub' is held as well as a monthly 'Tasking Group' both of which are minuted. The minutes are shared with the group, read and deleted as they contain sensitive data. A copy of the minutes / notes from both groups are retained by the Police.

5.2.7 There is a signed Highways Residual Agreement between Cumbria County Council and Carlisle City Council. The agreement delegates specific work to the City Council.

5.2.8 The City Council authorises contractors to complete work such as repairs to seating, bollards and bus shelters in the City Centre. The audit highlighted that there is no documented guidance for officers to follow for this type of work. **See Recommendation 1**

5.2.9 A sample of payments reviewed was found to generally be appropriately authorised, though one instance was identified of an individual approving a payment over their limited delegation and one example was identified of an individual approving both the order and invoice payment. It is advised individuals are reminded of the requirements of the Council's financial procedures.

5.2.10 The city centre maintenance budget is regularly monitored, and monthly FIS reports are received.

5.2.11 The City Council on behalf of Cumbria County Council review and approve / decline pavement café licences. Audit testing highlighted the following weaknesses in relation to pavement café licences:

- no formal scheme of delegation for the approval / issue of pavement café licences could be found other that in the key areas of responsibility in the City Centre Officer's job description;
- although there is guidance documented and available for individuals applying to the Council for a pavement café licence there are no documented guidance for officers' tasks when reviewing and processing these applications **(See Recommendation 1);**
- application forms and supporting documentation was stored in a lockable desk drawer and not always available to all relevant officers **(See Recommendation 6)**;

- It was not possible to check the legal fees for the preparation of the licences. **(See Recommendation 2).**

Recommendation 7 – Delegated authority / responsibility for issuing pavement café licences should be included in the relevant Scheme of Delegation.

5.3 Information – reliability and integrity of financial and operational information

5.3.1 Promotional events can be booked for the city centre, it was noted there are no documented officer procedures for this and that documentation including application forms are currently retained in an officer's calendar on the date of the promotion. **See Recommendations 1 and 6.**

5.3.2 A sample of city centre promotions were chosen for audit testing and the following was noted:

- the fees charged agreed to the fees and charges report;
- the relevant documentation has been completed and retained which includes application forms, risk assessments and insurance details;
- all the promotions tested were recorded on the Events Weekly List spreadsheet;
- the Events Weekly Spreadsheets confirmed that all the promotions had been approved by the Health & Wellbeing Project Manager, however these approvals were not recorded in any of the minutes from the Events Risk Management Group;
- written confirmation of the promotion approval to the promoter had only been retained for two out of five of the sample. It should be noted that the application form states that "Only promotions or events that have been given specific written approval by the City Centre Management may take place".

Recommendation 8 – Approvals / rejections for promotion and event applications should be documented within the minutes of the relevant Event Risk Management Group to ensure that there is a clear audit trail of decisions made.

5.3.3 The Event Risk Management Group is responsible for reviewing and approving application forms for events held on Council property or land. Roles, responsibilities and membership of this group has been included in the Events Guidance. Three different versions of this guidance were provided during the audit review. Two different versions of this guidance are available to relevant officers in the private Events Risk Management group on SharePoint.

Recommendation 9 – All officers should be working from the most up to date version of the Events Guidance. Older versions should be removed from the Events Risk Management Group on SharePoint.

5.3.4 A sample of city centre events was chosen for testing and the following weaknesses were noted:

- internally run city centre event documentation is electronically retained on the intranet events team site and externally run event documentation is stored in an Officer's outlook calendar on the date of the event (**See Recommendation 5)**;
- the fees for the farmers' market in December 2019 was marginally lower than the standard rates used by the Council due to an historic arrangement. It was recently agreed that stalls from the market will pay the same fees as other users from April 2021.
- The pitch fees for the Christmas Light Switch On 2019 did not agree to the fees detailed in the fees and charges report, audit was advised that the fees were worked out specifically for this event and the formulas used are not detailed within the fees and charges report **(See recommendation 2)**;
- All seven of the events tested appeared on the Events Weekly List Spreadsheet and this stated that all seven had been approved, however the Event Risk Management Group minutes do not formally record when an event had been approved. (**See Recommendation 8).**

5.3.5 The City Centre Officer confirmed that he receives a monthly FIS report and a quarterly budget monitoring report. The two Finance Officers who support the city centre team confirmed that they had no major concerns with the budgets. Income budgets are not expected to be met due the cancellation of events as a result of the COVID-19 pandemic.

5.3.6 Budgets are set for special events held in the city centre, such as the Christmas Light switch on, based on the previous year's actual spend. A spreadsheet was set up to monitor income and expenditure for both the City of Lights and the Christmas Market. At the time of the audit the Destination Manager confirmed they were discussing the budget (income & expenditure) for the City of Lights event with the Finance Officer as there is a difference between figures on the budget monitoring spreadsheet and those provided by Finance.

5.3.7 Audit testing confirmed that realistic budgets had been set for the sample of events reviewed and they are regularly monitored.

5.4 Value – effectiveness and efficiency of operations and programmes

5.4.1 The Community Events Support Panel manages the Community Events Support Fund budget, which is used to encourage local people to come together, enhance community spirit and celebrate the city and its heritage.

5.4.2 The panel's aim is to add value to the local economy by supporting local businesses and partners and encourage visitors to come to Carlisle.

5.4.3 At the time of the audit the panel were reviewing the funding criteria and assessing the application form and guidance notes. It was noted that there are no terms of reference including roles and responsibilities for this panel, nor are there documented step by step guidance for officer tasks or tasks that are undertaken by this panel, for example: process for reviewing and approving / rejecting funding applications.

Recommendation 10 – A terms of reference including roles and responsibilities should be documented for the Community Events Support Panel along with documented procedures relating to individual officer and the panel's tasks.

5.4.4 Audit tested a sample of grant applications which confirmed that all grants had been approved by the Community Events Support Panel and documented within the minutes and application forms had been completed.

5.4.5 Events are advertised on the Discover Carlisle website, social media, the digital banner on the side of the Civic Centre and on the screens in the Tourist Information Centre.

5.4.6 The Council actively seeks involvement with third parties in the provision of events, for example the City of Lights held earlier this year where the Council worked with Cumbria County Council and the Cathedral.

5.4.7 No external funding or sponsorships have been received towards any city centre events in either 2019/20 or so far this year. The Destination Manager confirmed they are pursuing options going forward.

5.4.8 Economic impact assessments are now being completed for key events, the first one was completed for the City of Lights event held in Carlisle Cathedral earlier this year. An external research company was commissioned to carry out independent research during the event, which identified both successes and highlighted potential improvements to marketing, publicity and promotion to help improve awareness of and participation in any future events.

5.4.9 Feedback received for events is used as part of the planning to improve future events, such as considering use of external companies to run events where considered necessary.

5.4.10 Audit testing confirmed that debriefing meetings were held and minuted for two of the sample tested, no debrief was held for the other events tested as they were all external run events.

Recommendation 11 - Debrief sessions should be held for all city centre events (internal and external) so that feedback and ideas can be discussed to help improve future events.

Appendix A – Management Action Plan

Summary of Recommendations and agreed actions					
Recommendations	**Priority**	**Risk Exposure**	**Agreed Action**	**Responsible Manager**	**Implementation Date**
Recommendation 1: Procedures / guidance for tasks should be documented, including pavement café licenses, events (external & internal), promotions and commissioning maintenance work in the city centre.	M	If procedures are not clearly documented, officers may be unsure of their roles and responsibilities and incorrect practices may occur.	City Centre Officer to review procedures and document procedure notes for pavement café licenses, events (external & internal), promotions and commissioning maintenance work in the city centre.	Destination Manager	29 January 2021
Recommendation 2: The fees and charges report should include all fees in relation to the city centre.	M	Failure to obtain value for money for services provided.	City Centre Officer to identify any fees and charges not currently contained in the fees and charges report for inclusion in financial cycle 2021/22.	Destination Manager	31 October 2021

Summary of Recommendations and agreed actions					
Recommendations	**Priority**	**Risk Exposure**	**Agreed Action**	**Responsible Manager**	**Implementation Date**
Recommendation 3: Risks including the control strategy / mitigating actions should be reviewed and updated on a quarterly basis in line with the Corporate Risk Management Policy.	M	Risk management activity is not completed or recorded consistently which may result in potential exposure to unidentified and / or uncontrolled risk.	Destination Manager will monitor the risks on a quarterly basis in line with the Corporate Risk Management Policy and identify and include any new risks.	Destination Manager	29 January 2021
Recommendation 4: A privacy notice should be completed to cover the city centre management, including pavement café licenses, promotions and events. Application forms should also be updated to include the relevant privacy information.	M	Non-compliance with GDPR legislation. Failure to control records management.	Destination Manager to prepare a privacy notice for the service.	Destination Manager	29 January 2021

Summary of Recommendations and agreed actions					
Recommendations	**Priority**	**Risk Exposure**	**Agreed Action**	**Responsible Manager**	**Implementation Date**
Recommendation 5: Documentation retained should be streamlined to minimise records retained and should be easily accessible for all relevant officers.	M	Failure to effectively control records management.	Team and Events Coordinator to structure shared documents and ensure all relevant officers have access.	Destination Manager	29 January 2021

Summary of Recommendations and agreed actions					
Recommendations	**Priority**	**Risk Exposure**	**Agreed Action**	**Responsible Manager**	**Implementation Date**
Recommendation 6: Documentation retention relating to Pavement Café Licences should be reviewed and added to the Council's Document Retention Schedule and a disposal log / process implemented to dispose of documentation once the appropriate time has lapsed.	M	Non-compliance with GDPR legislation. Failure to control records management.	City Centre Officer to liaise with Licensing Manager and Trainee Legal Executive and add documents to Council Retention Schedule.	Destination Manager	29 January 2021
Recommendation 7: Delegated authority / responsibility for issuing pavement café licences should be included in the relevant Scheme of Delegation.	M	Pavement café licences may be granted / rejected without proper authorisation which may lead to reputational damage to the Council.	Health and Wellbeing Services Manager to include pavement café licences in the relevant Scheme of Delegation.	Health and Wellbeing Services Manager	29 January 2021

Summary of Recommendations and agreed actions					
Recommendations	**Priority**	**Risk Exposure**	**Agreed Action**	**Responsible Manager**	**Implementation Date**
Recommendation 8: Approvals / rejections for promotion and event applications should be documented within the minutes of the relevant Event Risk Management Group to ensure that there is a clear audit trail of decisions made.	M	Promotions and events may be approved / rejected without proper authorisation which may lead to reputational damage to the Council.	Approvals / rejections for promotion and event applications will be documented within the minutes of the relevant Event Risk Management Group.	Health and Wellbeing Project Manager	12 January 2021
Recommendation 9: All officers should be working from the most up to date version of the Events Guidance. Older versions should be removed from the Events Risk Management Group on SharePoint.	M	Incorrect practices may occur which may lead to reputational damage to the Council.	The older version of the events guidance will be removed from SharePoint and in future when a new version is uploaded the previous version will be removed.	Health and Wellbeing Project Manager	30 November 2020

Summary of Recommendations and agreed actions					
Recommendations	**Priority**	**Risk Exposure**	**Agreed Action**	**Responsible Manager**	**Implementation Date**
Recommendation 10: A terms of reference including roles and responsibilities should be documented for the Community Events Support Panel along with documented procedures relating to individual officer and the panel's tasks.	M	If procedures are not clearly documented, officers may be unsure of their roles and responsibilities and incorrect practices may occur this may lead to reputational damage to the Council.	Destination Manager and City Centre Officer to write terms of reference and procedures for Community Events Support Panel.	Destination Manager	29 January 2021
Recommendation 11: Debrief sessions should be held for all city centre events (internal and external) so that feedback and ideas can be discussed to help improve future events.	M	Missed opportunities to further improve future events.	Team and Events Coordinator to identify all events and convene meetings with relevant parties once events have taken place.	Destination Manager	31 December 2021

Appendix B - Audit Assurance Opinions

There are four levels of assurance used; these are defined as follows:

	Definition:	Rating Reason
Substantial	There is a sound system of internal control designed to achieve the system objectives and this minimises risk.	The control framework tested are suitable and complete are being consistently applied. Recommendations made relate to minor improvements or tightening of embedded control frameworks.
Reasonable	There is a reasonable system of internal control in place which should ensure system objectives are generally achieved. Some issues have been raised that may result in a degree of unacceptable risk exposure.	Generally good systems of internal control are found to be in place but there are some areas where controls are not effectively applied and/or not sufficiently embedded. Any high graded recommendations would only relate to a limited aspect of the control framework.
Partial	The system of internal control designed to achieve the system objectives is not sufficient. Some areas are satisfactory but there are an unacceptable number of weaknesses that have been identified. The level of non-compliance and / or weaknesses in the system of internal control puts achievement of system objectives at risk.	There is an unsatisfactory level of internal control in place. Controls are not being operated effectively and consistently; this is likely to be evidenced by a significant level of error being identified. High graded recommendations have been made that cover wide ranging aspects of the control environment.
Limited/None	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and this exposes the system objectives to an unacceptable level of risk.	Significant non-existence or non-compliance with basic controls which leaves the system open to error and/or abuse. Control is generally weak/does not exist.

Appendix C

Grading of Audit Recommendations

Audit recommendations are graded in terms of their priority and risk exposure if the issue identified was to remain unaddressed. There are two levels of audit recommendations; high and medium, the definitions of which are explained below.

	Definition:
High	Significant risk exposure identified arising from a fundamental weakness in the system of internal control
Medium	Some risk exposure identified from a weakness in the system of internal control

The implementation of agreed actions to Audit recommendations will be followed up at a later date (usually 6 months after the issue of the report).