

**FINAL INTERNAL AUDIT REPORT**  
**ENVIRONMENT AND COMMUNITY SERVICES**

**AUDIT REVIEW OF TOTAL FACILITIES MANAGEMENT**

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**Date of Issue:** 26 April 2019

**Report No.:** ECS/08/2017/AU

## REVIEW OF TOTAL FACILITIES MANAGEMENT

### INTRODUCTION

1. This report sets out the results of our systems based audit of Total Facilities Management. The audit was 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 London Borough of Bromley has a Facilities Management (FM) contract with Contractor 'A' which is for five years and began on 1 October 2016.

### AUDIT SCOPE

4. The original scope of the audit was outlined in the Terms of Reference issued on 9 May 2018.

### AUDIT OPINION

5. 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

6. Controls noted to be in place and working well, based on the sample testing conducted, included:
  - Key contractual documents for the contract between the Council and Contractor 'A' were in place.
  - Reporting lines for the Contractor 'A' contract were documented and up to date.
  - A Service Operations Board (SOB) and a Strategic Partnership Board (SPB) were in place and met quarterly and bi-annually respectively. Minutes were taken for both meetings.
  - Monthly monitoring reports were being provided by Contractor 'A' to the Council and, where performance issues had arisen, these were discussed.

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- Where performance had not been achieved as expected, the Council had taken action to impose penalties upon Contractor 'A'.
- Focus groups were held with departments where complaints and issues could be discussed with Contractor 'A'.
- Budget monitoring meetings take place and any issues identified are noted and dealt with appropriately.

However, we would like to bring to management attention the following issues:

- No evidence was provided to verify that the roles and responsibilities of the SPB and SOB had been reviewed on an annual basis as per Schedule 11 of the FM contract.
- There was no evidence to support that the Partnership Charter had been agreed.
- The last two SPB meetings were held on January 2018 and September 2018, more than 6 months apart.
- There was no evidence of formal approval by the Director of Regeneration for the boiler and heating works costing over £60,000.
- Spot checks were not being undertaken by the Council on works undertaken by Contractor 'A'.
- A customer satisfaction survey for Contractor 'A' and Contractor 'B' was not in place.
- The complaints process was not clear to all officers and the Bromley website made reference to an officer no longer working at the Council.
- The contract between the Council and Contractor 'A' had not been updated to be fully Data Protection Act (DPA) 2018 / General Data Protection Regulations (GDPR) compliant.
- The invoice checking procedure included officer names instead of roles and did not detail the date it was produced, the review date, any version history or the officer responsible for maintaining the procedure.
- The invoice checking procedure did not align with how invoices were being checked and processed.
- Invoice amounts from Contractor 'A' did not include all costs and therefore provisions had to be made / estimated.
- Lessons learned exercises were not being completed after capital projects.

### SIGNIFICANT FINDINGS (PRIORITY 1)

7. There are no Priority 1 recommendations identified in this report.

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### DETAILED FINDINGS / MANAGEMENT ACTION PLAN

8. 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

9. We would like to thank all staff contacted during this review for their help and co-operation.

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### DETAILED FINDINGS

### APPENDIX A

No.	Findings	Risk	Recommendation
1	<p><b><u>Roles and Responsibilities</u></b></p> <p>Schedule 11 of The Facilities Management (FM) contract details that, <i>'The Parties recognise that the governance arrangements and structures set out this Schedule 11 as at this Agreement Date will need to be reviewed regularly throughout the Contract Period to ensure that they remain appropriate and workable.</i></p> <p><i>The provisions and requirements of this Schedule 11 shall be reviewed on an annual basis by the Strategic Partnership Board and may be varied or amended from time to time by agreement between the Service Provider and the Customer.'</i></p> <p>No evidence was provided to verify that a review had taken place by the SPB of the roles and responsibilities of either the SOB or SPB to verify that the terms of reference in Schedule 11 of the contract documents were still accurate.</p>	<p>Where Schedule 11 of the contract documents is not annually reviewed as required, there is a risk that this does not accurately represent the up to date roles and responsibilities of both the SPB and the SOB, which may result in gaps in actions being undertaken and/or decisions not being made by the correct boards.</p>	<p>The roles and responsibilities of the SOB and SPB should be reviewed as per Schedule 11 of the approved TFM contract documents.</p> <p><b>(Priority 2)</b></p>
2	<p><b><u>The Partnership Charter</u></b></p> <p><i>In Schedule 11 of the Contractor 'A' contract, 2.5.1 for the SPB it details that, 'At the inaugural meeting to agree a protocol ("the Partnership Charter"), which shall be a declaration agreed by the Parties of the principles, objectives and priorities of the Strategic Partnership Board....'</i></p> <p>There was no evidence in the SPB minutes examined, or</p>	<p>Where the 'Partnership Charter' is not agreed, there is a risk that the principles, objectives and priorities of the SPB have not been appropriately agreed.</p>	<p>The 'Partnership Charter' should be agreed as soon as possible.</p> <p><b>(Priority 2)</b></p>

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	<p>otherwise, that a 'Partnership Charter' (or protocol) had been agreed.</p>		
3	<p><b><u>Frequency of SPB Meetings</u></b></p> <p>Schedule 11 section 2.11 of the Contractor 'A' contract details that, '<i>The Strategic Partnership Board shall meet at least every six (6) months and at such shorter periods as agreed by the Parties save that in the first twelve (12) months from the Agreement Date the Strategic Partnership Board shall meet every quarter.</i>'</p> <p>The SPB meeting minutes were provided by the Service Property Manager (SPM). There was a SPB meeting held on the 18 January 2018 and another on the 27 September 2018. The two meetings being more than 6 months apart.</p>	<p>Where SPB meetings are not held as frequently as per the contract, there is a risk that appropriate oversight is not in place.</p>	<p>The SPB should meet as per Schedule 11 of the contract (or an alternate meeting frequency should be formally agreed).</p> <p><b>(Priority 2)</b></p>
4	<p><b><u>Approval of Works</u></b></p> <p>The Council's Financial Procedure 'Authorisation Limits' paragraph 5.5 detail the approval limits to be applied for all orders raised via i-proc and any certification requirements.</p> <p>A list of capital programme works undertaken was provided by the SPM. One of the capital programme works undertaken was boiler and heating works with an estimated value of £60,000, (as estimated by Contractor 'A'). Contractor 'A' reported that works were required and without the works heating could not be guaranteed for another winter.</p>	<p>Where approval is not documented, there is a risk that appropriate approval cannot be evidenced and that costs and works are not as approved.</p>	<p>Appropriate approval for all capital programme works in line with the Council's Financial Procedures should be properly documented and those works should be monitored to ensure that any overspend is identified and appropriate action is taken.</p>

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	<p>Discussion with the SPM determined that a number of emails had been exchanged and that agreement for the works was discussed with the client team with approval to go ahead with the boiler works being verbally given by the Director of Regeneration.</p> <p>As at November 2018, there was an overspend of £4k on the boiler and heating works. The SPM explained that she would review the spend and the process used by Contractor 'A' once the full work was completed as, although the programme is marked as complete on the spreadsheet provided, costs were still being charged to the project.</p>		<p><b>(Priority 2)</b></p>
5	<p><b><u>Works undertaken by Contractor 'A'</u></b></p> <p>On a daily basis Contractor 'A' undertake planned works and reactive works.</p> <p>Discussion with the SPM advised that checks were not being undertaken on the works completed by Contractor 'A'. The SPM explained that this was because:</p> <ul style="list-style-type: none"> <li>The Council staff are not specialists in the work completed (as these staff were all transferred to Contractor 'A') and cannot therefore accurately report on whether the work completed is correct;</li> </ul>	<p>Where works undertaken by Contractor 'A' are not subject to appropriate checks, there is a risk that the Council pay for works inappropriately invoiced or which have not been carried out to the standard required.</p>	<p>Pro-active measures, such as spot checks, should be in place to verify whether the work invoiced has been completed to a satisfactory standard.</p> <p><b>(Priority 2)</b></p>

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	<ul style="list-style-type: none"> <li>It is not possible to check all works undertaken with the current resources the Council has, and</li> <li>The Council rely on the originating complaints officer to make a second complaint if the original identified issue is not remedied.</li> </ul>		
6	<p><b><u>Customer Satisfaction Survey</u></b></p> <p>A customer satisfaction survey would help to assess whether staff are happy with works that have been undertaken by Contractor 'A'. Customer surveys also help provide assurance whether the required works have been completed and whether these are to an appropriate standard.</p> <p>The November SOB meeting minutes, point 1.6 noted that no satisfaction survey had taken place and that this was subsequently due to take place in December 2018. Discussion with the SPM identified that Contractor 'A' now has a methodology in place for the survey, but discussion was still underway to determine exactly how Contractor 'B' will undertake their customer surveys.</p>	<p>Where a customer satisfaction survey is not in place, there is a risk that the Council are not assured that customers are happy with the services being provided by Contractor 'A' and subsequently Contractor 'B'. The opportunity to learn lessons from customer experience is not taken.</p>	<p>A Customer Satisfaction Survey should be put in place as soon as possible.</p> <p><b>(Priority 2)</b></p>

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7	<p><b><u>Complaints</u></b></p> <p>Complaints help to identify any repeated issues to the Council or any new identified issues that have emerged with regards to facilities.</p> <p>The Council's intranet references an officer, to whom complaints can be forwarded for any issues identified with the contractor. This officer, however, left the Council six or seven years ago. The SPM explained that they are currently working on removing this officer's details, having already contacted IT; however, the issue is yet to be resolved.</p> <p>The SPM also explained that, on commencement of the contract, officers were emailed to advise them that where officers wanted to make complaints using the Council's procedure, that these could instead be raised directly via Contractor 'A'. Complaints are reported by the contractor on a monthly basis via performance reports.</p> <p>It is accepted that there is a difference between service issues and complaints. However, while service issues should be communicated directly to the contractor, complaints should be reported via the Council, so that the Council can properly monitor these. It is acknowledged that focus groups are also in place, where any issues can be directly discussed with</p>	<p>Where there is ambiguity regarding how complaints can be made about work carried out, there is a risk that not all complaints will be documented or realised.</p>	<p>The Bromley intranet page should be updated to ensure that staff can raise and direct complaints appropriately to the Council's TFM Client Team and staff should be reminded of the complaints process.</p> <p><b>(Priority 2)</b></p>

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	Contractor 'A'.		
8	<p><b><u>GDPR / DPA 2018</u></b></p> <p>Where the Council works with contractors, the Council is responsible for ensuring that the contractor is compliant with the Data Protection Act 2018 (DPA 2018) /General Data Protection Regulation (GDPR) requirements.</p> <p>Although a Privacy Impact Assessment was completed for the Contractor 'A' contract, no other evidence was available of the Contractor 'A' contract being amended to ensure that it is compliant with the DPA 2018/GDPR.</p> <p>Examination of the TFM contract confirmed that this did include the 'Protection of personal data' and 'Customer data' in sections 16 and 17 respectively. However, these sections did not, for instance, detail what would happen should a data breach occur or for how long data would be retained.</p>	<p>Where the contract between the Council and the contractor, Contractor 'A' has not been amended to be in line with the DPA 2018/GDPR rules, there is a risk that the Council is non-compliant and could face a fine from the Information Commissioner's Office as well as reputational damage.</p>	<p>The contract should be revisited to confirm that it is compliant with the DPA 2018/GDPR legislation.</p> <p><b>(Priority 2)</b></p>

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No.	Findings	Risk	Recommendation
9	<p><b><u>Invoice Checking Procedure</u></b></p> <p>Procedures should be sufficiently detailed to ensure that these reflect current methodology and to help ensure staff can undertake their designated roles as expected.</p> <p>The 'Invoice Checking Procedure' was provided by the SPM, which details how invoices are to be checked prior to payments made and purchase orders raised. However, examination of the 'Invoice Checking Procedure' identified that it did not align to how invoices were processed, nor was it sufficiently detailed so that a staff member could follow all the stages. For example, the procedure details that the purchase order is raised and approved after the invoice has been receipted. In practice, this is not the case and the Council receive a breakdown of all works the contractor is planning on billing before the invoices are raised. This enables the Council to check the amounts and raise a purchase order before the actual invoice is raised.</p> <p>In addition, point 2 in the procedure includes a documented name to send invoices to for checking. If this officer were to change, staff will not know who to send invoices to. There is also no date on the procedure, no review date, nor is it clear who the responsible officer is for the updating and maintenance of the procedure.</p>	<p>Where appropriate procedure notes are not in place, there is a risk that staff do not adhere to required practices.</p>	<p>The 'Invoice Checking Procedure' should be updated to be sufficiently detailed and reflect the current invoice checking methodology in place.</p> <p>The 'Invoice Checking Procedure' should include job titles only and should include a date of creation, date of review and which officer (job title) is responsible for ensuring the procedure is up to date.</p> <p><b>(Priority 2)</b></p>

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10	<p><b><u>Incomplete Contractor 'A' Invoices</u></b></p> <p>Discussion with the Head of Finance ECS advised that Contractor 'A' are not invoicing the Council in line with expectations. For example, it was explained that provisions have had to be made as Contractor 'A' had not billed for all costs such as Contractor 'B' (the sub-contractor of Contractor 'A') superannuation.</p> <p>Comparison of the spreadsheet used by the Head of Finance ESD to monitor costings to the invoices on Contractor 'A' found that it was difficult to match these.</p> <p>The Head of Finance ECS further advised that meetings have been held with Contractor 'A' to try and rectify this issue. The minutes of the SOB meeting held on 21 November 2018 confirm this.</p>	<p>Where invoices do not match expectations, there is a risk that the Council is unaware of their full financial position, which could result in the over or underspend of the budget.</p>	<p>The Council should try to ensure that Contractor 'A' invoice them in line with expectations and where not a suitable explanation is given.</p> <p><b>(Priority 2)</b></p>
11	<p><b><u>Lessons Learned</u></b></p> <p>Lessons learned exercises do not take place after completion of projects to help identify areas that worked well and not so well. This information can then be fed into future projects so good performance can be continued and poor performance can be amended.</p> <p>Discussion with the SPM identified that a work in progress</p>	<p>Where a lessons learned exercise is not in place, there is a risk that any issues identified with the project are not identified and corrective actions put in place for projects going forwards.</p>	<p>Lessons learned exercises should be put in place at the end of each project undertaken. Consideration should be put in place as to whether interim lessons learned exercises should also be put in place.</p>

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	<p>(WIP) tracker is maintained for any capital projects that are undertaken by Contractor 'A'. Once a project is complete, the project will be marked as such on the completed tab of the WIP tracker. The SPM advised that there was not a lessons learned exercise that takes place, but they are hoping to implement one soon as part of the regeneration programme.</p>		<p><b>(Priority 2)</b></p>

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Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1	The roles and responsibilities of the SOB and SPB should be reviewed as per Schedule 11 of the approved TFM contract documents.	2	Agreed. A Schedule 11 review was initiated at the SPB held in February. It will be reported and agreed at the next meeting in June and thereafter reviewed annually.	Head of Asset and Investment Management	30 June 2019
2	The 'Partnership Charter' should be agreed as soon as possible.	2	Agreed. A Partnership Charter will be drafted and ratified at the SPB meeting in June and thereafter reviewed annually.	Head of Asset and Investment Management	30 June 2019
3	The SPB should meet as per Schedule 11 of the contract (or an alternate meeting frequency should be formally agreed).	2	Agreed. Meetings are now being diarised annually and are programmed to take place on 5/2/19 (rearranged from 23/1/19 at contractor's request) and on 26/6/19.	Head of Asset and Investment Management	Implemented
4	Appropriate approval for all capital programme works in line with the Council's Financial Procedures should be properly documented and those works should be monitored to ensure that any	2	Agreed. The auditor has highlighted one project, which related to planned maintenance of a boiler. The budget for this had been agreed but a variation for additional work was then required,	Senior Property Manager	Implemented

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Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
	overspend is identified and appropriate action is taken.		increasing the overall cost by approximately £4,000. This further cost was discussed and agreed with the Director of Regeneration orally but, inadvertently, was not recorded in writing. We will ensure from now on that agreement is documented for all variations to project costs.		
5	Pro-active measures, such as spot checks, should be in place to verify whether the work invoiced has been completed to a satisfactory standard.	2	<p>Agreed in principle but resources are not available to implement this.</p> <p>Contractor 'A' completes approximately 200-400 reactive and planned preventative maintenance tasks each month. The client team is a thin client and does not have the capacity or expertise to carry out spot checks on the quality of the work undertaken. We are however currently exploring the robustness of the quality assurance procedures which Contractor 'A'</p>	Senior Property Manager	30 June 2019

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			<p>carries out.</p> <p>Monitoring takes place by checking a sample of tasks in Contractor 'A's database as part of the monthly invoice checking. Where we identify anomalies in tasks carried out they are challenged and appropriate action is taken, including amending the invoice cost or obtaining credits.</p> <p>There is also "self- monitoring" set up under the contract, i.e. focus groups with representatives from each department, notifications to task reporters via Contractor 'A's Helpdesk and via the QA procedure currently under discussion with Contractor 'A'.</p>		

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Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
6	A Customer Satisfaction Survey should be put in place as soon as possible.	2	<p>Agreed. It was agreed with the Client Team that the Customer Satisfaction Survey due on the first anniversary of the contract would be deferred due to the lengthier than anticipated transition period due to the existence of a number of LBB legacy contracts that were still running for maintenance and cleaning.</p> <p>That period has ended and the survey has now started. Results are being reported via the monthly monitoring report that the contractor provides at the SOB meetings. The first report was made on 16 January 2019 and will continue to be a monthly commitment. Contractor 'A' has been asked for more detail ie what they have done to resolve the issue and which focus groups and individuals have been contacted.</p>	Head of Asset and Investment Management	Implemented

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Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
7	The Bromley intranet page should be updated to ensure that staff can raise and direct complaints appropriately to the Council's TFM Client Team and staff should be reminded of the complaints process.	2	Agreed. The Client Team has been advised by IT that it can only make some limited changes to the text on the site until the Sharepoint environment is up-graded. IT Services will be requested to delete out of date content. In the meantime consideration will be given to setting up a generic email address and for a circular to be sent to all staff to remind them of contact details.	Senior Property Manager	30 April 2019
8	The contract should be revisited to confirm that it is compliant with the DPA 2018/GDPR legislation.	2	Agreed. As instructed by the Legal Department, a Letter of Variation was sent to Contractor 'A' on 21 May 2018. They have responded with a variation to the terms of the contract and this is currently being reviewed by Legal Services.	Senior Property Manager	30 June 2019

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Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
9	<p>The 'Invoice Checking Procedure' should be updated to be sufficiently detailed and reflect the current invoice checking methodology in place.</p> <p>The 'Invoice Checking Procedure' should include job titles only and should include a date of creation, date of review and which officer (job title) is responsible for ensuring the procedure is up to date.</p>	2	<p>Agreed. The invoice checking procedure was initially set up as an aide memoire for the Client Team.</p> <p>The procedure will be revised in line with the recommendations.</p>	Senior Property Manager	30 April 2019
10	<p>The Council should try to ensure that Contractor 'A' invoices them in line with expectations and where not, a suitable explanation is given.</p>	2	<p>Agreed. The Client Team have repeatedly communicated with the contractor regarding late submission of invoices, failure to invoice in a timely manner for additional works carried out by Contractor 'B' and failure to submit superannuation top up amounts. The situation has improved recently and will continue to be</p>	Head of Asset and Investment Management and Senior Property Officer	30 June 2019

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<b>Finding No.</b>	<b>Recommendation</b>	<b>Priority *Raised in Previous Audit</b>	<b>Management Comment</b>	<b>Responsibility</b>	<b>Agreed Timescale</b>
			monitored.		
11	Lessons learned exercises should be put in place at the end of each project undertaken. Consideration should be put in place as to whether interim lessons learned exercises should also be put in place.	2	Agreed. Lessons learned will be formally implemented as part of the Regeneration Programme for Capital Projects and as part of the WIP tracker for small works.	Senior Property Manager	30 June 2019

## 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.

<b>Assurance Level</b>	<b>Definition</b>
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.