

## APPENDIX A

### Housing Capital Programme – 2016/17 Worcestershire Internal Audit Shared Service

Ref./ Priority	<u>Recommendation</u>	<u>Management Response and Action Plan</u>	<u>Position as at 15<sup>th</sup> February 2018</u>  <u>1<sup>st</sup> Follow up</u>	<u>Update January 2020</u>
4.1 H	<p><b>Housing Capital Programme</b></p> <p>Original records must be obtained and reviewed in conjunction with major works that have been completed to date to determine:</p> <ul style="list-style-type: none"> <li>*• works that have been completed</li> <li>• properties that require upgrades/improvements</li> <li>• the required budget to be included in the current 5 year programme (i.e. 2017 – 2021) and going forward to the 30 year plan ending 2041.</li> </ul>	No response was expected from this audit	<p><b>In progress</b></p> <p>A review was carried out on previous stock condition data held by the Capital Team. There was very little data held on component replacements with no robust strategy to replace major components with the housing stock that were either at their remaining life or in a very poor condition. The last meaningful stock condition survey was carried out by Savills in 2001. Savills were contacted and provided a copy of the document that they had compiled, However they did express concerns if this document was still being used as it was only initially intended for budgetary purposes only. The survey data did not hold data against individual properties and schemes that required improvement works.</p> <p>The Stock survey will collect a minimum of 20% data on the housing stock. This will provide a more accurate and</p>	<p><b>In Progress</b></p> <p>RIDGE LLP were procured to carry out a Stock Condition Survey in January 19.</p> <p>Phase 1 has been complete with 1272 surveys being completed. These consisted of blocks and independent assets. This represents a sample size of approximately 21%.</p> <p>Phase 2 of the project commenced on the 1<sup>st</sup> Oct 2019. We have currently surveyed the following stock including blocks as shown in the table below</p>

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[Red]			<p>meaningful picture of the housing stock and to reflect changes that have occurred e.g. end of decent homes standard and compliance with the Housing Health &amp; Safety Rating Standards.. Members have agreed funding of £150k from HRA capital to fund the stock condition survey.</p> <p>The stock condition will initially be completed on 20% of the housing stock ensuring a good representative sample of all archetypes has been surveyed and then will continue focusing on high risk properties.</p> <p>Reviews are being conducted on previous projects that have been completed to ensure that work has been completed to a satisfactory standard and that all necessary documentation in place. Once this review is completed the data will be uploaded into the new Asset Management system.</p> <p>We envisage the following to be completed on data collection</p> <p>20% to be surveyed by 31<sup>st</sup> March 2019 70% to be surveyed by 31<sup>st</sup> March 2020 100% to be surveyed by 31<sup>st</sup> March</p>	<table border="1" data-bbox="1809 279 2159 518"> <thead> <tr> <th>Asset Type</th> <th>Surveyed</th> </tr> </thead> <tbody> <tr> <td>Block</td> <td>601</td> </tr> <tr> <td>Bungalow</td> <td>521</td> </tr> <tr> <td>Flat</td> <td>1023</td> </tr> <tr> <td>House</td> <td>1557</td> </tr> <tr> <td>Maisonette</td> <td>11</td> </tr> <tr> <td><b>Grand Total</b></td> <td><b>3713</b></td> </tr> </tbody> </table> <p>This represents a sample size of approximately 63%</p> <p>Garages are currently being surveyed and a revised asset register has been compiled. The garages will be completed by the 21/2/20.</p> <p>Procurement requires early sight of planned works programme will ensure complaint contracts available for implementation.</p>	Asset Type	Surveyed	Block	601	Bungalow	521	Flat	1023	House	1557	Maisonette	11	<b>Grand Total</b>	<b>3713</b>
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4.2 H	<p><b>Budget Monitoring</b></p> <p>Consideration should be given to:</p> <ul style="list-style-type: none"> <li>• Creating annual orders to commit expenditure.</li> <li>• Routinely incorporating work in progress in to the budget monitoring process to minimise the scope for overspends</li> </ul>	No response was expected from this audit	<p>Until such time that we have robust plans to carry out planned capital works we will be reducing the spend on capital works and only carrying out necessary works following detailed surveys at properties and only where issues have been identified with meeting statutory legislation e.g. The Regulatory Reform (Fire Safety) Order 2005 and Control of Asbestos Regulations 2012.</p> <p>.</p>	
			<p><b>In progress</b></p> <p>The Senior Contract Manager confirmed that he had met with the Housing Accountant and a revised process for monitoring capital spend agreed</p> <p>Expenditure on capital projects is committed and provisions have been made to take account of work:</p> <ul style="list-style-type: none"> <li>• Ordered</li> <li>• In progress (WIP)</li> <li>• Completed but not yet invoiced</li> <li>• Completed and Invoiced</li> <li>• Paid</li> </ul>	<p><b>Implemented</b></p> <p>For financial year 18/19 and going forward orders for capital works were placed using the Councils eProc financial system.</p> <p>This allowed better monitoring of budgets and expenditure.</p> <p>New contracts were also procured through frameworks to ensure that all works ordered</p>

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			<p>The Senior Contracts Manager will be responsible for monitoring all capital works expenditure. In the interim whilst the new Housing Management System is being procured and mobilised, the Senior Contracts Manager will be using the financial system eProc and eFin to raise works orders which initially will be for multiple works against one project and contractor to better manage budgets and expenditure.</p> <p>Furthermore a new process of closing accounts on a quarterly basis is being developed by the Senior Contracts Manager and Finance. This will allow potential overspends to be better managed and also ensure that end of year accruals are minimised.</p> <p>This should ensure a more robust approach is followed.</p> <p>Changes to revenue spend is reliant on new Housing Management System.</p>	<p>complied with the Councils Procurement rules.</p> <p>Meetings were held with finance to ensure that expenditure was controlled and managed as per the budgets.</p> <p>No overspend on the budgets is envisaged for financial year 18/19.</p> <p>Procurement need a full list of contract for the contracts register, we still do not have this complete.</p> <p>Also housing need to ensure all orders detail which framework we are utilising.</p>

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4.3 H	<p><b>Budget Overspends</b></p> <p>When the budget has been reached it is practice to halt the works.</p> <p>However, it is not common practice to review the contract management arrangements. Failure to routinely do this will not determine if poor contract management was contributory factor in the budget level being prematurely reached/ exceeded.</p>	<p>Where expenditure levels are at or exceeded the budget, then it would be prudent to confirm the reasons for this as opposed to just slowing or halting the works.</p>	<p>See above</p> <p>Regular budget monitoring reports (are produced , circulated and monitored by senior managers and the Portfolio Holder.</p>	
4.4 H	<p><b>Property Database</b></p> <p>For the purposes of accuracy and to ensure that the housing stock is maintained in accordance with the Decent Homes Standard, it is recommended that a central database is established.</p> <p>SAFFRON would be the obvious choice for storing property related data. However it is accepted that this is an old version of the application and has limitations.</p> <p>It may be appropriate to consider an alternative solution which will provide a 'fit for purpose' system that can be relied on and provide the requisite management information that will assist good decision</p>	<p>No response was expected from this audit</p>	<p><b>In progress</b></p> <p>A new asset management system has been procured from Asprey Management Solutions Ltd.</p> <p>The asset management system will hold all relevant property information such as property archetype, ownership, status (i.e. sold or RTB) plus survey condition data, Decent Homes and Housing Quality Standard rules, local rules, installation dates, suggested replacement dates (based on survey data), planned replacement dates etc. This module allows an analysis of current and future positions in terms of</p>	<p>In Progress</p> <p>The new asset management system was procured in 2018 and is currently being developed in line with RBC requirements.</p> <p>The asset register is complete and a physical survey was carried out of all blocks to ensure we had the correct independent assets were attributed to the correct blocks.</p>

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	making and justifiable actions.		<p>Housing Quality standards, along with associated cost information, and via scenario planning, allows the user to determine the optimum route to reaching and maintaining the target level of decency/housing quality.</p> <p>The new system will also allow robust cost forecasting and budgeting for capital works, this can be done on a yearly basis or up to 30 years.</p> <p>The Senior Contracts Manager has been tasked with project managing the implementation of the new system. We envisage the system for initial data collection being in operation by Nov 18 and the full system operation from the 1<sup>st</sup> April 19.</p>	<p>The component register has also been completed detailing all the major components that will be collected during the stock condition surveys.</p> <p>We have also completed the component accounting schedule of rates which will inform RBC of the 30 year expenditure on the assets. The component accounting costs have also been verified externally and internally to ensure they are in line with industry costs.</p> <p>The rules and structures for Decent Homes, Housing health &amp; safety rating standard and RdSAP have also been completed.</p> <p>The system is live in an external environment and will be formally moved</p>

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				<p>over onto RBC servers once the garage surveys are complete.</p> <p>Work has also commenced on the other modules that we have procured, namely;</p> <p>Fire Risk Assessments Legionella Asbestos Electrics Gas Servicing Inspection &amp; Testing.</p> <p>The Senior Contracts Manager has been assigned as the Super User on the project and a team established to support the implementation of the modules.</p> <p>With the procurement of the new housing system this project has now been linked to the wider housing system project board to ensure that the</p>

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				<p>project is managed in line with other business critical areas.</p> <p>We are now hoping the system is fully implemented by 30<sup>th</sup> August 2020. This will be done through phased approach ensuring key modules are implemented first.</p>
4.5 H	<p><b>Contract extensions</b></p> <p>Contracts should only be extended in accordance with the Standard Terms and Conditions of the Contract and value for key must be a key driving factor.</p>	<p>No response was expected from this audit</p>	<p><b>Implemented</b></p> <p>Following the review of existing contracts and the suspension of all existing contracts subject to a full review a new process has been implemented to manage contract extensions.</p> <p>No contracts will be extended on the expiration date of existing contracts. All new procurement contracts have been procured in line with the Councils Corporate Procurement Procedure rules. Upon the anniversary of the contract expiration new contracts will have been procured ensuring that</p>	<p><b>Implemented/Ongoing</b></p> <p>All new contracts have been procured in line with the Councils Corporate Procurement procedure Rules via a number of frameworks. The contracts procured have been as follows</p> <p>Voids works. R&amp;M Works. Asbestos removals. Asbestos surveying. Fire Stoppage Works.</p>



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			<p>adequate time and resources are tasked prior to the contract end date allowing enough time to procure any new contracts.</p> <p>The Senior contracts Manager has been tasked with responsibility to procure all new contracts and also keep an up to dated register of contracts with start and end dates which are regularly reviewed with the Procurement Officer.</p> <p>If for any reason a contract cannot be sought in line with Corporate Procedure Rules then a report will be compiled by the Senior Contracts Manager and Procurement Officer which will then only be approved by the Head of Service and the Management Team. This process will only be used in exceptional circumstances.</p>	<p>Stock condition surveys. Structural Surveys. Fire Risk assessments.</p> <p>The following tenders are in the process of being procured</p> <p>Electrical works Electrical compliance Electrical Upgrades Equipment &amp; Adaptation Drains &amp; Sewers Whole House Works Cyclical Painting Cleaning Regular meetings are held between the Senior Contracts Manager and Procurement officer to review contracts.</p> <p>Contracts still out of date (cleaning) or no complaint contracts in places (waste).</p>

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4.6 H	<p><b>Work not exposed to competition</b></p> <p>This work should be exposed to competition without delay.</p>	<p>No response was expected from this audit</p>	<p><b>In progress</b></p> <p>During the initial audit it had been confirmed that work carried out in connection with aerial repairs had not been exposed to tender and there were questions being raised regarding the current providers qualification to do this work.</p> <ul style="list-style-type: none"> <li>This work has not been tendered but is being examined with a view to including the works within the electrical contract procurement as a separate Lot.</li> </ul> <p>Electrical contracts will be out for tender in November/December 2018. Industry standard specifications (NATFED) will be used (amended as necessary) for this purpose. These specifications are available under a subscription service and are updated to ensure all appropriate legislation, health &amp; safety requirements etc. In future all contract specifications will follow this format starting with the Electrical contract.</p> <p>All future tenders will ensure that appropriate trade qualifications or membership of a professional body will</p>	<p><b>Implemented</b></p> <p>All new contracts procured have select questions that are completed by the relevant tenderers which specifically look at competency of the contractor.</p> <p>These will involve qualifications, professional accreditations, references, industry experience and quality assurance systems.</p> <p>This will ensure only competent contractors bid for any works</p> <p>Robust procurement process for all new contracts. Use of frameworks where possible for full transparency.</p>

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			be requested and confirmed as part of the tender/evaluation process.	
4.7 H	<p><b>Contract Register</b></p> <p>Expired contracts must be tendered as a matter of urgency. Records held by both Procurement &amp; Housing should be reviewed to ensure information is consistent and appropriate action is taken to prepare for letting the contract.</p>	No response was expected from this audit	<p><b>In progress</b></p> <p>All contracts have now been reviewed and the Senior Contracts Manager along with the Procurement Officer will be updating and reviewing the register on a regular basis.</p> <p>The contracts register will also be uploaded onto the Corporate procurement system Due North which will ensure that automatic updates will be sent to robustly manage the process.</p>	<p><b>Implemented</b></p> <p>Training has been provided on the Corporate Procedure Rules and Financial Regulations to the Housing capital team</p> <p>Training was also delivered by Anthony Collins Solicitors on Contract Management.</p> <p>Contracts register is still not up to date with all contracts.</p>

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4.8 H	<p><b>Procurement training</b></p> <p>All staff engaged in the procurement process should be adequately trained.</p>	<p>Inexperienced staff should not be preparing specifications unless there is an adequate level of supervision.</p>	<p><b>In progress</b></p> <p>Training was provided to members of the Housing Capital team in May 2017 by the SCM.</p> <p>The Contract Group has identified council wide training to be delivered :</p> <ul style="list-style-type: none"> <li>• Contract Procedure Rules &amp; Fin Regulations – delivered with mop up sessions available</li> <li>• Contract Management Training – to be provided by HR</li> <li>• Mandatory Procurement Training has now been undertaken and lists of all who attended has been issued to HOS.</li> </ul>	<p>All training now undertaken and continue sessions to maintain knowledge.</p> <p>Training is taking place on Specifications and Scoring and Evaluation. Also we have Crown Commercial Services coming in February 20 to discuss Frameworks</p> <p>Further mop up general training provided to new starters/those who have not attended. Further sessions will be made available.</p> <p>New general training will be rolled out Autumn 2020 following process mapping work with Black Radley.</p> <p>Specification template now available.</p>

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4.9 H	<p><b>Contract Specifications</b></p> <p>There is no formal process in place that identifies key contract stages/requirements in the contract letting process e.g.</p> <ul style="list-style-type: none"> <li>• Specification</li> <li>• Advertising</li> <li>• Method of evaluation</li> <li>• Impact on other contracts</li> <li>• Liaison with procurement</li> <li>• Performance measures</li> </ul> <p>It is recommended for each contract a standard checklist is introduced that will help ensure that a disciplined approach is followed and, key elements have been identified.</p> <p>The checklist should also provide for management/senior officer review/sign off to provide assurance that key areas have been adequately addressed.</p>	<p>No response was expected from this audit</p>	<p><b>Implemented</b></p> <p>New processes have been developed to ensure that any procurement of contracts has fit for purpose specifications for the work required.</p> <p>All procurement for contracts has detailed timelines which identify key milestones along with named officers who are required in the process. As all procurement is now being viewed across the council this in turn will allow other departments who may use similar services to be part of the contract tender documentation. This negates the need to do multiple procurements for similar works ensuring a better streamlined process and value for money is being achieved.</p> <p>The Senior Contracts Manager is leading on this with support from the Procurement Officer to identify where procurement may overlap between different teams and departments.</p> <p>As mentioned in 4.7, contract specifications to be used in the future will now be standardised and up to date and available via a subscription service.</p>	<p><b>Implemented</b></p> <p>Contracts specifications have been re-done to ensure they are fit for purpose.</p> <p>Procurement of contracts now also include Public Buildings to ensure that duplication of works is avoided.</p> <p>We are currently holding training courses on Specification writing.</p>

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4.10 H	<p><b>Performance measures</b></p> <p>All contracts must include meaningful performance measures as indicated in the Contract Procedure Rules and be closely monitored as part of the overall contract management throughout the term of the contract.</p>	No response was expected from this audit	<p><b>Implemented</b></p> <p>A new suite of performance measures are in the process of being introduced on all new contracts</p>	<p><b>Implemented</b></p> <p>Use of frameworks provides robust performance measures mechanisms – checks needed to ensure these are appropriately monitored and used.</p> <p>No one is using the portal for contract management purposes.</p>
4.11 H	<p><b>Record retention/disposal</b></p> <p>Records must be retained as outlined in the procedure rules</p>	No response was expected from this audit	<p><b>Outstanding</b></p> <p>This is an area that has yet to be addressed by the Contracts Group and is now council wide and not restricted to Housing.</p> <p>A 'contract amnesty' was declared for the purpose of determining what contracts existed within the council</p>	The portal is still not up to date with contracts and documentation

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			<p>which are not recorded anywhere &amp; to establish an accurate position. This piece of work has been carried out by the Contract W and contracts have been identified. This is still an ongoing piece of work</p> <p>In the medium term council wide use of the procurement application DUENORTH will enable all records to be held both electronically and centrally.</p>	
4.12 M	<p><b>Resilience</b></p> <p>It is recommended that the issue of resilience is factored into the process when these contracts are let.</p>	No response was expected from this audit	<p><b>In progress</b></p> <p>The contracts specifically electrical are go to be let in lots i.e. specific type of work. This will allow specialists, small, and multi skilled suppliers to tender. This will also help to provide resilience in this area.</p>	<b>In Progress</b>
4.13 M	<p><b>Contract / Procurement Guidance</b></p> <p>Procurement documents should be reviewed to ensure that guidance is; sufficient, consistent and that responsibilities are clearly defined</p>	No response was expected from this audit	<p><b>Implemented</b></p> <p>The Contract Procedure Rules (CPR) &amp; the Financial Procedure Rules have been reviewed and came into force wef 1<sup>st</sup> April 2018.</p> <p>The audit report made specific reference to 'contract extensions' &amp; 'novations' but</p>	<p><b>Implemented</b></p> <p>We are looking at updating the orb and website with further helpful information and documents.</p> <p>New specification</p>

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			<p>neither appear in the revised CPR. However it is intended for these areas to be covered in the contract management training.</p> <p>Consideration was given to centrally locating all contract/procurement advice/documents etc. However it was felt that staff wishing to procure services should be encouraged to deal directly with the Procurement Officer that way there is a greater degree of certainty that advice given will be consistent and the scope for error minimised.</p>	<p>template and outcome of Black Radley process mapping</p>
4.14 M	<p><b>Procurement Unit</b></p> <p>It is recommended that the Procurement Officer liaises with Heads Of Service &amp; staff involved with contracts to gauge views and ideas to determine an effective partnership going forward</p>	<p>No response was expected from this audit</p>	<p><b>In progress</b></p> <p>The Procurement Unit is now within Legal Service's and forms part of the new Commercial Team that includes solicitors.</p> <p>The Procurement profile has now been raised by this move. The Business Plan Template also requires that Procurement is involved at an early stage.</p> <p>Other Services (e.g. Environmental Services) are ensuring that advice is</p>	<p><b>Implemented and Continuing.</b></p> <p>Process mapping work with Black Radley and procurements champions outcome now going to CMT to be signed off before roll out through new procurement training and suite of template documents.</p>



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			sought from Procurement prior to tendering.	
4.15 M	<p><b>Contract Conditions</b></p> <p>It should not be accepted that the Council will meet these costs and as such these clauses should not be routinely incorporated into contracts.</p> <p>Consideration should also be given to having shorter contracts as opposed to the five year contracts that have been let.</p>	No response was expected from this audit	<p><b>Implemented</b></p> <p>Confirmed with both HOLM &amp; SCM that future contracts will not provide for rpi increases.</p> <p>Again the use of a report will reinforce this requirement.</p>	<p><b>Implemented</b></p> <p>No RPI increases as per previous contracts have been provided in new contracts that have been procured.</p>
4.16 M	<p><b>Whistleblowing Policy</b></p> <p>It is recommended that at the time contracts are exposed to tender, prospective tenderers are given an extract of the policy along with all other documents and the Policy is made easily available on the Council's website to encourage action if wrong doing is considered present.</p>	No response was expected from this audit	<p><b>In progress</b></p> <p>The Whistleblowing Policy (Confidential Reporting Policy) was reviewed and approved by Council in July 2016. The Policy appears in the staff handbook which is also part of the Constitution which can be found from the web site.</p> <p>Due to the suspension of contracts this recommendation has yet to be fully implemented. Though this should occur with the tendering for the Minor Civils</p>	<p><b>In progress.</b></p> <p>Use of frameworks means procurement conducted by independent 3<sup>rd</sup> party organisations</p>

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			<b><u>1<sup>st</sup> Follow up</u></b> contract which is due for tender imminently.	

## APPENDIX A

### Definition of Priority of Recommendations

<b>Priority</b>	<b>Definition</b>
<b>H</b>	Control weakness that has or is likely to have a significant impact upon the achievement of key system, function or process objectives.  Immediate implementation of the agreed recommendation is essential in order to provide satisfactory control of the serious risk(s) the system is exposed to.
<b>M</b>	Control weakness that has or is likely to have a medium impact upon the achievement of key system, function or process objectives.  Implementation of the agreed recommendation within 3 to 6 months is important in order to provide satisfactory control of the risk(s) the system is exposed to.
<b>L</b>	Control weakness that has a low impact upon the achievement of key system, function or process objectives.

Implementation of the agreed recommendation is desirable as it will improve overall control within the system.