

**FINAL INTERNAL AUDIT REPORT**  
**EDUCATION, CARE AND HEALTH SERVICES DEPARTMENT**

**REVIEW OF YOUTH OFFENDING SERVICE AUDIT FOR 2015-6**

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**Prepared by:** Principal Auditor

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## REVIEW OF YOUTH OFFENDING SERVICE AUDIT FOR 2015-6

### INTRODUCTION

1. This report sets out the results of our systems based audit of Youth Offending Service (YOS) Audit for 2015-16. The audit was carried out in quarter 3 as part of the programmed work specified in the 2015-16 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee.
2. The controls we expect to see in place are designed to minimise the department's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.
3. The original scope of the audit was outlined in the Terms of Reference issued on 2 November 2015. The period covered by this report is from 1 November 2014 to 31 October 2015. This area was audited previously in October 2010. Two recommendations were made at that time relating to expenditure and the need for an updated Service Level Agreement with organisation 'A'.
4. This audit was also approved by Members of the Audit Sub-Committee to include a value for money assessment (see paragraph 21 below).
5. It should be noted that an HMIP Inspection was carried out in January 2015. This identified that significant improvements to the service were required and changes in key personnel were made including the Head of Service, YOS Manager and Business Development Manager. None of the replacement staff had handover periods.

### AUDIT SCOPE

6. The scope of the audit is detailed in the Terms of Reference.

## REVIEW OF YOUTH OFFENDING SERVICE AUDIT FOR 2015-6

### AUDIT OPINION

7. Overall, the conclusion of this audit was that limited assurance can be placed on the effectiveness of the overall controls. Definitions of the audit opinions can be found in Appendix C.

### MANAGEMENT SUMMARY

8. Controls were in place and working well in the areas of timeliness, accuracy and authority levels of payments made and cash holding.
9. We acknowledge that the HMIP inspection in January 2015 resulted in changes in key personnel without a handover period. However we would like to draw to Management's attention the following issues which should be addressed going forward:
10. Benchmarking on data reporting has been carried out against another London Borough but there is no evidence of financial or other benchmarking against other authorities carried out.
11. For each of the ten Service Level Agreements in place with internal and external providers we were unable to evidence that they had been signed by both parties. Two had been signed by a YOS representative. The dates of the agreements ranged between 2011 and 2015 and it was unclear if they were still current. The service with organisation 'B' has been reviewed and will end on 31 March 2016. For the other SLAs, YOS management told us they were looking at the current position regarding these as part of their improvement work. We were unable to find documented evidence such as minutes confirming that the monitoring meetings and annual reviews specified in the SLAs had taken place or performance indicator information had been analysed.
12. At the time of our audit testing the Finance Budget Monitoring on Oracle for the period April 2015 - November 2015 showed that the budget monitoring had not been signed off/submitted by the budget holder, who was new to the Authority.

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13. There were four transactions in our expenditure sample which related to IT equipment purchased. Whilst a local asset register was held by YOS, none of those items purchased had been recorded on it.
14. The asset register should include details of all the equipment and software held by the Youth Offending Service including make, model, serial number and locations of all items.
15. For the invoice submitted by supplier 'A' for interviews attended, we were unable to verify the amounts claimed for the duration of the interviews in seven instances because supporting information confirming the referral start and finish time was either not available or incomplete. We also found that there were no details on the invoice showing which adult had attended the interview.
16. There is a lack of evidence of supervisory checks carried out on performance data to confirm its accuracy, timeliness and completeness before it is submitted to senior managers and organisation 'C'.
17. We identified one item in our sample of payments where no purchase order had been raised. This was for clinical supervision and appears to be an on-going monthly commitment.
18. Controls over petty cash transactions should be strengthened including the completion and recording of claims and VAT, authorisation and evidence of reimbursement to individual claimants. The £5.80 excess currently shown should be recorded on the next reimbursement claim so that the balance can be reduced to the correct amount.
19. For the employment of the Interim YOS Manager between April and October 2015, whilst documents confirming the procurement process were seen, the signed version of the Contract Authorisation Form could not be found. We understand that the individual responsible for authorising the form has since left the organisation. The date on the purchase order shows that it was raised after the Interim YOS Manager started work.
20. From our examination of available records we identified that the Interim YOS Manager, Interim YOS Deputy Manager, Business Development Manager and one of the Operational Managers and Business Support Officers had not completed on-line Financial Regulations training. None of the team had been set up for on-line Contract Procedure Rules training.

## REVIEW OF YOUTH OFFENDING SERVICE AUDIT FOR 2015-6

### 21. Value For Money

The rating of the value for money assessment is 2.

This equates to VfM arrangements being partially met where there are some aspects of vfm in place but these are not robust enough to reach an informed decision that the service is achieving vfm. (e.g. data submitted for benchmarking is not accurate enough or cannot be substantiated or customer satisfaction surveys have not taken place, although there may be a benchmarking exercise that was completed; or that the service is operating at high unit costs in comparison with other Boroughs' costs although providing a satisfactory service).

- Benchmarking of data reports has been carried out against another London Borough (Section 1d of Youth Offending Service Improvement Plan refers), but there is no evidence of financial or other benchmarking against other authorities carried out. We have discussed this with the Head of Service and he is proposing to consult with the Youth Justice Board and YOS Heads of Service at other similar sized Boroughs in the near future to identify what financial or other benchmarking information can be obtained and analysed.
- HM Inspectorate of Probation undertook an inspection of the service in February 2015 where the service was compared against how other Youth Offending Services perform. Following this the service has implemented the Youth Offending Service Improvement Plan which is being regularly scrutinised by organisation 'C' in readiness for HM Inspectorate of Probation re inspection.
- The service has seconded an employee from organisation 'C' to assist in delivering the YOS Improvement.
- Feedback from service users is collated via the Children's Social Care Service User feedback forms. These are analysed by Strategic and Business Support every quarter. The service has received good feedback so far. In addition to this young people are requested to complete HMIP questionnaires. The service has exceeded the number of questionnaires which HMIP had requested to be completed by LB of Bromley young people by the deadline date of February 2016. Feedback on this should be available later in the year.

## REVIEW OF YOUTH OFFENDING SERVICE AUDIT FOR 2015-6

- The service is aware that there has been an overspend in the last financial year. The service has been given permission to continue with the overspend by the Chief Executive and Councillors whilst improvements are being put into place. The staff structure and budget will be revisited again in 2017/18. Current staff consultation outlines proposals to reduce the budget.

### **SIGNIFICANT FINDINGS (PRIORITY 1)**

22 There were none.

### **DETAILED FINDINGS / MANAGEMENT ACTION PLAN**

23 The findings of this report, together with an assessment of the risk associated with any control weaknesses identified, are detailed in Appendix A. Any recommendations to management are raised and prioritised at Appendix B.

### **ACKNOWLEDGEMENT**

24 Internal Audit would like to thank all staff contacted during this review for their help and co-operation.

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
1	<p>The service currently has a waiver in place with Supplier 'A' for the provision of appropriate adults for young people in police custody. There was one invoice in our sample of payments which had been submitted by Supplier 'A' for thirteen police interviews attended where a parent was not available or did not wish to attend. We were unable to verify the amounts claimed for the duration of the interviews in seven instances because supporting information confirming the referral start and finish time was either not available or incomplete.</p> <p>We also found that there were no details on the invoice showing which adult had attended the interview.</p>	<p>Value for money may not be obtained. Payments may be made for goods and/or services which have not been received or have been charged in excess of those provided by the supplier.</p>	<p><b>Ensure that :-</b>  <b>i) there is adequate supporting information for the duration of interviews and attendees claimed for by Supplier 'A' , and</b>  <b>(ii) that this can be can be verified independently before the invoice is authorised for payment in accordance with paragraph 8.7 of Financial Procedures. [Priority 2]</b></p>

**Priority 1**  
**Required to address major weaknesses and should be implemented as soon as possible**

**Priority 2**  
**Required to address issues which do not represent good practice**

**Priority 3**  
**Identification of suggested areas for improvement**

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
2	<p>We were provided with a folder of ten Service Level Agreements and protocols which are in place with internal and external service providers. For each of the Service Level Agreements in place with providers none were signed by both parties. Two had been signed by a YOS representative. The dates of the agreements ranged between 2011 and 2015 and it was unclear if they were still current. We are aware that the service with organisation 'B' has been reviewed and is ending on 31 March 2016. For the other SLAs, YOS management told us they were looking at the current position regarding these as part of their improvement work. We were unable to find documented evidence such as minutes confirming that the monitoring meetings and annual reviews specified in the SLAs had taken place or performance indicator information had been analysed. We believe that they are still being used.</p>	<p>Risk that agreements are entered into which do not provide value for money. Roles and responsibilities of YOT and the provider may not be clearly set out and agreed. Meaningful key performance indicators may not be in place and the service not monitored, leading to an under-performance of the supplier.</p>	<p><b>Ensure that the existing Service Level Agreements are reviewed and new agreements are drawn up as appropriate. They should include the respective roles and responsibilities, key performance indicators, provision of information and arrangements for monitoring and reviewing the service provided. [Priority 2]</b></p>

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3	<p>The value for money matrix, completed by the interim Head of Service, states that benchmarking on data reporting has been carried out against another London Borough but this is the only area of benchmarking against other comparable local authorities which has been undertaken.</p>	<p>Due to a lack of comparative information the service is unable to demonstrate that it is providing value for money in the use of its resources.</p>	<p><b>Ensure that benchmarking of financial and other areas in addition to data reports is carried out against youth offending services in other similar local authorities.</b> [Priority 2]</p>
4	<p>We obtained a copy of the asset register held and maintained locally.</p> <p>There were four transactions in our expenditure sample which related to IT equipment purchased. None of the items purchased had however been recorded on the team's asset register. They were 42 x 22" computer screens, Dragon pro licence software and headset, read and write Gold software, Apple ipad air and cover. The locations of the computer screens could not be verified at the time of our audit.</p> <p>We were informed that the ipad is currently held by a member of staff who is on secondment until 31 March 2016. This will need to be recovered when her period of secondment ends.</p>	<p>Assets may not be identified in the event of losses through theft or fire.</p>	<p><b>Review the existing local asset register to ensure that it includes details of all the equipment and software held by YOS including make, model, serial number and locations of all items.</b> <b>Ensure that :-</b> <b>(a) the computer screens identified in our sample are verified as YOS purchases and traced,</b> <b>(b) items purchased in</b></p>

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			<p>future are added to the asset register when they are received and before they are put into use, and (c) the ipad currently provided to the seconded member of staff is recovered when her period of secondment ends. [Priority 2]</p>
5	<p>Our examination of the Finance Budget Monitoring information on Oracle for the period April 2015 - November 2015 showed that the budget monitoring had not been signed off/submitted by the budget holder. We are aware however that discussions have recently taken place between the Senior Accountant and the Business Development Manager about the required budget monitoring procedures.</p>	<p>There is a risk that the financial information recorded against the Youth Offending Service is not verified as correct by the budget holder, leading to the possibility of under/overspends not being identified and an inaccurate financial position.</p>	<p><b>Ensure in future that the budget monitoring information recorded on Oracle is signed off/submitted by the budget holder each month. [Priority 2]</b></p>

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6	<p>We selected a sample of categories of information presented to management in the YOS Performance Digest for National and Local Data October 2015. These were :-</p> <p>Local target of 85% for young people who offend in suitable education, training and employment. We examined the process for obtaining this data and confirmed that the total percentages reported were correct.</p> <p>Mental health assessment and engagement to be carried out within 15 working days of referral. We were unable to verify that this target had been met because there were no attachments on the Child View system to confirm the dates of the assessment in each case.</p> <p>To compile the quarterly data required by organisation 'C', a report from the system is run every Monday by the Crime Analyst and sent to staff asking them to update the data on the system for their cases and ensure all gaps in data are completed. Active cases are identified by the 'cases not signed off' tab. At the end of the quarter the Crime Analyst submits the data to organisation 'C'. We were unable to find evidence of any management or quality assurance check carried out on</p>	<p>Data submitted to organisation 'C' and senior management may not be accurate or complete leading to inaccurate reporting of the performance of the service.</p>	<p><b>Ensure that supervisory checks are carried out on performance data to confirm the source of the information and its accuracy and completeness before it is submitted to senior managers and the YJB. [Priority 2]</b></p>

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	this data before it is submitted.		
7	<p>A count of the petty cash was carried out whilst on site and found to be correct. The Business Support Officer operating the petty cash imprest had left the week before the audit visit.</p> <p>We analysed twelve recent petty cash claims and found that :-</p> <p>Three claims - V6425 for £17.50 for keys cut, claim V6428 for £6.00 and claim V6429 for half term reparation lunch for young people for £75.72 did not show who submitted the claims and they were not authorised or dated. Claims V6430 and V6431 were not authorised.</p> <p>The petty cash reimbursement sheet did not show the VAT recorded separately. Where VAT receipts had been obtained for expenditure the amounts had not been recorded for re-claiming eg voucher numbers V6248, V6249 and V6431 totalling £10.72 VAT not claimed The reconciliation form retained locally showed that the petty cash imprest balance was £5.90 in excess. We were informed that the discrepancy had not yet been identified.</p>	<p>There is a risk of inappropriate expenditure, loss of income through not reclaiming VAT and the current financial position not being accurate due to poor record keeping.</p>	<p><b>Ensure that :- (a) all claims are correctly completed and recorded, including authorisation and evidence of reimbursement to individual claimants (b) VAT is included in the relevant column on the reimbursement claim submitted to Finance Directorate (c) The £5.80 excess currently shown is recorded on the next reimbursement claim so that the balance can be reduced to the correct amount. [Priority 2]</b></p>

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8	We selected a sample of 20 payments and checked them to supporting information including orders raised. We also confirmed that they had been paid timely and for the correct amount. We identified that for one item in our sample no purchase order had been raised. It was for clinical supervision and appears to be an on-going monthly commitment.	Poor value for money may arise.	<b>Review the clinical supervision provision and establish if it could be provided more economically via an arrangement with Public Health. If not, ensure that a contract for this service is set up and that purchase orders are raised to commit expenditure. [Priority 2]</b>
9	For the employment of the Interim YOS Manager between April and October 2015, whilst documents confirming the procurement process were seen, the signed version of the Contract Authorisation Form could not be found. We understand that the individual responsible for authorising the form has since left the organisation. The date on the purchase order shows that it was raised after the Interim YOS Manager started work.	Unable to verify that the correct procurement authorisation process was followed. Funds are not committed in advance of authorisation and starting date of employment leading to inaccurate financial position.	<b>Ensure in future that all key documentation such as a signed Contract Authorisation Form is available and retained, in a shared area, to confirm the authorisation process followed. Ensure a purchase order is raised</b>

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			in advance of the start date so that expenditure is committed accurately and timely. [Priority 2]
10	From our examination of available records we identified that the Interim YOS Manager, Interim YOS Deputy Manager, Business Development Manager and one of the Operational Managers and Business Support Officers had not completed on-line Financial Regulations training. None of the team had been set up for on-line Contract Procedure Rules training.	Relevant staff who have responsibility for financial and procurement procedures are not aware of the policies and regulations to adhere to, leading to budgetary, procurement and financial procedures not being carried out correctly.	<b>Ensure that, going forward, those officers with financial and procurement responsibilities are set up and undertake the on-line financial and procurement training available. [Priority 2]</b>

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MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1	Ensure that :- i) there is adequate supporting information for the duration of interviews and attendees claimed for by Supplier 'A', and (ii) this can be can be verified independently before the invoice is authorised for payment in accordance with paragraph 8.7 of Financial Procedures.	2	(i) and (ii) We are now receiving detailed supporting information for all the interviews claimed for on invoices submitted by Supplier 'A'. Processes are also in place to ensure that we are notified by the Appropriate Adults Service whenever an interview is due to take place and when it finishes, so that this information can be checked against the start and finish times subsequently claimed for on the invoice.	Head of Service and Business Development Manager	Implemented

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2	Ensure that the existing Service Level Agreements and protocols are reviewed and new agreements are drawn up as appropriate. They should include the respective roles and responsibilities, key performance indicators, provision of information and arrangements for monitoring and reviewing the service provided.	2	The SLAs with external providers are currently being reviewed. We met recently with Supplier 'A' and agreed what performance information they will provide in future to enable us to monitor the service.  The service will be tendered later in the 2016/17 financial year, with a view to the successful bidder starting in April 2017.	Head of Service and Business Development Manager	30 April 2016
3	Ensure that benchmarking of financial and other areas in addition to data reports is carried out against youth offending services in other similar local authorities.	2	We will consult with organisation 'C' and YOS Heads of Service at other similar sized Boroughs to identify what financial or other benchmarking information can be obtained and analysed.	Head of Service	30 June 2016

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Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
4	Review the existing local asset register to ensure that it includes details of all the equipment and software held by the Youth Offending Service including make, model, serial number and locations of all items. Ensure that :- (a) the computer screens identified in our sample are verified as YOS purchases and traced, (b) items purchased in future are added to the asset register when they are received and before they are put into use, and (c) the ipad currently provided to the member of staff who is on secondment from organisation 'C' is recovered when her period of secondment ends.	2	We will review our local asset register and ensure that the details of all items of equipment and software held by the YOS are included on it. In future, items purchased will be added to it before they are put into use. Arrangements are in hand to recover the ipad from the member of staff when her secondment ends.	Head of Service and Business Development Manager	30 June 2016

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Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
5	Ensure in future that the budget monitoring information recorded on Oracle is signed off/submitted by the budget holder each month.	2	Budget monitoring information will be signed off by the Budget Holder each month in future.	Head of Service	31 March 2016
6	Ensure that supervisory checks are carried out on performance data to confirm its accuracy, timeliness and completeness before it is submitted to senior managers and organisation 'C'.	2	The arrangements for this will be considered as it will require additional staffing resources. In response to the specific findings raised about timescales and information not recorded on ChildView, organisation 'D' is now providing monthly performance data for the referrals for CAMHS timescales.	Head of Service and Business Development Manager	30 June 2016
7	Ensure that :- (a) all claims are correctly completed and recorded, including authorisation and evidence of reimbursement to individual	2	Petty cash procedures are in place and we are awaiting a visit by finance to advise on VAT recording arrangements.	Business Development Manager	30 June 2016

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	claimants, (b) VAT is included in the relevant column on the reimbursement claim submitted to Finance Directorate, (c) The £5.80 excess currently shown is recorded on the next reimbursement claim so that the balance can be reduced to the correct amount.				
8	Review the clinical supervision provision and establish if it could be provided more economically via an arrangement with Public Health. If not, ensure that a contract is set up for this service and that purchase orders are raised to commit expenditure.	2	This is due to end on 31 March 2016. From 1 April 2016 external companies will be commissioned to carry out CAMHS, counselling and substance misuse work.	Head of Service	Implemented

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Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
9	Ensure in future that all key documentation such as a signed Contract Authorisation Form is available and retained, in a shared area, to confirm the authorisation process followed. Ensure that a purchase order is raised in advance of the start date so that expenditure is committed accurately and timely.	2	We will ensure that, in future, all key documentation relating to staff contracts is retained and available. Where an iproc order needs to be raised for a staffing appointment, this will be done in advance.	Business Development Manager	Implemented
10	Ensure that, going forward, those officers with financial and procurement responsibilities are set up and undertake the on-line financial and procurement training available.	2	We will arrange for the relevant members of staff to complete financial and procurement training in the new financial year.	Head of Service and Business Development Manager	30 September 2016

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## OPINION DEFINITIONS

## APPENDIX C

As a result of their audit work auditors should form an overall opinion on the extent that actual controls in existence provide assurance that significant risks are being managed. They grade the control system accordingly. Absolute assurance cannot be given as internal control systems, no matter how sophisticated, cannot prevent or detect all errors or irregularities.

### **Assurance Level**

### **Definition**

Full Assurance

There is a sound system of control designed to achieve all the objectives tested.

Substantial Assurance

While there is a basically sound systems and procedures in place, there are weaknesses, which put some of these objectives at risk. It is possible to give substantial assurance even in circumstances where there may be a priority one recommendation that is not considered to be a fundamental control system weakness. Fundamental control systems are considered to be crucial to the overall integrity of the system under review. Examples would include no regular bank reconciliation, non-compliance with legislation, substantial lack of documentation to support expenditure, inaccurate and untimely reporting to management, material income losses and material inaccurate data collection or recording.

Limited Assurance

Weaknesses in the system of controls and procedures are such as to put the objectives at risk. This opinion is given in circumstances where there are priority one recommendations considered to be fundamental control system weaknesses and/or several priority two recommendations relating to control and procedural weaknesses.

No Assurance

Control is generally weak leaving the systems and procedures open to significant error or abuse. There will be a number of fundamental control weaknesses highlighted.