

Sheffield City Region Mayoral Combined Authority (SCRMCA) & South Yorkshire Passenger Transport Executive (SYPTEx)

Capital Programme - Follow-Up

July 2020

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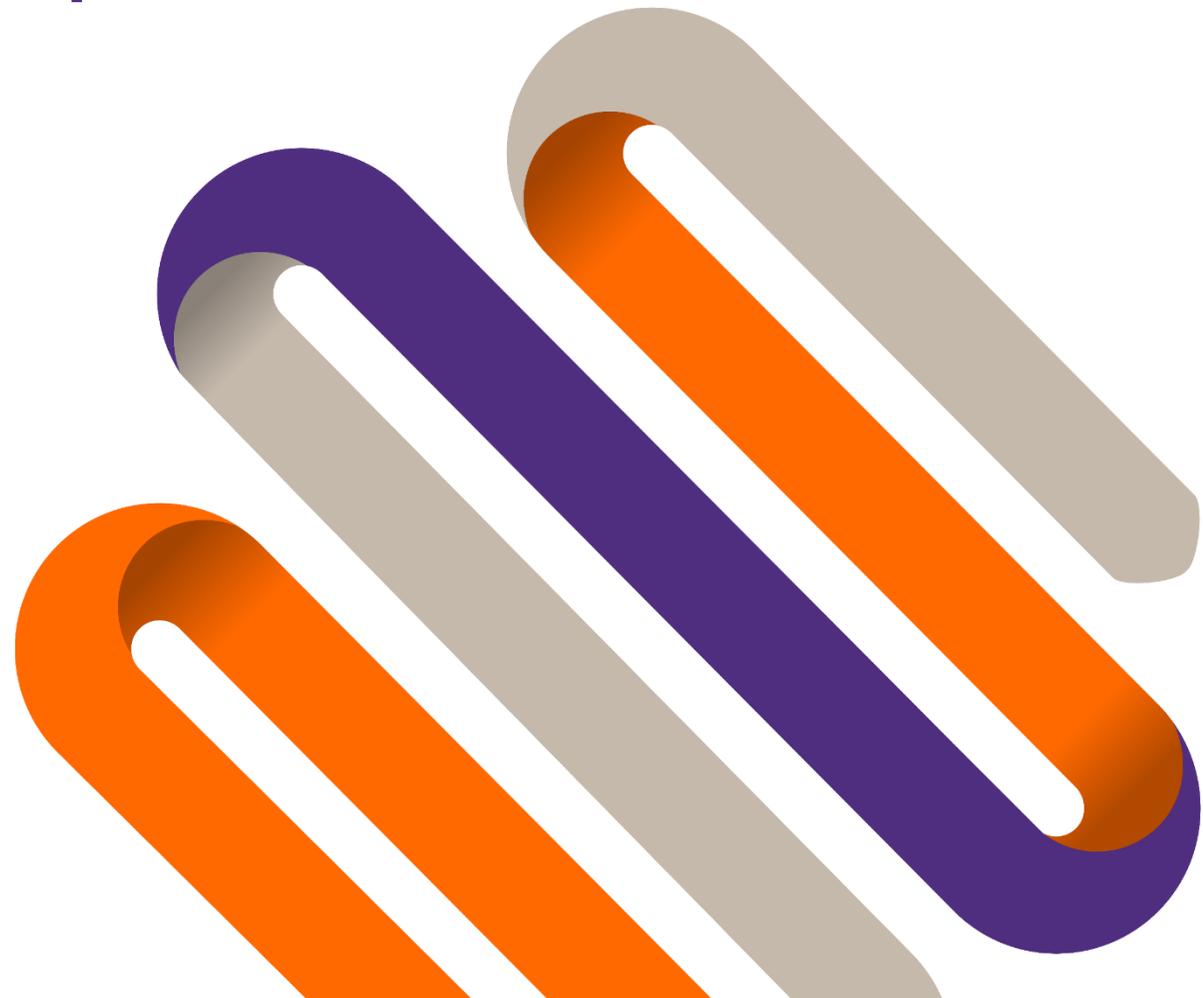
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Responsible Executives:

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It is the responsibility solely of the organisations' management and directors to ensure there are adequate arrangements in place in relation to risk management, governance, control and value for money.

Executive Summary

Background

South Yorkshire Passenger Transport Executive (SYLTE) is an executive body of the Sheffield City Region (SCR) Mayoral Combined Authority (SCRMCA) and is responsible for public transport in the Sheffield City Region which covers Barnsley, Doncaster, Rotherham and Sheffield City Councils. These four areas along with SYLTE form the Local Transport Partnership (LTP).

The South Yorkshire Transport Capital Programme covers the LTP and largely comprises funding from central government grants as below;

- Highways Capital Maintenance (HCM) (mainly carriageway resurfacing projects carried out by 3 of the 4 constituent member authorities). Funds are paid to SCR and distributed to Barnsley, Doncaster and Rotherham Councils. Priorities are set by the councils and SYLTE monitor the expenditure.
- Integrated Transport Block (ITB) (a range of schemes designed to meet local transport needs and priorities). An annual programme, approved by the Strategic Transport Group (STG) and SCRMCA is in place and managed by SYLTE.
- Transforming Cities Fund
- SYLTE's capital programme (covering both small and large scale projects)

Governance arrangements at SYLTE include the South Yorkshire Transport Delivery Group (TDG), an operational group accountable to the STG. The STG reports to the joint Transport Executive Board (TEB).

The TEB reports to the SCRMCA Transport Board (TB) a thematic board of the Combined Authority and to the SCRMCA Board.

A review of the SYLTE Capital Programme was undertaken by the previous Internal Audit providers, Barnsley Metropolitan Borough Council and a report issued in May 2019. A Limited Assurance opinion was reported and four "significant" (medium risk) actions and two "merits attention" (low risk) actions were agreed.

Objectives

The objective of our review was to provide an independent assessment of the extent to which the agreed actions have been implemented.

We achieved this objective by:

- interviewing key staff to gain an understanding of the actions agreed and progress of implementation.
- reviewing key documentary evidence and information.
- where appropriate, re-testing the operational effectiveness of key processes and controls.

Limitations in scope

Please note that our conclusion and opinion is limited by scope. It is limited to the areas outlined above. Other risks exist in this process which our review and therefore our conclusion has not considered.

Where sample testing has been undertaken, our findings and conclusions are limited to the items selected for testing. In addition, our assurance on the completeness of the declarations recorded in the register of interest is limited to the findings from our sample testing.

This report does not constitute an assurance engagement as set out under ISAE 3000.

Executive Summary

Conclusion

Significant assurance with some improvement required

Based on the progress made in the areas reviewed, we can provide significant assurance in respect of the progress being made to implement the six actions identified by the May 2019 audit.

Two low and one medium risk actions have now been implemented. One medium risk action is partially implemented and in progress of being completed. One is outstanding which relates to collating and reporting monitoring data for a completed scheme. Our opinion reflects that the two ongoing areas are not fundamental to and do not significantly affect the improved control environment that is now in place. Actions are expected to be completed by August 2020.

Progress

Four actions have been addressed;

- A full review has been undertaken of the programme management arrangements and a number of changes have been made to the governance arrangements and reporting lines. Reporting and oversight now takes place from the STG to the TEB, and through to SCRMCAs via the TB and to SCRMCAs Board.
- The Terms of Reference for the STG were reviewed and presented to the TEB in July 2019. Terms of Reference for the Asset Management and Maintenance Group (AMMG) have also been produced.
- The Capital and Revenue Monitoring Reports presented to the MCA by the SCR Executive team include a breakdown of the capital programme funding streams.

One action has been considered and subsequently rejected:

- The organisation has considered how the HCM programme is reported. Analysis on an individual project basis was assessed as impractical and would lead to an unreasonable management workload. Improved assurance on HCM expenditure is expected to be gained through changes to monitoring reports; rag-ratings against delivery will be reported from the end of July 2020 onwards.

Ongoing Actions

Two actions are ongoing;

- Monitoring data required for the Low Emissions Bus Scheme was provided by operators to SYPT's Programme Manager for Public Transport Investment; this is then submitted to Defra by SYPT. However, regular ongoing reporting has not been maintained in 2019/20.
- One action is partially complete as a standard template is now in use for the ITB project funding changes. However, the second element of the action remains ongoing as rag-rating HCM delivery / expenditure has not yet been included in progress reports to STG or in the Capital and Revenue Monitoring Reports presented to the MCA by the SCR Executive Team.

Summary of Progress

The table below summarises the progress made; more detail can be found at Appendix 1.

Risk	Actioned	Ongoing	Outstanding	Rejected
Medium	1	2	-	1
Low	2	-	-	-

Acknowledgement

We would like to take this opportunity to thank your staff for their co-operation during this internal audit.

Follow-Up Findings

R1 (1.1)	Medium	<p>Original finding</p> <p>A review of the Terms of Reference for the Strategic Transport Group (STG) confirmed that they had not been reviewed since March 2016 and were titled the Strategic Leadership Group, which the LTP Programme Manager confirmed was the previous name of that particular group. The Local Transport Programme Manager acknowledged that the Terms of Reference were out of date and that he intended to raise this at the next Strategic Transport Group meeting.</p> <p>No Terms of Reference could be provided for the Asset Management and Maintenance Group (AMMG). This group has responsibility for the programme management of the HCM and, therefore, the LTP Manager agreed to raise the lack of an agreed Terms of Reference at its next meeting.</p> <p>The Terms of Reference for the Programme Board, dated October 2018, were also not reflective of the change of title to the Project Board but did regularly refer to the Project Board throughout.</p> <p>In addition, the Programme Board's Terms of Reference requires that the SYPTE's draft Capital Programme is presented to it prior to the Management Board. However, there is no evidence of this being the case and therefore members have not had the opportunity to challenge and approve projects prior to Management Board approval. It is acknowledged that the Programme Support Officer stated that verbal updates are given at each meeting on the progress of the programme.</p> <p>Consequently, the lack of and/or updated Terms of Reference for the various Boards and Groups may result in a lack of clarity with regards to each forum's roles and responsibilities, membership and regulatory requirements.</p>	Actioned
		<p>Recommendation</p> <p>The Terms of Reference for the STG, Programme Board and Asset Management and Maintenance Group should be reviewed and approved by its members. Should the requirement to present the draft Capital Programme to the Programme Board for its challenge and approval remain, this should be complied with in future.</p>	
		<p>Management response</p> <p>In line with the MCA approved governance changes, the new Transport Board will agree any sub arrangements it wishes to see implemented. This may lead to a disbanding of some current groups or a repurposing of them, with clearer terms of reference agreed by the Transport Board of the MCA.</p>	
		<p>Responsible officer</p> <p>SCR Director of Programme Commissioning</p>	

Follow-Up Findings

<p>R1 (1.1)</p>	<p>Medium</p>	<p>Follow-up findings</p> <p>We confirmed that the Terms of Reference for the STG were reviewed in July 2019.</p> <p>They were presented to the TEB on 29th July 2019 as part of the Integrated Transport Block 2019/20 Programme Review paper. The minutes of this meeting recorded that the Board “noted” the draft terms of reference and although approval was not explicit, no proposed changes were minuted so we accept this as the Board’s acceptance.</p> <p>Review of the Terms of Reference confirmed that they include key areas such as purpose and role, duties, meeting conduct, voting, quoracy, and membership. Accountability is covered in the purpose and role section.</p> <p>As part of the review of the terms of reference, there were changes to the governance structure and reporting lines. The Programme Board has been disbanded and reporting is from STG to TEB, and through that to the TB and then the Combined Authority.</p> <p>Review of meeting minutes and monitoring reports presented at STG in April and May 2020 and at TEB in February and April 2020 confirmed the reporting lines between the two groups and level of detail in progress reports covering ITB and HCM.</p> <p>The Asset Management and Maintenance Group, responsible for managing HCM, is in place and meets quarterly. We confirmed that this group has up-to-date Terms of Reference in place (dated May 2020) which include the key elements such as membership, purpose, quoracy, meeting frequency etc.</p> <p>We confirmed that the draft 2020/21 programme for ITB and the allocations for the 2020/21 HCM were approved for submission of the programmes for inclusion in SCRMCA Finance’s Annual Transport Revenue Budget and Capital Programme report. Due to alignment of the timing of meetings, this was completed through written procedures. A draft of the programme was presented to STG on 15th November 2019 and submitted for written approval to TEB on 22nd November 2019 and confirmed to STG on the same day. Approval of the programme from the Chair of TEB was evidenced. Following agreement at the TB, the programme was presented to the Combined Authority who considered and approved the Capital Programme at its meeting on 27th January 2020.</p>	<p>Actioned</p>
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Follow-Up Findings

R2 (1.2)	Medium	<p>Original finding</p> <p>A review of the Capital Programme 2018/19 confirmed that all ITB schemes are listed, but that this level of detail is not incorporated for HCM programme. Consequently, there is a lack of clarity and transparency with regards to the full programme of schemes being endorsed by the Executive Board and approved by the Combined Authority (CA) at the start of the financial year. It is acknowledged that the focus and responsibilities of the Mayoral Combined Authority (MCA) on the overall capital programme may have increased during 2018/19, with the election of a Mayor and therefore greater detail may be required in future years.</p>	Rejected
		<p>Recommendation</p> <p>The detail included within the Capital Programme 2019/20 submitted to the Executive Board and the CA for approval should be considered in terms of provision of an increased breakdown of information for the HCM programme (i.e. scheme level).</p>	
		<p>Management response</p> <p>Consideration will be given how best to commission the HCM programme such that the new Transport Board can discharge its responsibilities to monitor the overall MCA transport capital programme.</p>	
		<p>Responsible officer</p> <p>SCR Director of Programme Commissioning</p>	
		<p>Follow up findings</p> <p>We confirmed by review of the minutes, that the Proposed 2020/21 Capital Programme was presented for approval by the Combined Authority at its meeting held on the 27th January 2020. This included the ITB and the HCM programme. Review of the paper and appendices identified that analysis is by project for the ITB (e.g. A6109 Meadowbank Road Cycle Infrastructure) and by category of spend (e.g. bridges, lighting) for HCM.</p> <p>The Director of Transport, Housing and Infrastructure (SCRCMA) confirmed that a review of how HCM is presented for approval has been considered. It was considered that to report at an intervention / scheme level rather than a category level would create a significant amount of additional work without providing any benefit. It was also considered that scheme-level analysis may also set a pre-determined expectation that may not be met given that the network asset condition is assessed on an ongoing basis and the delivery of the allocation re-defined in accordance with the results of this assessment. The resources are deployed where they are most needed and this detail is subject to continual changes as the condition evolves.</p> <p>It was therefore decided to continue to present the HCM programme for approval at category level. However, it was also agreed that quarterly monitoring and reporting would be enhanced to provide greater assurance with the addition of RAG rated performance and narrative with respect to HCM delivery / expenditure. Oversight and scrutiny will be provided through the STG to TEB, and subsequently to the TB and the Combined Authority. This has been reported as an ongoing action at 1.4.</p>	

Follow-Up Findings

R2 (1.2)	Medium	<p>Follow up findings continued</p> <p>We have considered the Authority's response and decision to reject the recommendation.</p> <p>We conclude that the level of information provided at category level to support approval of the capital programme is sufficient given the level of detail at scheme-level is subject to ongoing change following assessment of the network.</p> <p>We note that enhanced and improved quarterly reporting will provide the Executive and MCA assurance in respect to HCM performance, delivery and spend against allocations.</p> <p>We therefore accept the recommendation rejection, subject to the implementation of the ongoing action to enhance quarterly reporting.</p>	Rejected
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Follow-Up Findings

R3 (1.3)	Low	<p>Original finding</p> <p>A review of a sample of ITB Change Requests in relation to overall programme changes and/or spend allocated to particular schemes confirmed that there is no standard template for the author to complete, and that these are received in various formats (i.e. e-mail, spreadsheets etc). Consequently, the level of detail provided varies and the requests could be misinterpreted or missed. For example, an emailed request for a Rotherham scheme (R031 Connectivity) could not be evidenced within the change notes worksheet dated 7th December 2018 and had been incorrectly recorded against another scheme (R030).</p>	Actioned
		<p>Recommendation</p> <p>Consideration should be given to creating a standard template to be completed for all change requests. In addition, should these continue to be submitted by e-mail, a specific inbox could be utilised to minimise the risk of requests being missed and not actioned / the approvals not being recorded.</p>	
		<p>Management response</p> <p>A full review will be undertaken of the programme management arrangements, including whether work is integrated into the PMO function of the MCA.</p>	
		<p>Responsible officer</p> <p>SCR Director of Programme Commissioning</p>	
		<p>Follow up findings</p> <p>A standard template for ITB change requests has been implemented; we reviewed an example for the Sustainable Travel Access Fund. Change forms are collated by the LTP team and approved at the SYPTTE Transport Delivery Group (TDG), an operational group accountable to STG consisting of LTP managers responsible for delivering their council's programmes. Reporting to STG is by exception if changes affect other councils / overall funds.</p> <p>The ITB, together with the HCM, has historically been managed / monitored by the SYPTTE LTP team reporting to SCC. There has been a review of the programme management arrangements in order to ensure transparency, consistency, and greater control. From 1st April 2020, the LTP team reporting line changed to the Associate Director for Strategic Transport within the SCR Executive Team under the responsibility of the Combined Authority.</p>	

Follow-Up Findings

R4 (1.4)	Medium	<p>Original finding</p> <p>All update reports for the Capital Programme 2018/19 (ITB and HCM schemes) that are presented to the TDG, STG and the Executive Board report on the overall scheme totals only (i.e. they do not include a detailed breakdown of the funding carried forward from 2017/18 or elements of over programming). It was noted during the review that the CA's approval (March 2018) of the 2018/19 budgeted scheme totals was based on total funding available, i.e. not the element of over programming that has been included within the programme. Consequently, the reports are not consistent in terms of the figures provided/included, and this may result in a lack of opportunity to challenge progress made due to a lack of transparent and detailed information being made available. In addition, it was noted during discussions on site that the MCA do not consistently request information from the Local Transport Manager or the SYPTE Principal Programme Delivery Manager for inclusion within / confirmation of accuracy of figures reported in the quarterly reports.</p> <p>In addition, the HCM monitoring information does not provide for a RAG rated delivery report akin to that provided for the ITB funding. This would provide for more consistent and improved assurance and monitoring arrangements to evidence that the overall programme has delivered the planned outputs / outcomes.</p>	<p>Ongoing</p> <p>Revised implementation Date:</p> <p>31 August 2020</p> <p>Responsible Officer:</p> <p>Alex Linton LTP Programme Manager</p> <p>Executive Lead:</p> <p>Mark Lynam Director of Transport, Housing and Infrastructure (SCRMCA)</p>
		<p>Recommendation</p> <p>All reports relating to the ITB and HCM that are presented to the TDG, STG and Executive Board should provide for greater transparency and consistency in the level of detail provided (i.e. the figures in terms of including carried forward and over programming).</p> <p>The MCA Finance Team should request information from / confirm accuracy of information being reported to the CA with the Local Transport Manager and SYPTE Principal Programme Delivery Manager.</p> <p>In addition, the quarterly HCM related update reports should be developed to include a similar RAG rated delivery review report as that reported for the ITB.</p>	
		<p>Management response</p> <p>A per the management action noted at R3, a full review will be undertaken. The review will look at the level of reporting required to go to the new Transport Board and to the MCA via the Finance Team as a matter of urgency.</p>	

Follow-Up Findings

R4 (1.4)	Medium	<p>Responsible officer</p> <p>SCR Director of Programme Commissioning</p>	Ongoing
		<p>Follow up findings</p> <p>The ITB Proposed 2020/21 Capital Programme paper (January 2020) to the SCR/MCA Board confirmed that programme reports have been revised to identify allocations brought forward from the previous year and to exclude over-programming amounts to ensure consistency with MCA reporting.</p> <p>The LTP Programme Manager prepares the reports for STG and we confirmed (by review of email correspondence) that he provides input to the quarterly Capital and Revenue Monitoring Reports presented to the MCA Board covering the ITB and the HCM – this ensures consistency of reporting.</p> <p>We reviewed the 2019/20 Q2 and Q3 Capital and Revenue Monitoring Reports presented to the MCA Boards in November 2019 and January 2020 in addition to the quarterly report to STG in April 2020 to confirm that brought forward amounts are separately identified.</p> <p>The LTP Programme Manager is in the process of adding rag-rating and narrative with respect to HCM delivery / expenditure and expects to include this information in the next quarterly Capital and Revenue Monitoring Report. This additional analysis will be applied to the broad categories of spend.</p>	

Follow-Up Findings

R5 (1.5)	Low	<p>Original finding</p> <p>The CA quarterly report fails to breakdown the funding components of the total SYPTE capital programme. Consequently, the report is not fully transparent with regards the different funding mechanisms supporting the SYPTE capital programme.</p>	Actioned
		<p>Recommendation</p> <p>The quarterly report presented to the CA in relation to the SYPTE's Capital Programme should include a more detailed breakdown of the funding streams.</p>	
		<p>Management response</p> <p>This will be rectified in the first quarterly monitoring report of 2019/20, currently scheduled to be presented to the MCA at the end of September 2019.</p>	
		<p>Responsible officer</p> <p>SCR Director of Programme Commissioning</p>	
		<p>Follow up findings</p> <p>We reviewed the 2019/20 Q2 and Q3 Capital and Revenue Monitoring Reports presented to the MCA Boards in November 2019 and January 2020.</p> <p>We confirmed that they included a breakdown of the capital programme funding streams at Appendix 4.</p> <p>We confirmed with the Senior Finance Manager (SCRMCA) that this level of detail will continue to be reported in 2020/21.</p>	

Follow-Up Findings

R6 (1.6)	Medium	<p>Original finding</p> <p>The MCA has an agreement with the SYPTE (dated 23rd March 2018) to project manage the grant funding provided by the DfT for the Low Emissions Bus Scheme, with the SYPTE subsequently entering into separate agreements with their operators - First (dated 25th January 2019) and Stagecoach (dated 3rd December 2018).</p> <p>The agreements entered into with the operators includes (in schedule 2) a number of key milestone dates for provision of services that were prior to the agreements actually being signed. The agreements should originally have been executed by 28th February 2018, but delays were experienced due to a re-negotiation on some wording within the documents. It is acknowledged that discussions during this review confirmed that the operators had been working to the agreements and the vehicles were deployed on the streets in line with the key dates.</p> <p>The SYPTE Programme Support Manager stated that the Transport Research Laboratory are responsible for monitoring the grant funding on behalf of the DfT/DEFRA and that the format they require the information to be provided in (schedule 5 of the grant agreement) differs to that utilised by the operators (schedule 2 of their agreements). Therefore, no monthly or quarterly monitoring submissions have been provided to the MCA or Secretary of the State to date. It is acknowledged that the SYPTE are working with the operators, MCA and the DfT/DEFRA to negotiate a reporting format that is acceptable to all parties (i.e. minimises the time taken as schedule 5 requires information down to individual vehicle level). However, until an agreement is reached, there is a risk that funding could be withdrawn or clawed back due to a failure to provide the information required in the grant terms and conditions.</p>	<p>Ongoing</p> <p>Revised Implementation Date: 31 August 2020</p> <p>Responsible Officer: Louise Fannon, Programme Manager – Public Transport Investment (SYPTE)</p> <p>Executive Lead: Mark Lynam Director of Transport, Housing and Infrastructure (SCRMCA)</p>
		<p>Recommendation</p> <p>The SYPTE should continue to work with the operators, MCA and also DfT/DEFRA to agree the format of information to be reported as soon as possible. Upon agreement being reached, the information should be reported to all relevant parties in accordance with the agreed timescales.</p>	
		<p>Management response</p> <p>The SYPTE Programme Manager (Passenger Transport Information) will continue to work with operators and DfT/Defra to provide monthly / quarterly updates in a suitable agreed format.</p> <p>Consideration will also be given as to whether this project should be brought in scope of the review of programme management arrangements.</p>	

Follow-Up Findings

R6 (1.6)	Medium	Responsible officer SCR Director of Programme Commissioning	Ongoing
		Follow up findings This project (receipt of new buses) has been delivered, and there is now ongoing monitoring of fuel use, AdBlue, emissions etc. Operators have been provided a spreadsheet to record the required data which they return to SYPTE. SYPTE's Programme Manager for Public Transport Investment submits the results to Defra and we confirmed this by review of the return on 25 th June 2019. However, operators have not provided data to enable this submission since June 2019. Changes in management at one operator as well as recent pressures as a result of Covid-19 have impacted the ability to progress this action in recent months.	

Appendices

Appendix 1 - Our assurance levels

The table below shows the levels of assurance we provide and guidelines for how these are arrived at. We always exercise professional judgement in determining assignment assurance levels, reflective of the circumstances of each individual assignment.

Rating	Description
Significant assurance	<p>Overall, we have concluded that, in the areas examined, the risk management activities and controls are suitably designed to achieve the risk management objectives required by management.</p> <p>These activities and controls were operating with sufficient effectiveness to provide significant assurance that the related risk management objectives were achieved during the period under review.</p> <p>Might be indicated by no weaknesses in design or operation of controls and only IMPROVEMENT recommendations.</p>
Significant assurance with some improvement required	<p>Overall, we have concluded that in the areas examined, there are only minor weaknesses in the risk management activities and controls designed to achieve the risk management objectives required by management.</p> <p>Those activities and controls that we examined were operating with sufficient effectiveness to provide reasonable assurance that the related risk management objectives were achieved during the period under review.</p> <p>Might be indicated by minor weaknesses in design or operation of controls and only LOW rated recommendations.</p>
Partial assurance with improvement required	<p>Overall, we have concluded that, in the areas examined, there are some moderate weaknesses in the risk management activities and controls designed to achieve the risk management objectives required by management.</p> <p>Those activities and controls that we examined were operating with sufficient effectiveness to provide partial assurance that the related risk management objectives were achieved during the period under review.</p> <p>Might be indicated by moderate weaknesses in design or operation of controls and one or more MEDIUM or HIGH rated recommendations.</p>
No assurance	<p>Overall, we have concluded that, in the areas examined, the risk management activities and controls are not suitably designed to achieve the risk management objectives required by management.</p> <p>Those activities and controls that we examined were not operating with sufficient effectiveness to provide reasonable assurance that the related risk management objectives were achieved during the period under review</p> <p>Might be indicated by significant weaknesses in design or operation of controls and several HIGH rated recommendations.</p>

Appendix 1 - Our assurance levels (cont'd)

The table below describes how we grade our audit recommendations.

Rating	Description	Possible features
High	Findings that are fundamental to the management of risk in the business area, representing a weakness in the design or application of activities or control that requires the immediate attention of management	<ul style="list-style-type: none"> ▪ Key activity or control not designed or operating effectively ▪ Potential for fraud identified ▪ Non-compliance with key procedures / standards ▪ Non-compliance with regulation
Medium	Findings that are important to the management of risk in the business area, representing a moderate weakness in the design or application of activities or control that requires the immediate attention of management	<ul style="list-style-type: none"> ▪ Important activity or control not designed or operating effectively ▪ Impact is contained within the department and compensating controls would detect errors ▪ Possibility for fraud exists ▪ Control failures identified but not in key controls ▪ Non-compliance with procedures / standards (but not resulting in key control failure)
Low	Findings that identify non-compliance with established procedures, or which identify changes that could improve the efficiency and/or effectiveness of the activity or control but which are not vital to the management of risk in the business area.	<ul style="list-style-type: none"> ▪ Minor control design or operational weakness ▪ Minor non-compliance with procedures / standards
Improvement	Items requiring no action but which may be of interest to management or which represent best practice advice	<ul style="list-style-type: none"> ▪ Information for management ▪ Control operating but not necessarily in accordance with best practice



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