

FINAL INTERNAL AUDIT REPORT
EDUCATION, CARE AND HEALTH SERVICES

REVIEW OF TCES FOR 2017-18

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REVIEW OF TCES FOR 2017-18

INTRODUCTION

1. This report sets out the results of our systems based audit of TCES for 2017/18. The audit was carried out in quarter 2 as part of the programmed work specified in the 2017-18 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 3 July 2017.
4. The London Borough of Bromley is a member of multiple contracting Authorities engaged in a framework contract to facilitate the procurement of Community Equipment and Services for the local population with Contractor A.
5. The commencement date under the current contract is 1 April 2017 which shall continue for a period of four years until 31 March 2021 with an option to extend for two years.

AUDIT SCOPE

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

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.

REVIEW OF TCES FOR 2017-18

MANAGEMENT SUMMARY

8. Controls noted to be in place and working well included:
- Key Performance Indicators (KPIs) have been determined and are specified in Schedule 6 of the contract;
 - The Council and service users can access the Framework catalogue through the online TCES system, which contains an up to date list of equipment available to order under the framework contract;
 - The Council maintains its own stock list, which is maintained by the Community Equipment Lead providing a description of all stock the Council owns and its availability; and
 - Budget monitoring reports examined are reviewed and approved by the Budget Holder on a monthly basis.
9. However, we would like to bring to management attention the following issues:
- The framework contract with Contractor A expired on 30 June 2017; however, the new contract dated 1 April 2017 was not signed until 25 July 2017; 25 days after the previous contract expired. At the time of the audit, a signed copy of the Call-Off contract between the Council and Contractor A was not available for review. Discussions established that this was in draft form;
 - There is a lack of clarity regarding the roles and responsibilities for contract monitoring; including performance monitoring and contract compliance. Since the retirement of the previous Contract Manager in May 2017, a replacement officer has not been directly assigned to the role;
 - There was no evidence that the Service Provider had been notified in writing of the retirement or replacement of the contract's Authorised Officer/ Contract Manager as required;
 - Internal Audit was unable to confirm the frequency and attendance of the Council Representatives at the Best Practice Forum and Consortium Board meetings as the meeting minutes were not retained by the Council and could not be provided at the time of the audit;
 - Performance against the contract Key Performance Indicators (KPIs) was not recorded, monitored or reported to Senior Management;
 - Examination of the Operations and Equipment Review Group meeting minutes for a sample three months noted that specific performance against the contract KPIs or the contractors overall contract performance was not discussed;
 - Reports relating to call, email and telephone performance and maintenance schedules are not provided by the Service Provider to the Council as required;

REVIEW OF TCES FOR 2017-18

- Standard format reports available on the Management Information (MI) site of the TCES System were not generated for performance monitoring;
- Examination of budget monitoring meeting minutes for three months noted that the reasons for the identified variances were not explicitly discussed and an action plan for remediation was not put in place;
- For a sample of five months; Internal Audit noted one month where the relevant budget monitoring report had not been produced. It was also noted that the report for a different month was not sent to the budget holder in a timely manner; evidenced as being sent 24 days after the preceding month end; and
- Examination of the invoice analysis spreadsheet for a sample of five months identified four instances where the exceptions were not evidenced as checked and confirmed as required.

SIGNIFICANT FINDINGS (PRIORITY 1)

10. There is lack of clarity regarding the roles and responsibilities for contract monitoring; including performance monitoring and contract compliance. Since the retirement of the previous Contract Manager in May 2017, a replacement officer has not been directly assigned to the role.

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

11. 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

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

REVIEW OF TCES FOR 2017-18

DETAILED FINDINGS

APPENDIX A

No.	Findings	Risk	Recommendation
1	<p><u>Contract Documents</u></p> <p>The London Borough Bromley is a member of multiple contracting Authorities engaged in a framework contract to facilitate the procurement of Community Equipment and Services for the local population with Contractor A. The Council has engaged in a Call-Off contract directly with the contractor for the agreement of specific service requirements on the basis of the framework contract.</p> <p>Examination of the framework contract with Contractor A noted that this expired on 30 June 2017; however, the new contract was not signed until 25 July 2017; 25 days after the previous contract expired.</p> <p>At the time of the audit, a signed copy of the Call-Off contract between the Council and Contractor A was not available for review. Discussion with the Procurement Officer established that the Call-Off contract was in draft form. Internal Audit understands that this has now been signed by the Council's Legal team.</p>	<p>Where contracts are signed after the contracted service commences, there is a risk that parties are not bound by the contract and are under no obligation to comply with contract requirements. This can result in contract disputes, service provider being unaware of contract requirements, deterioration in relationship with the service provider or disruption to the service.</p>	<p>All future contract documentation should be signed by both parties prior to commencement of the service. The current Call Off contract should be signed by both parties as a matter of priority. (Priority 2)</p>

REVIEW OF TCES FOR 2017-18

DETAILED FINDINGS

APPENDIX A

No.	Findings	Risk	Recommendation
2	<p><u>Roles and Responsibilities</u></p> <p>Discussions with the Procurement Officer, Head of Contract Compliance and Monitoring and the Community Equipment Lead (LBB) confirmed that since the retirement of the previous Contract Manager in May 2017, a replacement officer had not been directly assigned to the role and that there was a lack of clarity regarding roles and responsibilities for contract monitoring including performance monitoring and contract compliance.</p> <p>The contracts register officially states the Head of Assessment and Care Management as the Contract Manager; however, this officer has no direct involvement in the operational side of the contract.</p> <p>Discussions with the Head of Contract Compliance and Monitoring established that the department has undergone significant restructuring resulting in difficulties assigning departmental roles relating to the contract.</p>	<p>Where a Contract Manager has not been established and the roles and responsibilities relating to contract have not been clearly defined, there is a risk that vital contract management tasks are not performed or a lack of accountability.</p>	<p>Roles and responsibilities should be clearly defined for officers and departments involved in the TCES contract; including the Contract Manager and responsibilities for performance monitoring and reporting. (Priority 1)</p>

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
3	<p><u>Contract Manager</u></p> <p>Clause 5.2 of the framework contract with Contractor A states that, 'A contracting authority shall, during the term of the Framework Agreement and the Call Off contract, give notice in writing to the Contractor from time to time of the removal of any notified persons as the Authorised Officer and the contact details of the new officer.'</p> <p>Internal Audit noted that there was no evidence that the Service Provider had been notified in writing of the retirement or replacement of the contract's Authorised Officer/ Contract Manager as required. Discussions established that Contractor A would have been informally notified of the retirement of the previous officer and the subsequent replacement; however, this was not evidenced as minutes of the Consortium Board meetings are not retained by the Council and could not be provided to Internal Audit.</p>	<p>Where the Service Provider have not been notified of the Contract Manager's replacement in writing, there is a risk of decline in communication between the two parties resulting in contract disputes and failure in communication of contractual issues.</p>	<p>The Council should formally notify the Contractor in writing when the Contract Manager is replaced.</p> <p>(Priority 3)</p>

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
4	<p><u>Consortium Board Meetings</u></p> <p>The Community Equipment Lead and the Procurement Officer informed Internal Audit that they attend the Best Practice Forum and Consortium Board meetings with representatives of the Service Provider and other contracting Authorities.</p> <p>Internal Audit was unable to confirm the frequency and attendance at the meetings as the meeting minutes are not retained by the Council and could not be provided at the time of the audit.</p>	<p>Where minutes are not retained by the Council, there is a risk that actions agreed in the meetings are not followed through.</p>	<p>Following each meeting, the Council should obtain and review the Best Practice Forum and Consortium meeting minutes. (Priority 2)</p>
5	<p><u>Key Performance Indicators (KPI)</u></p> <p>KPIs are detailed in Schedule 6 of the framework contract with Contractor A. Aside from the 12 KPIs identified, discussions with the Procurement Officer established that other indicators referred to throughout the Framework Agreement and Service Specification documents have been collated together in a contract KPI document.</p> <p>Discussions with the Procurement Officer and the Head of Contract Compliance and Monitoring established that performance against these KPIs is not recorded, monitored or reported.</p>	<p>Where KPI performance is not monitored and reported to Senior Management, there is a risk that the Council is unaware of the Service Provider's performance and also a failure of the Council to collect defaults that may apply.</p>	<p>Performance on KPIs should be monitored and reported to senior management on a periodic basis.</p> <p>(Priority 2)</p>

REVIEW OF TCES FOR 2017-18

DETAILED FINDINGS

APPENDIX A

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6	<p><u>Contract Performance Meetings</u></p> <p>Clause 9.1 of the framework contract states that, 'The AO (The Council) and the CM (contractor) shall hold regular review meetings normally at quarterly intervals (but which may be reduced at the AO's discretion) to review the Contractor's performance of the contract, assess and agree performance and to examine areas of improving service quality, reducing costs and raise any other matter that may affect the parties' rights and obligations under the Contract.'</p> <p>Discussions with the Community Equipment Lead and the Procurement Officer noted that they attend bi-monthly Operations and Equipment Review Group meetings where performance is discussed. This is also attended by representatives from Bromley CCG and Contractor A.</p> <p>For a sample of three months; February, April and August 2017, Internal Audit noted that review meetings were held as required. Examination of the relevant meeting minutes noted that specific performance against KPIs or the contractors overall contract performance was not discussed.</p>	<p>Where contract performance or contract KPIs are not discussed, there is a risk that the Service Provider is unaware of underperformance and non-compliance with contract terms. This can result in underperformance continuing without correction.</p>	<p>Performance of the contract should be discussed with the service provider at bi-monthly review meetings. Identified performance issues should be discussed and an action plan put in place to correct instances of underperformance.</p> <p>(Priority 2)</p>

DETAILED FINDINGS

APPENDIX A

No.	Findings	Risk	Recommendation
7	<p><u>Monthly Reports from the Service Provider</u></p> <p>Clause 115.5 of the framework contract with Contractor A states that, 'The Contractor shall provide statistics and reports relating to call, email and telephone performance on a monthly basis' and clause 54.19 states that, 'The Contractor will submit monthly reports of maintenance schedules.'</p> <p>Discussions with the Procurement Officer and the Head of Contract Compliance and Monitoring established that reports relating to call, email and telephone performance and maintenance schedules were not provided by the Service Provider to the Council.</p>	<p>Where the Council does not obtain periodic performance data, there is a risk that the Council is unaware of the service provider's performance resulting in unidentified underperformance.</p>	<p>The Council should liaise with the Service Provider to ensure that a report relating to call, email and telephone performance and the service provider's maintenance schedules are submitted to the Council on a monthly basis.</p> <p>The Council should consider a review of information to be provided by the Service Provider to ensure that KPI reporting is adequately covered.</p> <p>(Priority 2)</p>

REVIEW OF TCES FOR 2017-18

DETAILED FINDINGS

APPENDIX A

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8	<p><u>Standard Format Reports</u></p> <p>Clause 114.1 of the framework agreement states that, ‘the Council requires the facility to review and download information using a range of standard format reports.’</p> <p>Examination of the Management Information (MI) site of the TCES System established that a suite of standard format reports relating to service provider performance can be generated.</p> <p>Discussions with the Community Equipment Lead noted that periodic reports relating to Planned Preventative Maintenance (PPM) are generated; however, this could not be evidenced. It was further confirmed that standard reports are not generated for other performance monitoring purposes.</p>	<p>Where appropriate standard format reports are not generated, there is a risk of incomplete reporting or that the Council is unaware of the service provider’s performance which could result in underperformance continuing without correction or incorrect management decision making.</p>	<p>Standard performance reports that best assess the service providers performance should be identified, periodically monitored and reported to Senior Management.</p> <p>(Priority 2)</p>
9	<p><u>Budget Monitoring</u></p> <p>Internal Audit established that the Senior Accountant for the TCES contract prepares monthly budget monitoring reports for the budget holder.</p> <p>For a sample of five months; April 2017 to August 2017, Internal Audit noted one instance, namely July 2017, where the relevant budget monitoring report had not been produced. It was also noted that the report for June 2017 was not sent to the budget holder in a timely manner; evidenced as being sent 24 days after the preceding month end.</p>	<p>Where budget monitoring reports are not produced in a timely manner, there is a risk that budget holders do not have access to timely information to make appropriate and effective budgetary decisions which could result in discrepancies not being identified in a timely manner.</p>	<p>Budget monitoring reports should be produced on a monthly basis and sent to the budget holder in a timely manner.</p> <p>(Priority 3)</p>

REVIEW OF TCES FOR 2017-18

DETAILED FINDINGS

APPENDIX A

No.	Findings	Risk	Recommendation
10	<p><u>Budget Variances</u></p> <p>The monthly budget monitoring reports produced by the Senior Accountant indicate budget over and underspends calculated by the difference between the invoice amount and the monthly allocated budget.</p> <p>Examination of Budget Monitoring Reports for May 2017-September 2017 noted the following variances:</p> <ul style="list-style-type: none"> - May 2017 - £46,311.00 overspend; - June 2017 - £11,963.00 overspend; - July 2017 - £11,763.00 overspend; - August 2017- £25,078.00 overspend; and - September 2017- £17,722.00 overspend. <p>Examination of budget monitoring meeting minutes for three months (20 March 2017, 06 June 2017 and 24 July 2017) noted that the reasons for variances were not explicitly discussed and an action plan for remediation was not put in place.</p>	<p>Where budget variances are not reported or investigated, there is a risk that reasons for variances are not identified and corrective action cannot be taken resulting in inefficient and ineffective budgetary control.</p>	<p>Monthly budget variances should be investigated and discussed at the budget monitoring meetings.</p> <p>(Priority 2)</p>
11	<p><u>Invoice Analysis checks</u></p> <p>On a monthly basis, the Senior Accountant distributes the invoice analysis spreadsheet to all team managers involved in the contract as well as Senior Management. The spreadsheet contains a formula designed to generate exceptions in the invoice that may be incorrect. On receipt of the monthly invoice analysis spreadsheet, Team Managers are required to check and confirm</p>	<p>Where exceptions identified in invoice analyses are not checked and confirmed, there is a risk of inappropriate or incorrect payments made to the Contractor being unidentified. This could result in financial loss to the Council</p>	<p>The Council should investigate and solve the issues regarding the underlying formula for generating exceptions in the invoice analysis spreadsheet.</p>

REVIEW OF TCES FOR 2017-18

DETAILED FINDINGS

APPENDIX A

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	<p>the discrepancies noted stating the identified reason.</p> <p>Examination of the invoice analysis spreadsheet for a sample of five months (October 2016, January 2017, February 2017, June 2017 and August 2017) identified four instances where exceptions were not evidenced as checked and confirmed as required. These were:</p> <ul style="list-style-type: none"> • October 2016 – 49 (out of 1253) exceptions were checked and 48 confirmed; • February 2017 – 32 (out of 221) exceptions were checked and 22 confirmed; • June 2017 - 9 (out of 209) exceptions were checked and 3 confirmed; and • August 2017 – None of the 223 exceptions had been checked or confirmed. <p>Discussions with the Community Lead and the Senior Accountant established that there is currently an underlying issue with the formula which produces untrue exceptions resulting in a large amount of invalid exceptions being produced monthly. This was stated as the key factor as to why these are not being completed.</p>	<p>and a deterioration in the relationship with the Service Provider.</p>	<p>For all future reports, exceptions should be checked and confirmed with an explanation attached to the discrepancy. Exceptions where an explanation cannot be given should be escalated to the Contract Compliance and Monitoring team for escalation with the Service Provider.</p> <p>(Priority 2)</p>

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1	All future contract documentation should be signed by both parties prior to commencement of the service. The current Call Off contract should be signed by both parties as a matter of priority.	2	Contracts will be signed by Head of Service for Programmes	Director of Adult Social Care / Interim Director of Programmes	30 th Dec 17
2	Roles and responsibilities should be clearly defined for officers and departments involved in the TCES contract; including the Contract Manager and responsibilities for performance monitoring and reporting.	1	Under the Councils Procedures for Contract Management the budget holder delegated to Head of Service, Assessment and Care Management who will be the contracts manager with support from Strategic Commissioner, Adult and Community Services from Programmes.	Director of Adult Social Care /Interim Director of Programmes	Immediate
3	The Council should formally notify the Contractor in writing when the Contract Manager is replaced.	3	This will be done and they will be notified that Head of Service, Assessment and Care Management and Procurement Officer, ECHS are the contacts for the council.	Director of Adult Social Care /Interim Director of Programmes	Immediate

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
4	Following each meeting, the Council should obtain and review the Best Practice Forum and Consortium meeting minutes.	2	<p>These meetings are attended by the Community Equipment Lead for LBB, may be attended by Contracts Monitoring and are attended by the Commissioning Manager from the CCG. They have been advised to ensure they obtain and keep copies of minutes and this will also now be added to the bi-monthly budget monitoring notes as a standing item to ensure issues are communicated and actions taken.</p> <p>A specific TCES space on the councils electronic system will also be provided for officers within LBB to access these documents</p>	<p>Head of Service, Assessment and Care Management /Community Equipment Lead, LBB/CCG Equipment Lead/Procurement Officer, ECHS</p> <p>Community Equipment Lead, LBB</p>	<p>Immediate</p> <p>30th Jan 18</p>

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
5	Performance on KPIs should be monitored and reported to Senior Management on a periodic basis.	2	KPI's will be monitored by Procurement Officer, ECHS who will attend the TCES Budget Monitoring Meetings as and when required to address any performance issues. This will be reported to Strategic Commissioner, Adult and Community Services as and when necessary.	Interim Director of Programmes/Head of Contract Compliance and Monitoring	30th Jan 18

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
6	Performance of the contract should be discussed with the service provider at bi-monthly review meetings. Identified performance issues should be discussed and an action plan put in place to correct instances of underperformance.	2	<p>This has been carried out at intervals but the recording has not been robust and therefore not provided the evidence. There will be a standing item on both TCES Budgets and TCES Ops Meetings. All discussions with the provider regarding performance issues will be clearly recorded on minutes.</p> <p>Strategic Commissioner, Adult and Community Services will be sent the performance information regularly by Procurement Officer, ECHS .</p>	<p>Head of Service, Assessment and Care Management /Strategic Commissioner, Adult and Community Services</p> <p>Procurement Officer, ECHS</p>	<p>30th Dec 17</p> <p>30th Dec 17</p>

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
7	<p>The Council should liaise with the Service Provider to ensure that a report relating to call, email and telephone performance and the service provider's maintenance schedules are submitted to the Council on a monthly basis.</p> <p>The Council should consider a review of information to be provided by the Service Provider to ensure that KPI reporting is adequately covered</p>	2	<p>KPI's will be monitored by Procurement Officer, ECHS who will attend the TCES Budget Monitoring Meetings as and when required to address any performance issues. This will be reported to Strategic Commissioner, Adult and Community Services as and when necessary.</p>	<p>Head of Service, Assessment and Care Management /Strategic Commissioner, Adult and Community Services</p>	1 st June 2018
8	<p>Standard performance reports that best assess the service providers performance should be identified, periodically monitored and reported to Senior Management.</p>	2	<p>KPI's will be monitored by Procurement Officer, ECHS who will attend the TCES Budget Monitoring Meetings as and when required to address any performance issues. This will be reported to Strategic Commissioner, Adult and Community Services as and when necessary</p>	<p>Head of Service, Assessment and Care Management /Strategic Commissioner, Adult and Community Services</p>	1 st June 2018

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
9	Budget monitoring reports should be produced on a monthly basis and sent to the budget holder in a timely manner.	3	The budget monitoring report will be sent as soon as finance is notified that the data is available from Contractor A.	Senior Accountant	In place and ongoing
10	Monthly budget variances should be investigated and discussed at the budget monitoring meetings.	2	<p>There is a process in place but this needs to be more robustly managed and outcomes recorded on the minutes of the TCES Budgets and Ops meeting minutes. This is now a standing item on the Agenda's for both meetings.</p> <p>At the budget meeting in November it was agreed that Community Equipment Lead, LBB, CCG Equipment Lead Contractor A, Key Account Manager and Senior Accountant will explore how other LA's within the Consortium are monitoring variances and agree an appropriate manageable method.</p>	<p>Head of Service, Assessment and Care Management</p> <p>Community Equipment Lead LBB/Senior Accountant</p>	<p>30th Dec 17</p> <p>31st March 18</p>

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
11	<p>The Council should investigate and solve the issues regarding the underlying formula for generating exceptions in the invoice analysis spreadsheet.</p> <p>For all future reports, exceptions should be checked and confirmed with an explanation attached to the discrepancy. Exceptions where an explanation cannot be given should be escalated to the Contract Compliance and Monitoring team for escalation with the Service Provider.</p>	2	<p>At the budget meeting in November it was agreed that Community Equipment Lead, LBB, CCG Equipment Lead Contractor A, Key Account Manager and Senior Accountant will explore how other LA's within the Consortium are monitoring variances and agree an appropriate manageable method.</p> <p>Until the system is updated and fit for purpose managers will be reminded to ensure the exception reports are completed and reasons given if the exception is left eg wrong costing attached etc.</p> <p>Once the amendments to the system are made all staff will be provided with training and up to date guidance in how to check the variances and provide an exception reports.</p>	<p>Senior Accountant</p> <p>Head of Service, Assessment and Care Management /Community Equipment Lead, LBB/CCG Equipment Lead.</p> <p>Senior Accountant/Community Equipment Lead, LBB/CCG Equipment Lead.</p>	1st June 2018

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.