

# Hinckley and Bosworth Borough Council

**Key Financial Systems 2020/21**

March 2021

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## Report distribution:

### For action:

- Ashley Wilson – Director of Finance (Section 151 Officer)
- Ilyas Bham (Accountancy Manager)
- Finance Staff

### Responsible Executives:

- Julie Kenny – Director (Corporate Services)

### For information:

- Audit committee

This report is confidential and is intended for use by the management and directors of Hinckley and Bosworth Borough Council. It forms part of our continuing dialogue with you. It should not be made available, in whole or in part, to any third party without our prior written consent. We do not accept responsibility for any reliance that third parties may place upon this report. Any third party relying on this report does so entirely at its own risk. We accept no liability to any third party for any loss or damage suffered or costs incurred, arising out of or in connection with the use of this report, however such loss or damage is caused.

It is the responsibility solely of the entities management and directors to ensure there are adequate arrangements in place in relation to risk management, governance, control and value for money.

# Executive Summary

## Background

Ensuring that appropriate internal financial procedures for the recording and reporting of a complete and accurate set of financial data is fundamental to the effective operation of the Council. Management and the Audit Committee require assurance that effective financial controls are in place and are operating as expected.

On an annual basis we consider specific aspects of the Council's financial controls. During 2020/21 the Council has had to adapt to different ways of working due to the Covid-19 pandemic. We have therefore included a focus on areas we have judged to be challenged by these new arrangements, as well as considering the more routine financial controls.

The report covers:

- General Ledger – journal authorisation and management of suspense accounts.
- Accounts Receivable – management of debt.
- Management Reporting – reporting to members.
- Accounts Payable - payment of grants.

We have taken into consideration the impact of different ways of working, and of staff sickness or needing to self-isolate where applicable.

## Objectives

The review provides independent assurance of the Council's controls over the following objectives:

### General Ledger

- Journals are not authorised in line with the Council's policy, management checks are not effective & there is evidence of poor segregation of duties.
- Suspense accounts are not cleared and control account reconciliations are not carried out on a timely basis.

### Accounts receivable

- Debt recovery and write-off actions are not in line with policy and procedures.
- Information reported to management regarding debt arrears and recovery is not appropriate or timely.

### Management reporting

- Financial reporting information provided to members is not being produced in a timely manner, based on adequate data or making reasonable assumptions.

### Accounts payable

- Appropriate controls are not in place around grant payments.

## Limitations in scope

Please note that our conclusion is limited by scope. It is limited to the risks outlined above. Other risks exist in this process which our review and therefore our conclusion has not considered. Where sample testing has been undertaken, our findings and conclusions are limited to the items selected for testing. In addition, our assurance on the completeness of the declarations recorded in the register of interest is limited to the findings from our sample testing.

This report does not constitute an assurance engagement as set out under ISAE 3000.

# Executive Summary (continued)

## Conclusion

### PARTIAL ASSURANCE WITH IMPROVEMENT REQUIRED

We have reviewed the design and operation of controls in place for the Council's key financial systems and have concluded that the processes provide **PARTIAL ASSURANCE WITH IMPROVEMENT REQUIRED** to the Committee.

The scope of the audit is set out in our Audit Planning Brief

The objectives reviewed are set out below with the assurance rating we have assessed for each one and the number of recommendations raised. We have reported by exception against the areas where we consider that Management and the Audit Committee should focus their attention.

Our work has focused on the areas identified as presenting the greatest risk to the overall key financial systems controls.

Objectives	Assurance rating and number of recommendations
General Ledger - Journals are not authorised in line with the Council's policy, management checks are not effective & there is evidence of poor segregation of duties.	Significant Assurance (no recommendations)
General Ledger - Suspense accounts are not cleared and control account reconciliations are not carried out on a timely basis.	Significant Assurance (no recommendations)
Accounts Receivable - Debt recovery and write-off actions are not in line with policy and procedures.	Partial Assurance (1 x M, 3 x L)
Accounts Receivable - Information reported to management regarding debt arrears and recovery is not appropriate or timely.	Partial Assurance (1 x M, 1 x L, 3 x Imp)

Objectives	Assurance rating and number of recommendations
Management Reporting - Financial reporting information provided to members is not being produced in a timely manner, based on adequate data or making reasonable assumptions.	Significant Assurance (1 x Imp)
Accounts Payable - Appropriate controls are not in place around grant payments (finance team only)	Significant Assurance (1 x Imp)

## Good practice

We have identified the following areas of good practice:

- A clear timetable is in place for the completion and review of key reconciliations and any missed deadlines are fully explained.
- The journals control environment is operating effectively, with segregation of duties in place and a clear audit trail available readily available for all transactions tested.
- Suspense accounts are monitored and cleared regularly.
- The policy for rental arrears recovery has been recently updated to reflect changes due to Covid-19 and a biannual review cycle has been put in place to ensure it is kept up-to-date.
- Financial Outturn reports are presented to SLT and the Finance and Performance Scrutiny Committee in a standardised and timely manner.

# Executive Summary (continued)

## Areas for development

We have identified several areas which require improvement including:

- Enhanced reporting to budget holders on unrecovered debt should include detailed responses including action being taken or proposed, with deadlines for accountability is not provided.
- There are inconsistencies in the reporting of key performance indicators relating to sundry debt to the finance and performance scrutiny committee.
- The Council's Sundry Debt and Recovery and Revenue & Benefits Recovery policies do not completely and accurately reflect current standard practice. They have also not been updated to reflect the implications of Covid-19. A formal timetable should be put in place for more regular review and any actions taken recorded.
- Reporting of outstanding sundry debt to budget holders does not provide sufficient narrative or accountability to ensure prompt resolutions.

## Recommendations

Based on our findings, we have raised 6 recommendations to address the weaknesses identified and 5 improvement recommendations based on our view of best practice in each area. The distribution of these recommendations by risk level is as follows:

	High	Med	Low	Imp
Detailed findings	-	2	4	5

## Acknowledgement

We would like to take this opportunity to thank your staff for their co-operation during this internal audit.

## 2. Detailed Findings & Action Plans

Medium

Debt write-off actions are not appropriate or in line with policy and procedures.

Finding and implication	Audit recommendation	Management response, including actions
<p>The Council's Corporate Sundry Debt Recovery Policy dated July 2015 outlines the actions to be taken during debt write-off. We selected 10 debtors which fell due prior to 2019. Samples were tested to identify whether it was reasonable that aged debt had not been written-off and whether appropriate consideration had been documented for the decision not to write-off. We made the following findings:</p> <ul style="list-style-type: none"> <li>In 40% (4/10) cases, aged debt relating to homeless bonds had not been written-off. It is our understanding that due to the nature of these debtors, they are not escalated via court system and are not generally written-off even when payment is considered unlikely. Rather than being written-off, they are held as aged debtors because in order for the debtor to successfully apply for council property tenancy, this debt will be required to be cleared first. An internal transfer is completed at year end, meaning the bonds are recorded on a cash basis within the Income and expenditure account. Hence, no debt allowances are required for them.</li> <li>In 30% (3/10) cases, write-off was pending budget holder approval. Weekly reports are sent to the budget holders, and they are supposed to review, and update Finance with any changes, write-offs, credits required and/or payment plans put in place. It is our understanding that often, no response is received and there are currently no mechanisms in place for time-bound actions to be agreed which could provide accountability for clearing debtors promptly. More recently, in-depth requests have been sent to some budget holders for review, however this is not yet standard practice.</li> <li>In 30% (3/10) cases, collection actions had been ongoing but were halted due to Covid-19 or the debtor being in prison.</li> </ul>	<p>R1: Budget holders and Finance staff should be more proactive in seeking resolution of debt issues. We suggest that it should be standard practice to provide enhanced reporting to budget holders on unrecovered debt, requiring a detailed response including action being taken or proposed, with deadlines for accountability.</p> <p>This medium level recommendation was raised previously as part of our 2018/19 internal audit review of sundry debt recovery.</p>	<p><b>Management Response:</b></p> <p><b>Agreed Actions:</b> Reports sent to budget holders to be reviewed, which will require budget holders to return a response including action taken</p> <p><b>Responsible Officer:</b> Ilyas Bham (Accountancy Manager)</p> <p><b>Executive Lead:</b> Julie Kenny – Director (Corporate Services)</p> <p><b>Due date:</b> October 2021</p>

## 2. Detailed Findings & Action Plans

Low

Debt recovery actions are not in line with policy and procedures.

Finding and implication	Audit recommendation	Management response, including actions
<p>The Council's Corporate Sundry Debt Recovery Policy dated July 2015 outlines the actions to be taken during debt recovery. We selected 25 debtors which fell due in 2020. Samples were tested to identify whether the recovery actions reflected the policy. We found the following issues:</p> <ul style="list-style-type: none"> <li>In 8% of cases (2/25) no invoice had been sent to the debtor.</li> <li>Despite second reminder letters being sent in all applicable cases (16/16), these were sent after 14 days following the first reminder rather than 7 days as stated in the policy. We understand that 14 days is standard practice, with the letters being auto-generated after this time period.</li> <li>No final written letters were issued and no cases had been passed to legal services (0/16). We understand that the finance department decided to reduce recovery action during 2020/21 due to the impact of COVID-19 on debtors. This was communicated to relevant staff via an email from the Section 151 Officer on 20/3/20. However, the policy was not updated to reflect this change in procedures and it was not made clear in sundry debtor reports presented to the finance and performance scrutiny committee. It is our understanding that no clear review date was set for this change to procedures.</li> <li>Of the cases which remained outstanding as at 31/12/20, 64% (9/14) were awaiting advice from the relevant budget holder (i.e. it was unclear what action was being taken), 29% (4/14) it is our understanding that actions were being taken in an attempt to recover although this was not explicitly documented on the system, 7% (1/14) relating to homelessness bond, for which actions were not being taken to collect.</li> </ul>	<p>R2. The Sundry Debt Recovery Policy should be reviewed to ensure there is consistency between policy and practice. There should be clear review dates for the Sundry Debt Recovery Policy to ensure it remains current.</p> <p>R3. There should be transparency around emergency measures to support the pandemic and dates set for formal review. A formal plan should be developed for the phased reinstatement of full debt recovery action. Finance should liaise with Legal Services to ensure any backlog of cases can be dealt with in a timely yet manageable way.</p> <p>R4. Debt recovery actions taken which fall outside the standard correspondence detailed by policy should be documented within the debtor's system notes.</p>	<p><b>Management Response:</b> Will be reviewed</p> <p><b>Agreed Actions:</b> per recommendation</p> <p><b>Responsible Officer:</b> Ilyas Bham (Accountancy Manager)</p> <p><b>Executive Lead:</b> Julie Kenny – Director (Corporate Services)</p> <p><b>Due date:</b> October 2021</p> <p><b>Management Response:</b> Agreed</p> <p><b>Agreed Actions:</b> per recommendation</p> <p><b>Responsible Officer:</b> Ilyas Bham (Accountancy Manager)</p> <p><b>Executive Lead:</b> Julie Kenny – Director (Corporate Services)</p> <p><b>Due date:</b> September 2021</p> <p><b>Management Response:</b> Agreed</p> <p><b>Agreed Actions:</b> per recommendation</p> <p><b>Responsible Officer:</b> Ilyas Bham (Accountancy Manager)</p> <p><b>Executive Lead:</b> Julie Kenny – Director (Corporate Services)</p> <p><b>Due date:</b> July 2021</p>

## 2. Detailed Findings & Action Plans

Medium

Information reported to management regarding debt arrears and recovery is not appropriate or timely.

Finding and implication	Audit recommendation	Management response, including actions
<p>The Council's Corporate Sundry Debt Recovery Policy dated July 2015 outlines the monitoring and reporting of sundry debt to both management and members. We obtained the 2019/20 and 2020/21 quarterly reports presented to the Finance and Performance Scrutiny (FPS) Committee. We found the following issues:</p> <ul style="list-style-type: none"> <li>No reports were prepared for Q4 2019/20 and Q1 20/21, this was because the respective committee meetings did not take place due to Covid-19. Meetings were reinstated for Q2 and Q3 2020/21. We have however confirmed that performance indicators were made available to management via the TENS system in the intervening period.</li> <li>As noted in previous slides, the decision was made to reduce debt collection action due to Covid-19, however this was not made clear in the reporting to FPS committee during 2020/21.</li> <li>The narrative within the report has remained largely unchanged for over 2 years, with values updated each quarter. We would expect that reporting would provide some commentary on the impact of Covid-19 and how the council is managing arrears in this context.</li> </ul>	<p>R5: There should be consistency in how KPIs relating to sundry aged debt are calculated and any changes should be explained.</p>	<p><b>Management Response:</b> This is already done. Any changes will be made clearer in future reports</p> <p><b>Agreed Actions:</b> Per recommendation</p> <p><b>Responsible Officer:</b> Ilyas Bham (Accountancy Manager)</p> <p><b>Executive Lead:</b> Julie Kenny – Director (Corporate Services)</p> <p><b>Due date:</b> N/A</p>
	<p>R6: Narrative relating to the overall level and movement of sundry debt should be updated regularly to reflect the impact of actions taken to reduce it.</p>	<p><b>Management Response:</b> This will be reviewed</p> <p><b>Agreed Actions:</b> per recommendation</p> <p><b>Responsible Officer:</b> Ilyas Bham (Accountancy Manager)</p> <p><b>Executive Lead:</b> Julie Kenny – Director (Corporate Services)</p> <p><b>Due date:</b> October 2021</p>



## 2. Detailed Findings & Action Plans

Medium

Information reported to management regarding debt arrears and recovery is not appropriate or timely.

Finding and implication	Audit recommendation	Management response, including actions																				
<p>The Council has a KPI for debt over 90 days old as a percentage of aged debt, with a target of not exceeding 25%. This % is after adjusting for items that are known to be covered by agreement and council policy.</p> <ul style="list-style-type: none"> <li>The adjustments made were changed from Q3 2019/20 onwards to exclude items which are in dispute, however there was no justification provided in the reports for doing this. The <b>new</b> method presented performance to FPS committee which was ahead of target, whereas the <b>prior</b> method would not have done.</li> </ul> <table border="1" data-bbox="136 778 965 1046"> <thead> <tr> <th colspan="4">Debt over 90 days old as a percentage of aged debt (adjusted)</th> </tr> <tr> <th>Quarter</th> <th>Including disputes (prior)</th> <th>Excluding disputes (new)</th> <th>Target</th> </tr> </thead> <tbody> <tr> <td>Q3 19/20</td> <td>24.69%</td> <td>15.48%</td> <td>25.00%</td> </tr> <tr> <td>Q2 20/21</td> <td>36.70%</td> <td>15.30%</td> <td>25.00%</td> </tr> <tr> <td>Q3 20/21</td> <td>43.99%</td> <td>28.28%</td> <td>25.00%</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>Quarterly comparison tables in Q2 and Q3 2020/21 reports contained Q3/Q4 data from 2018/19 rather than 2019/20. These inaccuracies may have impacted the committee's ability to take an informed view of the arrears position at that time.</li> </ul>	Debt over 90 days old as a percentage of aged debt (adjusted)				Quarter	Including disputes (prior)	Excluding disputes (new)	Target	Q3 19/20	24.69%	15.48%	25.00%	Q2 20/21	36.70%	15.30%	25.00%	Q3 20/21	43.99%	28.28%	25.00%	<p>Improvement point: All reports to committee should be reviewed and checked for accuracy before submission</p>	<p><b>Management Response:</b> Agreed</p> <p><b>Agreed Actions:</b> Reports are now reviewed</p> <p><b>Responsible Officer:</b> N/A</p> <p><b>Executive Lead:</b> N/A</p> <p><b>Due date:</b> N/A</p>
Debt over 90 days old as a percentage of aged debt (adjusted)																						
Quarter	Including disputes (prior)	Excluding disputes (new)	Target																			
Q3 19/20	24.69%	15.48%	25.00%																			
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Q3 20/21	43.99%	28.28%	25.00%																			

## 2. Detailed Findings & Action Plans

Improvement Information reported to management regarding debt arrears and recovery is not appropriate or timely.		
Finding and implication	Audit recommendation	Management response, including actions
<p>The Council's Rent Arrears and Recovery Policy dated November 2020 outlines the monitoring and reporting of rental arrears to members. It has been updated to reflect changes in process due to Covid-19 which is good practice.</p> <p>We obtained the quarterly reports presented to the Finance and Performance Scrutiny Committee during 2020/21, weekly monitoring reports of rent arrears which are reported to rent officers and Head of Housing as well as screen prints from the TENS management system showing the quarterly reporting of performance indicators.</p> <p>The overall level of rent arrears by area, across the borough is reported to management weekly, however the age profile of arrears is not included.</p> <p>The Council's Revenue &amp; Benefits Recovery Policy (January 2014) covers the principles and processes for the recovery and write-off of council tax, business rates and housing benefit overpayment debt. No reference is made to the monitoring or reporting procedures in place and it has not been updated to reflect any changes in policy due to Covid-19.</p> <ul style="list-style-type: none"> <li>Per discussions with the Partnership Manager, Reporting of Council Tax, NDR and Housing benefit overpayments is presented to management on a monthly basis via the Revenue and Benefit Service, Performance Summary Report.</li> <li>We have obtained the December 2020 report which contains monthly and yearly comparative monitoring of key indicators relating to collection of each type of debt for each Council within the Revenue and Benefits partnership.</li> <li>No analysis of the age profile of debt is included and there are no details on the actual level of arrears for CT and NDR.</li> </ul>	<p>Improvement point: The Revenue &amp; Benefits recovery policy should be updated to outline monitoring and reporting processes. Formal timelines should be set for review of all recovery related policy documents (as noted to be the case for Rent Arrears) to ensure they are sufficiently up-to-date.</p>	<p><b>Management Response:</b> No response provided  <b>Agreed Actions:</b> N/A  <b>Responsible Officer:</b> N/A  <b>Executive Lead:</b> N/A  <b>Due date:</b> N/A</p>
	<p>Improvement point: Reporting to management for all types of debt should include both the age profile and overall level of arrears to further promote consideration of the write-off of unrecoverable debts and add context to the monitoring of in-year arrears reduction.</p>	<p><b>Management Response:</b> No response provided  <b>Agreed Actions:</b> N/A  <b>Responsible Officer:</b> N/A  <b>Executive Lead:</b> N/A  <b>Due date:</b> N/A</p>

## 2. Detailed Findings & Action Plans

### Improvement

Financial reporting information provided to members is not being produced in a timely manner, based on adequate data or making reasonable assumptions.

Finding and implication	Audit recommendation	Management response, including actions
<p>Financial Outturn reports are presented to SLT on a monthly basis and to the Finance and Performance Scrutiny Committee on a quarterly basis. Both reports follow the same standard format. This represents good practice and we are satisfied reporting of this information is timely in nature. We concluded that:</p> <ul style="list-style-type: none"> <li>The reports are populated using various ledger reports as well as the approved budget for the year. Reconciliations are completed by the responsible accountants to ensure that the report matches underlying source data.</li> <li>Accountants meet with budget holders to establish the forecast outturn with explanations provided for all variances to budget.</li> <li>The accountancy manager reviews the report and ensures any significant variances &gt;£5k have been sufficiently explained with appropriate assumptions made, it is our understanding that this process raises any queries with the responsible accountants who may be required to liaise further with the relevant budget holder.</li> </ul> <p>We have obtained the outturn reports for September and October 2020 and agreed to underlying data. We noted differences between the housing repairs section of the report and underlying data. It is our understanding that the differences were due to the reconciling data report being run before the underlying data which was used to populate the outturn report. A subsequent ledger report was provided which was agreed to the outturn report.</p> <p>All variances shown within the report were correctly cross-referenced and clearly explained.</p>	<p>Improvement point: Reconciliations of outturn reports to underlying data should be clearly signed and dated by both preparer and reviewer to further evidence that controls are operating effectively and to give assurance over the timeliness of data reported to members.</p>	<p><b>Management Response:</b> No response provided  <b>Agreed Actions:</b> N/A  <b>Responsible Officer:</b> N/A  <b>Executive Lead:</b> N/A  <b>Due date:</b> N/A</p>

## 2. Detailed Findings & Action Plans

Improvement		
Appropriate controls are not in place around grant payments.		
Finding and implication	Audit recommendation	Management response, including actions
<p>During 2020/21 the finance team were responsible for processing both applications and payments relating to two Covid-19 discretionary grants. All other Covid-19 related grant applications were processed by the Revenue and Benefits department before being passed to Finance for payment.</p> <p>A number of Local Authority Discretionary Grant Fund (LADGF) applications processed between June and September 2020 were authorised by Section 151 Officer, who also authorised some of the payments for this grant.</p> <p>Applications for the Local Restrictions Grants between December 2020 and February 2021 were approved using the Council's Ascendant system which was in place from November 2020. In this instance the Finance Officer had the role of processing some applications as well as some payments.</p> <p>We obtained a listing of discretionary grants approved for payment in the PL system as at 03/02/2021 and selected a sample of 5 grants approved by the Section 151 Officer and Finance Officer respectively.</p> <p>For the Local Restrictions Grants authorised in the PL system by the Section 151 Officer it was not immediately clear who had been responsible for processing the grant applications as these were processed using a spreadsheet. No details of authorisation were shown within the spreadsheet. Per client discussions, segregation of duties were maintained due to final approval being made by Director, Corporate Services. We obtained an example of email correspondence sent to Accountancy Manager and Head of Finance showing final approval of a number of grant applications for payment by the Director.</p> <p>Screen prints from the Ascendant system showed that appropriate segregation of duties were in place for all Local Restriction Grants sampled which had been approved for payment in the PL system by the Finance Officer.</p>	<p>Improvement point: In future, any grant applications processed using internally maintained spreadsheets rather than the Ascendant system should clearly document who has authorised each application in order to evidence appropriate segregation of duties.</p>	<p><b>Management Response:</b> All new grants are assessed via Ascendant therefore this provides a complete audit trail.</p> <p><b>Agreed Actions:</b> N/A</p> <p><b>Responsible Officer:</b> N/A</p> <p><b>Executive Lead:</b> N/A</p> <p><b>Due date:</b> N/A</p>

# Appendices

# Appendix 1 – Staff involved and documents reviewed

## Staff involved

- Ashley Wilson – Section 151 officer;
- Ilyas Bham – Deputy Section 151 officer;
- Michelle Lockett – Controls Accountant, Exchequer Team Leader;
- Fiona McArthur – Systems Accountant;
- Patricia Lavender – Senior Tenancy Management (Rents) Officer
- David Wallbanks, Accountant

## Documents reviewed

- General ledger transaction listing M1-9
- System access user list as at 2/2/21
- Supporting documentation for a sample of journal transactions
- Reconciliation timetables M1-9 and key control account reconciliations M2, 5 and 8
- List of suspense accounts M1-9 and a sample of suspense account reconciliations
- Sundry Debt Recovery Policy
- Screenprints showing risk management performance indicator updates from TENS relating to aged debt
- Aged sundry debt scrutiny report Q3 20/21
- Example weekly debt reports sent to budget holders
- Sundry debtors report as at 31/12/20
- Rent arrears weekly Orchard report 3/1/21
- List of discretionary grants paid 20/21
- Screenprints from Ascendant system for a sample of grant payments
- Rent Arrears and Recovery Policy (November 2020)
- Sundry debt recovery policy (July 2015)
- Revenue & Benefits Recovery Policy (January 2014)
- SLT and FAP Outturn reports September and October 2020
- Underlying data reconciliations for outturn reports

# Appendix 2 - Our 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	Description
<b>Significant assurance</b>	<p>Overall, we have concluded that, in the areas examined, the risk management activities and controls are suitably designed to achieve the risk management objectives required by management.</p> <p>These activities and controls were operating with sufficient effectiveness to provide significant assurance that the related risk management objectives were achieved during the period under review.</p> <p>Might be indicated by no weaknesses in design or operation of controls and only IMPROVEMENT recommendations.</p>
<b>Significant assurance with some improvement required</b>	<p>Overall, we have concluded that in the areas examined, there are only minor weaknesses in the risk management activities and controls designed to achieve the risk management objectives required by management.</p> <p>Those activities and controls that we examined were operating with sufficient effectiveness to provide reasonable assurance that the related risk management objectives were achieved during the period under review.</p> <p>Might be indicated by minor weaknesses in design or operation of controls and only LOW rated recommendations.</p>
<b>Partial assurance with improvement required</b>	<p>Overall, we have concluded that, in the areas examined, there are some moderate weaknesses in the risk management activities and controls designed to achieve the risk management objectives required by management.</p> <p>Those activities and controls that we examined were operating with sufficient effectiveness to provide partial assurance that the related risk management objectives were achieved during the period under review.</p> <p>Might be indicated by moderate weaknesses in design or operation of controls and one or more MEDIUM or HIGH rated recommendations.</p>
<b>No assurance</b>	<p>Overall, we have concluded that, in the areas examined, the risk management activities and controls are not suitably designed to achieve the risk management objectives required by management.</p> <p>Those activities and controls that we examined were not operating with sufficient effectiveness to provide reasonable assurance that the related risk management objectives were achieved during the period under review</p> <p>Might be indicated by significant weaknesses in design or operation of controls and several HIGH rated recommendations.</p>

# Appendix 2 - Our assurance levels (cont'd)

The table below describes how we grade our audit recommendations.

Rating	Description	Possible features
<b>High</b>	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	<ul style="list-style-type: none"> <li>▪ Key activity or control not designed or operating effectively</li> <li>▪ Potential for fraud identified</li> <li>▪ Non-compliance with key procedures / standards</li> <li>▪ Non-compliance with regulation</li> </ul>
<b>Medium</b>	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	<ul style="list-style-type: none"> <li>▪ Important activity or control not designed or operating effectively</li> <li>▪ Impact is contained within the department and compensating controls would detect errors</li> <li>▪ Possibility for fraud exists</li> <li>▪ Control failures identified but not in key controls</li> <li>▪ Non-compliance with procedures / standards (but not resulting in key control failure)</li> </ul>
<b>Low</b>	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.	<ul style="list-style-type: none"> <li>▪ Minor control design or operational weakness</li> <li>▪ Minor non-compliance with procedures / standards</li> </ul>
<b>Improvement</b>	Items requiring no action but which may be of interest to management or which represent best practice advice	<ul style="list-style-type: none"> <li>▪ Information for management</li> <li>▪ Control operating but not necessarily in accordance with best practice</li> </ul>



