

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Surrey Arts Follow-up	An audit in 2015/16 resulted in a Significant Improvement Needed opinion and found that while Surrey Arts undertook some aspects of asset management, activities were not coherently aligned to maximise the value of its musical instruments or to provide sufficient assurance over their safe stewardship.	<p>The Auditor concluded that appropriate actions had been taken to implement previous audit recommendations.</p> <p>Notably:</p> <ul style="list-style-type: none"> • A Musical Instrument Asset Management Policy was agreed by the Surrey Arts Senior Management Team (SMT) in November 2015 • Work has been undertaken to ensure instruments are documented on the Paritor database • There are now specific documents that are filled in when instruments are hired/ replaced/returned • Surrey Arts has reviewed its business model and some changes are planned including the introduction in September 2016 (new academic year) of charges to schools to cover the maintenance of instruments used in Tuning Up/ First Access programmes • Volunteers working for a local charity have been assisting in the approved disposal of instruments where they are no longer serviceable 	Effective	No additional recommendations were made.

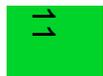


Completed Audit Reports (May - September 2016)

Annex 1

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Payroll	Surrey County Council's (SCC) Payroll Team provides payroll services to its employees as well as to 128 external organisations. Total gross salaries for Surrey CC monthly staff in 2014/2015 was in excess of £236 million	Although there were no significant concerns, the auditor identified some improvements to the system and procedures operated in payroll to minimise the risks to achieving the objectives of the system; which are primarily that staff are paid on time and correctly; and that payments are recorded accurately and accounted for correctly	Some Improvement Needed	<p>The leaver form should be submitted by the leaver's line manager and a copy of the form should be held on the leaver's file. (M)</p> <p>A report of the total salaries overpaid and the reasons for the overpayment should be produced for review by the Payroll Manager. (M)</p> <p>A report of advances to staff should be produced for review by the Payroll Manager. (M)</p> <p>The Finance Team should review the various control accounts. Balances brought forward from previous years should be investigated/addressed. (M)</p>

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School Improvement Strategy (SIS)	The SIS, known as 'Every School a Good School' was introduced in April 2013. The provision of appropriate support and challenge to increase children's attainment levels is managed by Babcock International Group (B4S) through a joint venture partnership with SCC.	<p>Schools identified as 'Requiring improvement' via Ofsted ratings are subject to a programme of support and development to ensure improvement.</p> <p>B4S specify that schools categorised as Focussed Support Schools (FSS) should have improved over 6 terms (2yrs). The Auditor noted that schools are identified as FSS but could not determine when they became FSS. It is therefore unclear as to how the timescales are achieved if dates are not specified.</p>	Effective	In order to ensure that schools categorised as FSS improve within the required 2 year period, the date of their categorisation should be included in the school spreadsheet. This will assist the monitoring of performance. (M)





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Annex 1

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<p>Contract Monitoring – Children’s School and Families</p>	<p>Children’s Schools and Families (CSF) has 19 contracts that are specifically deemed to be ‘strategic and critical contracts’.</p> <p>The Auditor selected the following contracts to review: Virgin Care Services Limited; Hillcrest Care Limited (Orange Grove); Priory Trust and Radius Trust.</p>	<p>Overall, contract management arrangements in CSF for Virgin Care and Hillcrest contracts are satisfactory, with some scope for improvement.</p> <p>Hillcrest Care Services Ltd (Hillcrest - Orange Grove) is an Independent Fostering Agency (IFA) providing independent foster carers. It is apparent that the Contract manager has no details about the financial monitoring of this contract.</p> <p>SCC has in place contracts with Priory Trust and Radius Trust to provide SEND education services for children in need. The Auditor cannot provide assurance that adequate contract management arrangements are in place for the Priory and Radius Trust contracts.</p>	<p>Some Improvement Needed</p>	<p>CSF in liaison with Finance should implement a thorough financial monitoring process for the Hillcrest contract and proper price analysis should be undertaken for spot and block placements to ascertain if further block placements will provide better value for money. (H)</p> <p>Regular contract and financial monitoring processes with a focus on the higher cost for SEND education packages with Priory and Radius Trusts should be introduced to ensure value for money and quality is achieved and consistency across placements with the same level of assessed needs. (H)</p>

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Risk Management	<p>The Council's approach to Risk Management (RM) is set out in its Risk Management Strategy. The RM Plan provides an overview of the governance arrangements within the Council and defines the roles and responsibilities of officers and Members who are key in ensuring that governance arrangements support the aims and objectives of the Council.</p>	<p>The Council has sound governance arrangements in place for monitoring and reporting risks.</p> <p>Risk Management processes are embedded within the business planning cycle through periodic review of risks at strategic, directorate and service level. Responsibility for and ownership of risks and associated mitigation actions are recorded and reviewed by management at meetings.</p> <p>Training (facilitated through workshops, seminars and meetings) has been provided to Members, risk representatives and members of the Audit & Governance Committee during 2015/2016 to ensure that there is awareness of risk management across the Council and clear understanding of roles and responsibilities.</p>	Some Improvement Needed	There were no High or Medium Priority recommendations.

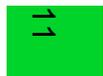


Completed Audit Reports (May - September 2016)

Annex 1

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Adult Social Care IT Solution Follow-up	<p>As part of the 2014/15 annual Internal Audit Plan a review of the Provider Portal was carried out and a position statement issued. Due to the potential risks highlighted in the report an additional review of the project was included in the 2015/16 audit plan</p> <p>The Auditor met with the Project Sponsor and Digital Information Officer to establish the progress made in the implementation of the project</p>	<p>While the phase 1 e-market place module was implemented on 5 May 2015 it remains that the phase 2 e-brokerage module has not progressed as planned. In August 2015 the project was put on hold to align the project with wider ASC IT systems. The project team reconvened in January 2016 and a review of project documentation indicates that neither the action plan nor the risk register have yet been refreshed.</p> <p>The effectiveness of the phase 2 e-brokerage module may be limited as only 300 of the 3600 ASC providers are registered on the e-market place module at this time.</p> <p>The implementation timescales for phase 2 are being revised. At the time of this review the service had not provided a revised implementation date.</p> <p>It is unclear if the envisaged benefits of; improving visibility of demand and supply and of accessing real time service availability information to make placements will be realised. The Auditor has made recommendations to support the project delivery but it may be appropriate to pause and consider whether further investment of resources in this project will reap any tangible benefits.</p> <p>Subsequent to the audit field work the Auditor has seen updated project documentation including: a project plan; milestone plan and a high level communication plan.</p>	Significant Improvement Needed	<p>The service should continue developing both a high level project plan and a supporting action plan to inform implementation of the phase 2 e-brokerage module. (H)</p> <p>The service should devise, document and implement a strategy to increase the number of providers registered on the e-market place module. (M)</p> <p>The service should refresh the risk register to include all significant project risks. Notable changes in project scope should also be reflected in the risk register. (M)</p>

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0-5 Health Visitors	<p>Children’s public health commissioning responsibilities transferred from NHS England to local authorities on 1 October 2015.</p> <p>The Auditor reviewed the arrangements for the transfer and continuation of the Health Visiting service. Contract monitoring meeting notes; budget and finance reports and service specification were examined to inform the audit.</p>	<p>Overall governance for the transition of the service was provided by the early establishment of the Transition Board. This enabled consultation between the CCGs; providers and from SCC representatives from: Public Health; Children’s and Early Years Services. The board has since disbanded.</p> <p>The service is reviewing the need and focus of a new board in light of the wider Child and Young Person partnership commissioning strategy. Currently governance is provided through the quarterly provider contract meetings.</p> <p>The recruitment and retention of health visitors is a recognised risk across all providers and as such is recorded in the service’s risk register.</p>	Effective	No recommendations were made





Completed Audit Reports (May - September 2016)

Annex 1

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Surrey Youth Centres- Governance and Business Management Arrangements	<p>In September 2014 the Cabinet approved the decision to commission a new Community Youth Work Service (CYWS) to support the Council's strategic goal of employability for young people.</p> <p>The Cabinet also approved the Outcomes Framework which is used as a tool to measure outputs in relation to achieving the strategic goal of employability.</p> <p>The change was effective from 1 April 2015 and responded to an overall funding reduction of 11%</p>	<p>The Quality Mark is an assessment tool used to measure the quality of youth work delivered at the youth centres. In the 2014/15 year under the managing agents arrangements three youth centres achieved a level 3 Quality Mark assessment. Since being brought in-house on 1 April 2015 a new Quality Mark assessment tool has been devised. At the date of audit (May 2016) - over 1 year and 1 month later - these assessments have not yet taken place.</p> <p>The Annual Report for Young People 2014/15 contains information on Centre Based Youth Work including data on attendance, hours of youth work delivered, average hours per youth and a narrative on performance, lessons learnt and recommendations. The Auditor scrutinised the backing data for accuracy and validity and found at least 368 (6.2%) records appeared to be duplicated, which means that the number of contacts reported is too high and performance is overstated.</p>	<p>Some Improvement Needed - (for governance and strategic arrangements)</p> <p>Unsatisfactory - (for business and management support arrangements)</p>	<p>The Annual Report for Young People could include a report of progress which aligns the delivery outputs at youth centres to the Outcomes Framework. (M)</p> <p>Youth centre session evaluation forms should include the Outcomes Framework as a minimum to ensure consistency over reporting on outcomes. (M)</p> <p>Delivery plans should link to the Quality Mark Framework and be seen to be contributing to the Outcomes Framework. (M)</p> <p>The service should make effective use of the available data through its data bank tools to maintain data integrity and eliminate duplicate data on attendance. (M)</p> <p>Financial information reported by the service should be validated for accuracy. Where a report includes financial information it is recommended the Finance Lead for Children and Young People should validate the data before it is presented to Local Committees. (H)</p>

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
<p>Surrey Youth Centres- Governance and Business Management Arrangements cont'd</p>	<p>On 23 September 2014 the Cabinet approved the decision to commission a new Community Youth Work Service (CYWS) to support the Council's strategic goal of employability for young people.</p> <p>The Cabinet also approved the Outcomes Framework which is used as a tool to measure outputs in relation to achieving the strategic goal of employability.</p> <p>The change was effective from 1 April 2015 and responded to an overall funding reduction of 11%.</p>	<p>A web based application to record attendance data at youth centres was developed in 2012 which was intended to work on a tablet style device called a BB Playbook. Due to technical issues the BB playbooks were replaced within 2 years by 56 mini Ipads. 57 of the decommissioned BB playbooks were not returned to IMT so there was no opportunity to recover any associated monetary value.</p> <p>Senior Practitioners and Youth Workers at Youth Centres were of the opinion that they did not receive sufficiently timely or detailed information to enable effective budget monitoring.</p> <p>The Auditor was concerned that there were not up to date inventories of assets held. This was particularly surprising in view of the service having been brought back in-house on 1/4/2016. Furthermore valuable assets had not been tagged as owned by the council.</p>	<p>Some Improvement Needed - (for governance and strategic arrangements)</p> <p>Unsatisfactory - (for business and management support arrangements)</p>	<p>Assets belonging to the Authority should be clearly identified and when no longer in use, should be returned to the Authority. (H)</p> <p>The service should present adequate information to budget holders to enable them to effectively monitor individual centre budgets. This should include income and expenditure transactions for each centre. (H)</p> <p>Compile an inventory of assets owned by the Community Youth Work Service. (H)</p> <p>Ensure assets are appropriately tagged and watermarked. (H)</p>



Completed Audit Reports (May - September 2016)

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Surrey Youth Centres- Governance and Business Management Arrangements cont'd	<p>On 23 September 2014 the Cabinet approved the decision to commission a new Community Youth Work Service (CYWS) to support the Council's strategic goal of employability for young people.</p> <p>The Cabinet also approved the Outcomes Framework which is used as a tool to measure outputs in relation to achieving the strategic goal of employability.</p> <p>The change was effective from 1 April 2015 and responded to an overall funding reduction of 11%</p>	<p>The Auditor's queries in relation to cash handling resulted in the discovery of significant irregular practices. As a result the Auditor is unable to provide assurance on the completeness of cash generated through youth centre activities.</p> <p>The Auditor performed searches online to determine the existence of any social media sites and websites related to Surrey's youth centres. Various websites and Facebook sites linked to the youth centres were found which were not set up in line with Surrey's guidance. These sites also included images of the young people.</p> <p>Appropriate signage advising of CCTV surveillance inside/outside the youth centres was not in place in all cases.</p> <p>During the 2015/16 financial year full time youth workers were issued with purchase cards to facilitate purchases related to centre based activities. Review of a sample of 20 transactions, found that VAT was not being correctly accounted for. The Authority was claiming VAT on non VAT-able purchases resulting in poor accounting practices.</p>	<p>Some Improvement Needed - (for governance and strategic arrangements)</p> <p>Unsatisfactory - (for business and management support arrangements)</p>	<p>Approve cash handling procedures and Business Support to ensure that guidelines are understood and applied in practice. (H)</p> <p>Regular management overview for cash handling to be implemented to ensure accountability over cash received at youth centres. (H)</p> <p>The service should provide clear procedure notes in relation to when consent should be obtained in relation to images of young people. (H)</p> <p>Ensure the closedown of all youth services-related websites and social media sites that do not comply with SCC guidelines. (H)</p> <p>Review the use of CCTV at sites to ensure compliance with the Data Protection Act and Information Commissioner's Office guidance. (H)</p> <p>Treat VAT correctly in relation to purchase card expenditure. VAT cannot be claimed without a valid tax invoice. (H)</p>

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<p>Surrey Youth Centres- Governance and Business Management Arrangements cont'd</p>	<p>On 23 September 2014 the Cabinet approved the decision to commission a new Community Youth Work Service (CYWS) to support the Council's strategic goal of employability for young people.</p> <p>The Cabinet also approved the Outcomes Framework which is used as a tool to measure outputs in relation to achieving the strategic goal of employability.</p> <p>The change was effective 1 April 2015 and responded to an overall funding reduction of 11% for Services for Young People.</p>	<p>Purchase cards were being used to pay for travel and subsistence expenditure by management contrary to the Rules and Guidance for the use of purchase cards. The Auditor is of the view that this could be avoided through correct use of the Portal for claiming such expenses. From a review of the organisational structure it was apparent that in some instances the responsible officer was not at a level to challenge expenditure of this nature incurred by more senior colleagues.</p> <p>The Auditor also noted that fuel costs for a vehicle were being paid for using a purchase card. In addition items ordered using an SCC purchase card were being delivered to personal addresses.</p> <p>A sample of 25, procure to pay items was randomly selected for by the Auditor for testing. Two invoices for £293.97 and £200 were queried as they appeared to be duplicates. It was found that a credit note has since been passed for the £293.97 and £200 had been paid to the wrong bank account as the bank details originally provided by the service were incorrect. To date the money has not been reclaimed.</p>	<p>Some Improvement Needed - (for governance and strategic arrangements)</p> <p>Unsatisfactory - (for business and management support arrangements)</p>	<p>Expenditure using purchase cards should be approved by officers who have the authority to challenge such expenditure appropriately. (H)</p> <p>Banking information provided by new suppliers should always be shared with the payments team on the supplier's headed paper. (H)</p>

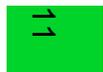


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<p>Gifts & Hospitality (Officers)</p>	<p>The Council's Code of Conduct and Gifts & Hospitality policies set out guiding principles for the acceptance / refusal and registration of any gifts or hospitality offered to any SCC officer or contractor.</p> <p>All gifts and hospitality, whether accepted or declined, must be registered in the Council's Gifts & Hospitality register. This was formerly paper based but moved to an electronic system powered by SurveyMonkey. There has since been a further change to a register hosted via the 'Surrey Says' website. The previous audit was in 2011 - in line with DCLG guidance, a review of officer Gifts & Hospitality compliance was included within the 'Fighting Fraud and Corruption' element of the 2016/17 Audit Plan.</p>	<p>There are no formal procedures in place for the validation or verification of disclosures made to the Gifts & Hospitality register.</p> <p>Data quality within the previous electronic gifts & hospitality register system was assessed as having been weak. Controls in the new system appear to have improved, but weaknesses were detected re non-mandatory questions and free text entry, which may impair data integrity.</p> <p>The policy identifies a paper version of the register for officers unable to access council IT systems. Testing revealed that no such records are requested or monitored centrally. Testing identified that this practice is prevalent across the SCC Children's Homes with limited evidence of this within ASC establishments / reablement teams. Analysis of the Gifts & Hospitality register from one establishment revealed significant concerns in terms of the value and nature of gifts received.</p>	<p>Significant Improvement Needed</p>	<p>Management should ensure that there are formal processes within HR which document roles, responsibilities and frequencies of the monitoring and verification of disclosures made. In addition, management should instigate sample checking of authorised disclosures to validate the authorisation given. (H)</p> <p>Management should review the current Gifts & Hospitality register (Surrey Says) to ensure that robust controls are in place in respect of data validity and completeness. (H)</p> <p>Management should review record-keeping arrangements at out-posted establishments to ensure that a designated officer has responsibility for inputting all applicable gifts & hospitality data to the central electronic register. Management should conduct a thorough review of all out-posted establishments to gain assurance that arrangements for the acceptance and authorisation of gifts received are compliant with SCC policy. (H)</p>

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<p>Gifts & Hospitality (Officers) – cont'd</p>	<p>The Council's Code of Conduct and Gifts & Hospitality policies set out guiding principles for the acceptance / refusal and registration of any gifts or hospitality offered to any SCC officer or contractor.</p> <p>All gifts and hospitality, whether accepted or declined, must be registered in the Council's Gifts & Hospitality register. This was formerly paper based but moved to an electronic system powered by SurveyMonkey. There has since been a further change to a register hosted via the 'Surrey Says' website. The previous audit was in 2011 - in line with DCLG guidance, a review of officer Gifts & Hospitality compliance was included within the 'Fighting Fraud and Corruption' element of the 2016/17 Audit Plan.</p>	<p>There is a lack of corporate guidance in certain key areas; procedures for customer-facing staff for receiving gifts from potentially vulnerable service users; whether acceptance of alcohol, 'luxury' items (e.g. perfume), or cash should be permissible. There was evidence of all of the above having been accepted by officers.</p> <p>The audit identified that current arrangements represent two areas of non-compliance with the Gifts & Hospitality policy; the register is not published on the SCC website, and there is no process for reporting disclosures to an appropriate Council committee.</p> <p>There is no requirement for officers to register an annual 'nil return' if not offered any Gifts & Hospitality, which is the expected control in such circumstances.</p>	<p>Significant Improvement Needed</p>	<p>As part of the wider review of the gifts & hospitality policy, management should consider including prescriptive guidance covering the following areas: - gifts from potentially vulnerable service users / relatives - gifts of luxury items to named individuals (e.g. alcohol / perfume) - gifts of cash. (M)</p> <p>Management should ensure that there is auditable evidence of compliance with aspects of the gifts & hospitality policy, specifically the requirement to publish the register online (to permit inspection by the public), and the requirement that the Chief Executive (or delegated officer) prepares an annual report covering G&H "to an appropriate committee of the Council for scrutiny". (M)</p> <p>Management should consider introducing a requirement for all officers to make a 'nil-return' if no gifts & hospitality have been received during the year to date. Management should consider the feasibility of introducing this through SAP in tandem with the realigned appraisal and performance management process. (M)</p>





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<p>Review of Property Asset Management System (PAMS) Income Module</p>	<p>The Works Delivery Module of PAMS which holds all financial and non-financial data on projects across Property Services and enables payments to be made via SAP interface has been operating for more than 2 years.</p> <p>Tenancy related payments and receipts are dealt with via the PAMS Estates Module (also referred to as PAMS Income Module) and it was decided to implement this module in two phases. Phase 1 was to upload tenancy data which was completed in Summer 2015 and Phase 2 was to develop the interfaces between PAMS and SAP and vice versa and 'go-live'.</p>	<p>The 'go-live' of Phase 2 has been delayed on numerous occasions in the last 12 months and at the time of the audit, no 'go-live' date had been set.</p> <p>The Orbis Partnership and the absence of a senior officer on maternity leave to lead the project resulted in either decisions not being taken in a timely manner or disagreements on proposed solutions remaining unresolved.</p> <p>The Senior Estates Surveyors look after the numerous property types that are leased in and out. The 'As is' process does not detail the flow of information in the form of a flowchart or the content of the information that needs to flow or the method of communication at each step which can be helpful to users.</p> <p>The current arrangements for monitoring customer accounts to keep track of debts outstanding for debt management is a very time consuming process and prone to inaccuracies.</p>	<p>n/a – position statement</p>	<p>The Chief Property Officer should nominate a member of his Senior Management Team as a priority to sponsor the implementation of PAMS rent interface going 'live'. The nominated officer should steer the consultation of all stakeholders impacted by PAMS Estates Module and provide resources and clear direction of travel by taking decisions to move the project forward. (H)</p> <p>The Estates Delivery Team should incorporate their written procedure notes to create a flowchart which will detail the flow of information between different services that are impacted by the creation of tenancies. (M)</p> <p>The Property Asset Management System (PAMS) Estates Module including the rent interface should be implemented as a priority to enable the council to maximise its property income generating potential and manage its debts effectively. (M)</p>

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<p>Review of Carbon Reduction Commitment (CRC) and Green House Gas (GHG) Emission Schemes</p>	<p>Surrey County Council (SCC) has a statutory responsibility to comply with the Government's CRC scheme.</p> <p>Property Services fulfil this obligation by undertaking numerous tasks such as maintaining energy information systems, purchasing energy units in advance at reduced rates, employing an independent reviewer to provide assurance etc.</p> <p>SCC is also required to publish an annual report of their GHG Emissions on their external website each year under the Single Data List. This informs Surrey residents of SCC's environmental stewardship and delivery on its sustainability policy.</p>	<p>The London Energy Project audit was completed in June/July and the CRC return was submitted to the Environment Agency on 20 July 2016, before the deadline of 31 July 2016.</p> <p>The carbon dioxide emissions were in keeping with expected emissions and the allowances purchased in advance enabled an annual saving of £36,825 to SCC.</p> <p>Payment made for purchasing CRC allowances in advance for 2016/17 and the acknowledgement from the Department for Energy and Climate Change (DECC) were completed in a timely manner. However, due to confusion, the payment of £400k was duplicated and subsequently recovered from the bank by SCC.</p> <p>One of the objectives of the Carbon and Energy Policy is to engage staff to be active in saving energy. However, the auditor found this to be not happening as is further evidenced by the findings of a current Premises Security audit across many council buildings.</p>	<p>Some Improvement Needed</p>	<p>Staff in Property Services and Procure to Pay Team should be reminded to follow the correct payment and business procedures and keep line managers informed of actions taken. (M)</p> <p>Property Services and Place and Sustainability Team within Environment and Infrastructure should actively raise awareness and communicate the implications (cost & reputation) of conserving energy for SCC and Surrey residents. (M)</p> <p>The methods used in raising awareness of energy saving should be recorded, reviewed and reported on a regular basis. (L)</p>



¹ Audit Opinions

Effective	Controls evaluated are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.
Some Improvement Needed	A few specific control weaknesses were noted; generally however, controls evaluated are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.
Significant Improvement Needed	Numerous specific control weaknesses were noted. Controls evaluated are unlikely to provide reasonable assurance that risks are being managed and objectives should be met.
Unsatisfactory	Controls evaluated are not adequate, appropriate, or effective to provide reasonable assurance that risks are being managed and objectives should be met.

² Audit Recommendations

Priority High (H) - major control weakness requiring immediate implementation of recommendation

Priority Medium (M) - existing procedures have a negative impact on internal control or the efficient use of resources

Priority Low (L) - recommendation represents good practice but its implementation is not fundamental to internal control