



## Audit of External Homes.

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## Audit Report Distribution

<b>Client Lead:</b>	Assistant Director of Children and Families Assistant Director of Commissioning
<b>Senior Manager:</b>	Director of Children and Family Wellbeing
<b>Others:</b>	Chief Executive Director of Business Transformation and Change Commissioning Manager Interim Senior Manager for Cared for Children – Care Experienced Young People and Children with Disabilities Group Accountant – Children’s Social Care and Education Programme Manager – Children and Family Wellbeing Service Manager – Safeguarding Hub (R2) IRO & LADO Service Manager (R5)
<b>Audit Committee:</b>	The Audit Committee, which is due to be held on 17 <sup>th</sup> September 2024 will receive a copy of this report.

Note: Audit reports should not be circulated wider than the above distribution without the consent of the Designated Head of Internal Audit.

## 1. Introduction

- 1.1 Section 20, Children Act 1989 specifies where it is not possible for a child to live with:
- a parent,
  - an individual with parental responsibility,
  - or where a child arrangement order is in force immediately before they were taken into care,
- local authorities must arrange for appropriate care.
- 1.2 In some cases, the lack of capacity within Cumberland or the complexities of the child's care needs mean it is not possible to provide in-house care, resulting in an external home.
- 1.3 Nationally, the demand and cost of such arrangements has increased, causing significant overspends on Local Authority budgets, with Cumberland being no exception. Nationally, numbers of children in external homes have steadily increased from 75,420 as of 31<sup>st</sup> March 2018 to 83,840 as of 31<sup>st</sup> March 2023<sup>1</sup>.
- 1.4 As of March 2023, 486 children were being cared for by Cumberland Council with 75 individuals in external homes. During Q2 2023 / 24, this peaked to 519 with 78 individuals in external homes. As of March 2024, the number of cared for children reduced to 481 with approximately 68 children in external homes. Whilst this still represents a significant pressure on the Cumberland budget, this demonstrates senior management are committed to, where appropriate, returning children and young people to a family setting, and where this is not possible and an external home is required, to reducing costs, and making further improvements with the aim to achieve 2024 / 25 efficiency savings.
- 1.5 This area has been extensively audited by the County Council including the Contract Management Arrangements for External Fostering Framework.

## 2. Audit Objective

- The review arrangements in place to ensure Council external homes provide value for money (VFM).

## 3. Audit Scope

- Accuracy, completeness, timeliness and approval of referrals.
- Management and regular VFM review of placed children.
- VFM is provided where external home contracts entered in to)
- Consideration of alternative options prior to external home.

## 4. Audit Limitations

- 4.1 There were no instances whereby the audit work undertaken was impaired by the availability of information. It is recognised that the practice audited during the timeframe is not necessarily reflective of current Cumberland Council practice due to changes made following disaggregation.

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<sup>1</sup> [Statistics: looked-after children - GOV.UK \(www.gov.uk\)](https://www.gov.uk/statistics/looked-after-children)

## 5. Assurance Opinion

- 5.1 Each audit review is given an assurance opinion intended to assist Members and Officers in their assessment of the overall governance, risk management and internal control frameworks in place. There are 5 levels of assurance opinion which may be applied (See Appendix C for definitions).

From the areas examined and tested as part of this audit review, we consider the controls operating within External Home Finding, provide **reasonable assurance**. As audit work is restricted by the areas identified in the Audit Scope and is primarily sample based, full coverage of the system and complete assurance cannot be given to an audit area.

## 6. Summary of Recommendations

- 6.1 There are two levels of audit recommendation; the definition for each level is explained in Appendix D. Audit recommendations arising from this audit review are summarised below:

Scope areas	High	Medium
<b>1. Accuracy, completeness, timeliness and approval of referrals</b> - (see section 7.1)	1	2
<b>2. Management and regular VFM review of placed children</b> – (see section 7.2)	1	1
<b>3. VFM is provided where external home contracts entered into</b> - (see section 7.3)	0	1
<b>4. Consideration of alternative options prior to external home</b> - (see section 7.4)	0	0
<b>Total Number of Recommendations</b>	<b>2</b>	<b>4</b>

- 6.2 Management response to the recommendations, including agreed actions, responsible manager (in either commissioning team or Children's directorate) and date of implementation are summarised in Appendix A. Advisory comments to improve efficiency and/or effectiveness of audited controls and process are summarised in Appendix B for management information. Completion of all actions will be followed up by Internal Audit on a regular basis.

### 6.3 Findings Summary (good practice / areas for improvement):

A number of changes have been made to the Children and Family Wellbeing Directorate during the audit period, including a new Senior Management team and a more focused approach on the Early Help model. Following a hosted arrangement, led by Westmorland and Furness for 2023/24, disaggregation of the Commissioning Services external home finding team took effect from the 31<sup>st</sup> March 2024.

Following disaggregation, the Commissioning team proactively identified a gap in their resources due to the split. Additional funding was sourced allowing recruitment of one extra Commissioning Assistant and an additional 'supervisory' role for the team.

Work is now ongoing between Commissioning and Children and Family Wellbeing to strengthen relationships and ensure collaborative working is successful with Commissioning now included in a number of key strategic groups such as Children's Home & Resources Panel, Corporate Parenting Board and various transformation groups.

Significant changes have been made since April 2024 with the team committed to making contractual efficiencies. Whilst value for money (VFM) should never be the primary concern when locating external homes for cared for children, it needs to be a serious consideration due to the extremely high cost.

The audit has made two high graded recommendations:

Management within the Children and Family Wellbeing Directorate should ensure **all** external home savings made during 2024 / 25 are recorded accurately and feedback to senior management on a regular basis. New concerns were raised during the audit with regards a reluctance from the Emergency Duty Team to locate external homes, deemed an emergency, after 5pm where the External Home Finding Team have commenced searches during the working day. Appropriate arrangements should be put in place, including an appropriate handover.

<b>Director of Children and Family Wellbeing comments</b>
Report contents are noted and the recommendations will be actioned.

## 7. Audit Findings and Recommendations

### 7.1 Accuracy, completeness, timeliness and approval of referrals.

- 7.1.1. Management within Children and Family Wellbeing Services confirmed a documented process is in place ensuring all external homes are approved prior to referral. Where urgent external homes require approval, changes in September 2023 saw the introduction of the Emergency Homes Panel to ensure sufficient scrutiny of the case is considered. A Terms of Reference is in place with only one panel held at the time of testing. Where cases follow this process, paperwork must be completed and provided to the panel prior to the scheduling of the case.
- 7.1.2. Following approval of home and referral from Children's Services, an external home finding search process is conducted by the Commissioning External Home Finding Team. A documented flowchart details the process to be followed. The flowchart is dated March 2018. Management confirm this process was reviewed ahead of LGR in 2022 although documented management arrangements have not been developed to demonstrate evidence of regular review and update.
- 7.1.3. No documented guidance is in place with regards the completion and checking of referrals to secure external homes. Commissioning management advised where referrals do not contain sufficient information, Commissioning staff work with Social Workers to improve the referral quality ahead of submission to Framework providers. Subsequently, testing of completed referrals confirms all relevant sections of the referral were completed with appropriate information around the child included (this is based on a sense check approach due to the lack of guidance).
- 7.1.4. When checking the quality of referrals, Internal Audit were advised the External Finding Team use their experience along with verbal training received to confirm quality. Following disaggregation of the service and the appointment of new staff, the development of proportionate and collaborative guidance would ensure sufficient and consistent information is included within referrals.

**Recommendation 1 – Development of proportionate and collaborative guidance which details referral content and includes document management arrangements in line with the Council's Managing your records guidance.**

- 7.1.5. Should a referral require returning to the social worker, Commissioning advised issues within the case management system can cause a disruption to referrals in the system, requiring social workers to recomplete the referral causing duplication of work. It has since been identified as an issue within ICS, which has been flagged to the Systems Team. No fix is currently available but could be resolved following the system split in August 2024. Management should ensure this is considered following disaggregation of the system.
- 7.1.6. The Commissioning External Home Finding team are not classed as an out of hours service. Where emergency external homes are required, documented guidance states the Emergency Duty Team (EDT) will pick up searches from 5pm. Where emergency requests are received late in the working day, work will be started by Commissioning including searches and target providers, but practically, is not always concluded by 5pm. If an external home cannot be located, EDT are reluctant to pick up these cases, but do undertake searches that are identified after 5pm, resulting in an inconsistent approach. This potentially

results in greater risk exposure to a delay in receiving care for individuals identified as requiring an external home in the afternoon.

**Recommendation 2 – Review and develop updated procedure guidance when emergency external homes are required.**

- 7.1.7. Timescales between approval to commence external home search and instigation of search are not monitored. In addition, timescales from provider approval to the social worker acceptance is not in place. Should this not be completed in a timely manner, this could cause drift and delay or loss of the external home.

**Recommendation 3 – Management consider a documented process to monitor timescales to commence external home searches and acceptance.**

**7.2 Management and regular VFM review of placed children.**

- 7.2.1. Significant changes have been made during and following the audit period with regards management reviews of cared for children and efficiency savings within the Children and Family Wellbeing directorate. Prior to January 2024, reported savings figures were not monitored or reported within the directorate, instead relying on Finance to track.
- 7.2.2. Work commenced in 2023 by Senior Management in Children Services and Commissioning to review **all** cared for children with a priority focus on those in high cost and bespoke packages of care. These initial reviews were completed in April 2024. As part of the transformation process, these reviews now continue through the Homes for Children and Resource Panel with management embedding this process in to current working practise.
- 7.2.3. The introduction of the Homes for Children and Resource Panel in March 2024 is a key control ensuring cases are overseen, external home suitability is challenged, with individual needs of Cumberland's cared for children and young people reviewed in conjunction with financial implications to the Council.
- 7.2.4. A terms of reference is in place with representation including senior management from Commissioning and Child Services, social workers, Health, Special Educational Needs and Disabilities (SEND) and Internal Homes present at meetings. The panel meets weekly and is chaired by Interim Senior Manager for Cared for Children – Care Experienced Young People and Children with Disabilities. Management confirmed the recent recruitment of Senior Manager – Corporate Parenting ensures resilience within the process should the Interim Manager be unable to chair. Minutes from meetings confirms scrutiny of each external home with the next review date documented for future meetings. Management are confident savings will be made as regular reviews of cases take place.
- 7.2.5. The 2023 / 24 budget included efficiency savings of £1.2m for the whole Children and Family Wellbeing directorate. As of 31<sup>st</sup> March 2024, savings achieved amounted to approximately £762,000 following changes in external homes as a result of the Cared for Children reviews. The financial sustainability audit undertaken during 2023/24 identified this savings figure was derived from information provided by a previous Finance Manager without a detailed plan identifying how savings could be achieved. A recommendation made as part of that audit proposed identifiable savings should have supporting

documentation to demonstrate if achievable, realistic and robust with appropriate scrutiny received prior to acceptance and approval. The audit also recommends regular reporting and monitoring of all efficiency savings.

7.2.6. As of Quarter 3 2023 / 24, the Children and Family Wellbeing directorate were £12.106m overspent, with Cared for Children external home costs accounting for £7.491m of this variance. Factors for this include bespoke arrangements due to a lack of complex needs sufficiency, an increased number of high value external homes and a high number of external residential packages in place.

7.2.7. For 2024 / 25, Children and Family Wellbeing have an efficiencies target of £9.9m with £7m to be achieved from Cared for Children. This equates to an estimated 24 children or young people leaving the Cared for Service with no further individuals entering the system during 2024 / 25. Work commenced between the service and Programme Management Office (PMO) in January 2024. It is clear there continues to be a focus on reducing costs by senior management. Whilst Commissioning have a system in place capturing savings achieved by cost negotiates and discounts, staff must ensure an arrangement is put into place ensuring **all** actual savings are recorded, regularly monitored and reported to senior management. As identified in the recent financial sustainability audit, management may also wish to consider dedicated resource to support the monitoring of efficiencies within major projects.

7.2.8. The Council is currently investing in additional assurance functions to improve monitoring of savings.

**Recommendation 4 – Put an arrangement in place to ensure all actual savings are recorded accurately and reported to senior management on a regular basis.**

7.2.9. An external consultant was commissioned in late 2023, supporting Cumberland Council in how to reduce the high cost of delivering support to individuals with complex needs (diagnosed illness, disability or sensory impairment requiring significant additional support on a daily basis), and advising on opportunities to attract funding from health partners offsetting the overall cost to the Council. Case reviews were undertaken; detailed desktop reviews for 25 cases where individual costs exceed £300,000 annually and high-level desktop reviews for a further 25 cases where a gross annual cost between £150,000 and £300,000 exist.

7.2.10. Following these reviews a number of recommendations were made to the Council with regards reducing costs, including:

- Sourcing alternative accommodation/homes for individuals,
- Discussions surrounding new or further contributions from health partners,
- Identification of Complex Needs Panel reviews.

As a result, 30% of the sample reviewed have since been revisited by the Homes for Children and Resources Panel since March 2024 demonstrating the ongoing need to review external home suitability for children and young people needs whilst the council improves VFM.

7.2.11. Whilst the Independent Reviewing Officer (IRO) service does not directly consider VFM, inclusion of them within the Children's Home & Resources Panel supports this by



confirming children and young people are in the correct external home for their individual needs. The IRO works collaboratively with the designated social worker, families and where relevant, other professionals to review the child or young person's case.

7.2.12. Care Planning, Placement and Care Review Regulations 2010 stipulates the Council is required to have a written policy regarding the way they will conduct reviews of children's cases. Regulation 33 specifies whilst care reviews can be completed at any point, reviews must be carried out within specific timescales. Testing confirms a written policy is in place with reviews carried out within appropriate timescales. Discussions with senior management indicates reviews have not been robust enough in assessing external home suitability for each child or young person. Senior Management within the IRO service have been proactively working with Children Services to improve the IRO service, with new working practises to be established and embedded. Management should ensure any changes made are reflected within written guidance.

7.2.13. The Children's Act 1989 specifies that whilst the Authority has to continue to provide some support, the duty to provide accommodation and maintenance ends at 18yr old. The Children (Leaving Care) Act 2000 introduced new requirements on local authorities to plan for cared for children so they have the support required to transition to adulthood. Concerns were raised throughout the audit that the transition from child to adult services is not as robust as required. Furthermore, the external review identified examples where Children's Services continued to pay for accommodation when not legally obligated to. Testing demonstrates the Homes for Children and Resource Panel are reviewing plans for those individuals now approaching 18 years old ensuring appropriate consideration is given to the transition to adulthood. Management should ensure transitional planning for children and young people aged 16+yrs is embedded in to care plans and reviewed on a regular basis by the IRO service and Social Worker.

**Recommendation 5 – Agree and implement a timeline to complete the new ways of working. Once implemented, management should ensure social worker and IRO practise is conducted in line with policy.**

7.2.14. External home costs are monitored within Finance with appropriate processes in place. Finance attend relevant Children and Family Wellbeing management meetings and the Children's Home and Resourced Panel to advise on costs and the impact on the Council budget. During this audit, the individual responsible for tracking costs left the authority and management must ensure this process remains consistent.

### 7.3 VFM is provided where external home contracts entered into.

7.3.1. Whilst social workers are committed to ensuring home are the most suitable, no consideration is currently given to the cost of the external home as the social care assessment is based solely on needs. As identified in 7.1.1, the current guidance within Children and Family Wellbeing directorate does not document how VFM should be considered at a practise level.

7.3.2. Until January 2024, whilst care and external homes were reviewed by social workers, new senior management within Children Services believed Commissioning were responsible to review VFM. Whilst Commissioning source external homes and comment on individual provider benefits, social workers have the professional expertise to evaluate the suitability of the external home for individuals. Senior management across both directorates are now further developing a collaborative culture, helping to ensure individual child needs are met, providing best value for the Council. Prior to disaggregation of the Home Finding Team, there were suggestions by Commissioning for both internal and external home finding teams to be integrated, thereby introducing this level of professional expertise across an integrated team. However, there was no appetite from Westmorland and Furness for this, preferring to end the hosting arrangement.

#### **Recommendation 6 – Put an arrangement in place to optimise external homes for individual needs and provide VFM for the Council.**

7.3.3. As of Section 22G, The Children Act 1989, Cumberland adopted the legacy Cumbria County Council Sufficiency Strategy which specifies how Cumbria intends to meet its sufficiency duty. This requires the Council “to take steps to provide, as far as reasonably practical, sufficient accommodation for looked after children within the local authorities’ area, that meets the need of the child and allows the child to live near their home”.

7.3.4. Whilst this policy is valid until 2025, the data and strategic objectives included would be representative of Cumbria. Governance arrangements linked with the strategy have also changed post local government reorganisation. Management are fully aware a strategy should be completed as a matter of urgency and in the interim have implemented a robust sufficiency statement.

7.3.5. When sourcing homes, frameworks are a key mechanism to help facilitate the commissioning of external homes for children and young people. The principal aim is to improve outcomes for children and young people and provide value for money through a regional approach to commissioning and managing external homes. Cumberland are part of several regional framework arrangement including the Northwest Residential Framework. In 2021, Cumbria County Council were invited to be part of the Lancashire Council Residential Framework; however, this did not progress due to concerns identified by Legal within the contract. When previously considered, Lancashire had more Cumbrian based providers compared to those registered on the Northwest Framework. Whilst Cumberland may have access to the provision available through the Lancashire Framework, it would be deemed “off contract” meaning costs are less transparent and due to supply and demand, difficult to negotiate

7.3.6. Conversations have taken place between Commissioning and Children Services regarding the development of a Cumberland Residential framework. Due to legislative differences

between England and Scotland such as needing the Court and child's consent to reside in Scotland, the inclusion of Scottish providers on the framework may not be recommended.

- 7.3.7. Where the Council are notified of new, independent provision opening within the Council area via Planning or Building Control, there is currently no communication process in place between the different Council departments. Whilst not all properties require planning permission, smaller properties would require a Certificate of Lawful Permission identifying potential provision. With Planning, Building Control and Commissioning in one unitary authority, an opportunity exists to build relationships and develop a suitable line of communication. Management may wish to investigate if new provision applications can be shared between Planning, Commissioning and Children Services and consider putting an arrangement in place.

### **7.4 Consideration of alternative options prior to external homes.**

- 7.4.1. During the audit, management in Children Services raised concerns around instances where vacancies within internal provision were unknown. A potential consequence would be a child is placed outside of the area in an external home costing the Council more money. The introduction of internal provision panel ensures management across Child Services, Internal Homes and Commissioning are aware of all internal vacancies, including explanations where vacancies do exist.
- 7.4.2. Management in Children Services further identified effective intervention at an earlier opportunity may prevent problems within families escalating to a point where statutory interventions such as cared for external homes are required. Following approval at Executive in December 2023, management are underway re-designing the early help offer available from the Council.
- 7.4.3. This includes developing connections with external partners, working collaboratively to support families within communities, redefining the Children and Family Wellbeing directorate structure and developing in-house family hubs in an attempt to prevent children at the edge of care entering the system at a later date. Although this is a long term-plan, this work may reduce the ability to make savings against the budgeted efficiencies.
- 7.4.4. Consideration to this change in working practise was reviewed by Overview and Scrutiny in January 2024. The Committee were asked to provide feedback on the initial design of the Family Wellbeing programme, provide any recommendations around engaging with local partners, communities and families and how the Committee wished to be kept informed on the development of the programme. An evidence-based report will be presented back to the Committee in September 2024, reporting the initial impact of the redesigned services in reducing high level service need.
- 7.4.5. An audit is to be undertaken in 2024 / 25 to consider this transformation programme in more detail.

## Appendix A – Management Action Plan

Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
<b>Recommendation 1</b> Development of proportionate and collaborative guidance which details referral content and includes document management arrangements in line with the Council's Managing your records guidance.	Medium	Processes not up to date.	Investigate training opportunities for Social Work and Commissioning staff. / End to end review of the process including the quality assurance process ensuring sufficient information is included.	Interim Senior Manager for Cared for Children – Care Experienced Young People and Children with Disabilities	30 <sup>th</sup> September 2024
<b>Recommendation 2</b> Review and develop updated procedure guidance where emergency homes are required.	High	Home identification is delayed. Increased costs.	Process to be reviewed with joint guidance issued.	Service Manager – Safeguarding Hub	30 <sup>th</sup> September 2024
<b>Recommendation 3</b> Management develop proportionate guidance to monitor timescales to commence home searches and acceptance.	Medium	Management are unaware of delays.	Following end to end process review, develop and introduce KPI's with regular reports received by Senior Managers.	Interim Senior Manager for Cared for Children – Care Experienced Young People and Children with Disabilities	30 <sup>th</sup> September 2024

**Summary of Recommendations and agreed actions**

Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
<p><b>Recommendation 4</b> Put an arrangement in place to ensure <u>all</u> savings are recorded accurately and reported to senior management on a regular basis.</p>	<p>High</p>	<p>Targeted savings are not achieved (financial sustainability).</p>	<p>Service, PMO &amp; Finance teams to develop a tracker to accompany the Children's Homes and Resources Panel - this will keep a record of the financial impact of planned changes to provision. Savings captured would be where reviews pose a direct change to the cost profile, i.e. not where business-as-usual process would dictate the change in cost (for example where a child is due to turn 18 and would therefore move out of the cared for service) Q1 monitoring will assess savings recorded to date and update management with progress / Regularity of and responsibility for onwards reporting to be discussed / Senior Management are reporting efficiencies to the Assurance and Efficiency Panel on a 3-weekly basis</p>	<p>Assistant Director - of Children and Families / Programme Manager – Children and Family Wellbeing / Group Accountant – Children's Social Care and Education /Interim Senior Manager for Cared for Children – Care Experienced Young People and Children with Disabilities</p>	<p>Implemented</p>

**Summary of Recommendations and agreed actions**

Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
<p><b>Recommendation 5</b> Agree and implement a timeline to complete the new ways of working. Once implemented, management should ensure social worker and IRO practise is conducted in line with policy.</p>	<p>Medium</p>	<p>Inconsistent working practise not in line with service expectations.</p>	<p>IRO Handbook to be updated to align with set practise standards.</p>	<p>IRO &amp; LADO Service Manager</p>	<p>31<sup>st</sup> December 2024</p>
<p><b>Recommendation 6</b> Put an arrangement in place to optimise homes for individual needs and provide VFM for the Council.</p>	<p>Medium</p>	<p>Cases are not robustly reviewed increasing costs for Child and Wellbeing directorate.</p>	<p>Homes for Children and Resource Panel now implemented.</p>	<p>Interim Senior Manager for Cared for Children – Care Experienced Young People and Children with Disabilities</p>	<p>Implemented</p>

## Appendix B – Advisory Comments

Ref	Advisory Comment
7.1.6	Consideration is given to reviewing issues with ICS following disaggregation of the system.
7.3.5	Management review the Lancashire Framework with Legal Services to reconsider the existing approach.
7.3.6	Management across Commissioning and Child Services explore collaborative working with neighbouring English authorities to implement a Cumbria based framework.
7.3.7	Management may wish to investigate if new provision applications can be shared between Planning, Commissioning and Children Services and consider putting an arrangement in place.

## Appendix C - Audit Assurance Opinions

There are five levels of assurance used; these are defined as follows:

	Definition:	Rating Reason:
<b>Comprehensive</b>	<p>There is a robust system of internal control designed to achieve service objectives.</p> <p>Risk Management processes are thorough.</p>	<p>The control framework is suitable, complete and consistently applied.</p> <p>Only minor advisory items have been identified.</p>
<b>Substantial</b>	<p>There is a sound system of internal control designed to achieve service objectives.</p> <p>Risk Management processes are advanced.</p>	<p>The control framework is suitable, complete and consistently applied.</p> <p>Recommendations made relate to minor improvements or tightening of embedded controls.</p>
<b>Reasonable</b>	<p>There is a satisfactory system of internal control, helping to ensure that service objectives are generally achieved. Some issues have been raised that may increase risk exposure.</p> <p>Risk management processes require some improvements.</p>	<p>The control framework is adequate. Some controls are ineffectively applied and/or insufficiently embedded.</p> <p>Any high graded recommendations relate to a limited aspect of the control framework.</p>
<b>Partial</b>	<p>There is an insufficient system of internal control, reducing the likelihood that service objectives will be achieved. Some areas are satisfactory but a number of weaknesses have been identified.</p> <p>Risk management processes are weak.</p>	<p>The control framework is ineffective and/or inconsistently applied. A significant level of error has been identified.</p> <p>High graded recommendations have been made, covering several aspects of the control environment.</p>
<b>Limited/ None</b>	<p>Fundamental internal control weaknesses have been identified exposing system objectives to an unacceptable level of risk.</p> <p>Risk management is ineffective.</p>	<p>Significant non-existence or non-compliance with basic internal controls, exposing the system to error and/or abuse.</p> <p>High graded recommendations have been made, covering significant aspects of the control environment.</p>



## Appendix D

### Grading of Audit Recommendations

Audit recommendations are graded in terms of their priority and risk exposure if the issue identified was to remain unaddressed. There are two levels of audit recommendations; high and medium, the definitions of which are explained below.

	Definition:
<b>High</b>	Significant risk exposure identified arising from a fundamental weakness in the system of internal control
<b>Medium</b>	Risk exposure identified from a weakness in the system of internal control

The implementation of agreed actions to Audit recommendations will be followed up at a later date (usually 6 months after the issue of the report).