

Date: 15 October 2014

Item 10: Review of Health, Safety and Environment and Technical Audits

This paper will be considered in public

1 Purpose

1.1 The purpose of this paper is to inform the Panel of the outcome of a review carried out by Gordon Sellers, Adviser to the Panel, of the process followed by Internal Audit to plan and deliver Health, Safety and Environment (HSE) and Technical audits.

2 Recommendation

2.1 **The Panel is asked to note the paper.**

3 Background

3.1 Discussion of the Internal Audit papers at the March meeting of the Panel gave rise to an action whereby Jill Collis and Gordon Sellers undertook to liaise on the audit findings and Gordon Sellers would then feedback his findings.

3.2 As a result of this Gordon Sellers has carried out a review covering key elements of the process followed by Internal Audit to plan and deliver HSE and Technical audits. The work included review of a sample of audit reports that were issued during Q4 of 2013/14. The report setting out the findings from this review is included as Appendix 1.

3.3 Overall, the report concluded that the quarterly papers summarising the findings from HSE and Technical Audit Reports provide the Panel with appropriate assurance of TfL's health, safety and environmental management systems, subject to one recommendation and three concerns.

3.4 The recommendation and concerns, together with TfL's responses are set out in the following table.

Recommendation, concerns and TfL responses

<i>Recommendation/ concerns</i>	<i>TfL Response</i>
Recommendation: - When available around July 2015, the ORR Intervention Project report on 'Effectiveness of LU Safety Audits' should be presented to the Panel.	Agreed. The report will be presented to the Panel when it becomes available.
Concern: - The definitions of audit conclusions for Requires Improvement and Poorly Controlled do not make it clear that they include a judgement of the level of risk to TfL	Noted. We accept that the definitions do not explicitly state that they include a judgement of the level of risk to TfL, although we believe that this is implicit in the definitions. However, as part of our next review of our Audit Manual later in the year we will consider whether any changes to the definitions are required, and will report any such changes to the Audit and Assurance Committee and the Safety, Accessibility and Sustainability Panel.
Concern: - The detailed report of Internal Audit 13_736 (Implementation of Rule or Procedural Changes) suggests that, if it had been started in 2014/15, a likely audit conclusion of 'Poorly Controlled' might have been more appropriate than 'Requires Improvement'.	Noted. This report was issued before we started including overall conclusions in HSE and Technical audit reports. As such the 'requires improvement' conclusion was our assessment, after the event, of what the conclusion might have been. We still believe, taking account of all of the audit findings, that 'requires improvement' would have been an appropriate conclusion. However, as noted above, audit conclusions are necessarily a judgemental area and there will always be potential for differing opinions.
Concern: - Although many internal Audit themes are relevant to System Safety risk controls, the Panel does not receive formal assurance that all engineering and procedural risk controls are validated by Rail and Underground	Noted. This is provided by the TfL strategic risk assessment process, in addition to specific audits within the safety and technical audit programme that cover the strategic risks. The outcome from the strategic risk review is presented to the TfL Risk Committee. As part of the ongoing review of the strategic risk process consideration will be given how to update the Safety Accessibility and Sustainability Panel.

3.5 We would like to thank Gordon Sellers for the useful input to the audit process provided by his review.

List of Appendices to this Report:

Appendix 1: Review of HSE Technical Audits

List of Background Papers:

None

Contact Officer: Clive Walker, Director of Internal Audit
Number: 020 3054 1879
Email: clivewalker@tfl.gov.uk

Transport for London

Safety, Accessibility and Sustainability Panel

Date: 15 August 2014

Subject: Review of HSE and Technical internal audits

1 Purpose

- 1.1 The purpose of this paper is to inform the Safety, Accessibility and Sustainability Panel (the Panel) about a review of Internal Audit Reports related to Safety, Accessibility and Sustainability which were issued during Quarter 4 2013/14.
- 1.2 The panel is asked to note this paper.

2 Summary

- 2.1 This review was requested by the Panel at its meeting in March 2014, following a discussion of two papers on HSE and Technical internal audits.
- 2.2 Subject to the one Recommendation and three Concerns listed in paragraphs 8.2 to 8.5, I conclude that the quarterly paper 'Key Findings from Internal Audit Reports' provides the Panel with appropriate assurance of TfL's health, safety and environmental management systems.

3 Background

- 3.1 At its meeting on 19 March 2014, the panel requested Jill Collis (Director of Health, Safety and Environment) and me (Gordon Sellers – Adviser to the Panel) to liaise on the Internal Audit Findings and for me to feedback my findings.
- 3.2 The review was conducted under the Panel's Terms of Reference, which include '*To advise on issues relating to safety, accessibility and sustainability matters, in particular: health, safety and environmental policies, management systems, arrangements and procedures both to meet legal requirements and TfL policies, and to assess and control risks, also always having regard for all staff and members of the public including those with particular needs*'.
- 3.3 The review was relatively brief and was not conducted as a formal audit.
- 3.4 Information for this review has been provided by Jill Collis, Brian Schiff and Mike Shirbon (Audit Managers - HSE & Technical, TfL Internal Audit) and David O'Brien (the manager responsible for the Rail & Underground Strategic Risk Register).
- 3.5 A draft of this paper was issued to Jill Collis and Clive Walker (Director of Internal Audit) and their comments have been incorporated.

4 Outline of how the audit programme is set and managed

- 4.1 Jill Collis provided a useful outline of how the audit programme is set and managed (see Appendix 1). For audits starting from Quarter 1, 2014/15, the programme will include an 'audit conclusion' for each audit – Well Controlled / Adequately Controlled / Requires Improvement / Poorly Controlled, based on the definitions in Appendix 2.
- 4.2 The HSE & Technical audit programme is developed from the strategic risk registers with input from Directors, senior managers and key stakeholders from all areas of the business; the strategic risk owners (if different from the former); senior members of

the HSE team; and the internal audit team. The number of audits requested typically exceeds the resources of Internal Audit, so prioritisation is included in the planning process.

- 4.3 The Integrated Assurance Plan 2014/15 was presented to the Panel on 19 March 2014 (Agenda Item 8). Paragraphs 3.1, 4.21 and 4.22 describe how the plan was developed and give an overview of the plan for Health, Safety and Environment.
- 4.4 Separately one of the HSE & Technical Audit Managers advised me that internal auditors have a nationally recognised audit qualification e.g. International Register of Certified Auditors (IRCA) and International Institute of Chartered Auditors (IIA), in addition to various professional qualifications e.g. Chartered Member of the Institution of Occupational Safety & Health (CMIOSH), Chartered Engineer (C Eng), Member of the Chartered Quality Institute (MCQI) and Chartered Quality Professional (CQP). In terms of assuring the assurance, audit procedures are aligned with the IIA standards and TfL conducts an internal quality review of its performance against these annually and is subject to an external review (historically this has been by KPMG) every 3 to 4 years.
- 4.5 In addition to TfL's internal audits, I was told that the Office of Rail Regulation (ORR) assesses Rail & Underground against its Railway Management Maturity Model (RM3) over five-year control periods. RM3 currently has 26 elements and ORR currently rates TfL as maturity 3 out of 5. Because RM3 is designed for mainline railways, TfL has adapted it to better represent London Underground (RM3-TfL) and this has been accepted by ORR.
- 4.6 In March 2014 ORR commenced an Intervention Project 'Effectiveness of LUL safety audits', the aim being '*To establish and verify that LUL has effective arrangements in place for carrying out and/or commissioning health & safety audits that are based on risk; and that actions arising are implemented and monitored.*' The Intervention Project is due to be completed in May 2015 and a report will be included as part of an annual feedback to LUL in July 2015.
- 4.7 *Recommendation: when available around July 2015, the ORR Intervention Project report on 'Effectiveness of LUL safety audits' should be presented to the Panel.***
- 4.8 I conclude that the procedures for setting, managing and reviewing the internal audit programme for HSE and Technical Audits appear to be robust.

5 Comments on Priorities for Findings and Audit Conclusions

- 5.1 The priorities and audit conclusions are being applied to HSE & Technical internal audits which are started from Quarter 1, 2014/15.
- 5.2 The Priorities for Findings (see Appendix 2) are clear and distinct, ranging from Priority 1 (urgent management attention required), through Priority 2 (management attention required) and Priority 3 (potential for process improvement) to Good Practice (above what is normally expected).
- 5.3 The Audit Conclusions (see Appendix 2) for 'Well Controlled' and 'Adequately Controlled' are also clear and distinct, however those for 'Requires Improvement' and 'Poorly Controlled' have the same quantitative definition '*One or more Priority 1 issues, together with any number of Priority 2 and/or Priority 3 issues*'. The qualitative definition requires a judgement as to whether or not there has been a widespread breakdown in controls, but is not explicit that the Internal Audit team also (and sensibly) makes a judgement on the level of risk to TfL.

- 5.4 **Concern: The definitions of audit conclusions for Requires Improvement and Poorly Controlled do not make it clear that they include a judgement of the level of risk to TfL.**
- 5.5 I was concerned that line management might put pressure on auditors to report audit conclusions as 'Requires Improvement' rather than 'Poorly Controlled'; this is important because audits rated as 'Poorly Controlled' are escalated to a higher level of management. I was told that auditors do not experience significant pressure and I was provided with Internal Audit 13-755 'Signals Temporary Approved Non-Compliance (TANC) management for Signal Asset Planned Maintenance' issued 16th June 2014 with audit conclusion Poorly Controlled, so I am satisfied that audit conclusions are being reported as Poorly Controlled when appropriate.
- 6 **Comments on specific internal audits**
- 6.1 The audits reviewed were all issued during Quarter 4, 2013-14, and I selected them from the paper issued to the Panel on 15 July 2014, Item 12 'Key Findings from Internal Audit Reports'.
- 6.2 Internal Audit 13-752 Signals and Power Projects Delivery. The objective of this audit was "*To establish whether actions and lessons learnt resulting from a formal investigation into an incident at Plaistow have been embedded into management systems*". The audit was conducted by interviewing personnel, examining documents, visiting the stores and observing meetings. No audit conclusion was reported to the Panel as this audit was started in 2013/14. The findings in the 14-page report were overwhelmingly positive, with just three observations, but the improvements had only recently been implemented and were not fully 'bedded in', so the HSE & Technical Audit Managers told me that if this audit had been started in 2014/15 the conclusion would probably have been 'Adequately Controlled' – with which I agree.
- 6.3 Internal Audit 13-725 Bank Station Design Management and Co-ordination. The objective of this audit was "*To examine the design management and coordination processes to ensure that the output meets requirements*". The audit included 28 interviews and the examination of 106 'main documents'. Although not stated in the report, I understand that the project was still an early stage and that little or no work had commenced on site. Nine Business Improvement Actions, three Observations and one Good Practice Observation were raised in the 40-page audit report, but no Non-Conformances. The Actions were not prioritised (as they will be for audits starting in 2014/15). From the seven weaknesses summarised in the paper issued to the Panel and from reading the Audit Findings / Business Improvement Actions and Agreed Actions in the audit report, I would have expected the likely audit conclusion to have been 'Poorly Controlled'. However the audit manager for this audit told me that he and the auditor considered the overall findings did not represent a widespread breakdown in controls considering the early stage of the project and the other controls evidenced – hence the likely audit conclusion being reported to the Panel as 'Requires Improvement'; I accept this explanation.
- 6.4 Internal Audit 13-736 Implementation of Rule or Procedural Changes. After reading the paper presented to the Panel, Charles Belcher, the Panel Chair, was very concerned about this audit and its likely conclusion as 'Requires Improvement' when he felt that it should have been 'Poorly Controlled' because it described a violation of the LU Safety Certificate and Authorisation. The objective of this audit was "*To*

assess controls when making changes to rules/procedures" and the Summary of Findings in the paper read "The arrangements were found to require improvement: The LU Safety Certificate and Authorisation contains a commitment that the LU Management System will have arrangements for the communication of Operational Standards Notices and ensuring relevant staff understand them. The audit found that arrangements are not defined in the management system and as a result communication is ad hoc, reliant on the actions of individual managers rather than systematic. As a result improvement actions have been agreed to ensure documented arrangements are produced and implemented." (The Panel was told that all agreed actions were implemented very quickly). The report states that there were three Non Conformances, one Business Improvement Action, two Observations and one Good Practice identified as a result of this audit. The Panel was told (not by Internal Audit) that the violation was one of failing to document that Operational Standards Notices rather than a failure to communicate OSNs to staff and ensure that they had understood them. However the report clearly states that 'The Station Supervisors sampled [at smaller stations] confirmed that there are no one-to-one or team briefings to communicate the requirements of new OSN's issued'. Furthermore 'An incident occurred at [a small station] two weeks after OSN 112, 'Station Supervisor's actions when dealing with reports of trespassers on the track', was issued. This validated the fact that the OSN had not been communicated across the stations as there were issues highlighted. A 'Go Look See' by senior management confirmed the lack of implementation of the OSN'. Such a deficiency would have left TfL vulnerable to regulatory action had a serious incident resulted. The report was issued in December 2013 without an audit conclusion as this was not in use at the time. A retrospective indicative conclusion of Requires Improvement was applied several months after the completion of the audit, when all corrective actions had been closed, so I was told it would not be appropriate to reissue it.

- 6.5 **Concern: The detailed report of Internal Audit 13-736 (Implementation of Rule or Procedural Changes) suggests that, if it had been started in 2014/15, a likely audit conclusion of 'Poorly Controlled' might have been more appropriate than 'Requires Improvement'.**
- 6.6 Internal Audit 13-811 Asset Performance JNP Winter Preparedness. The objective of this audit was "To assess LU JNP arrangements for dealing with adverse weather conditions, in order to minimise the impact of any disruption to the railway" and the likely audit conclusion was reported to be 'Well Controlled' in the paper presented to the Panel. The audit included 25 interviews and the text mentions numerous documents reviewed but they are not listed. The 18-page audit report lists four Observations (each of which was resolved post audit) and four Good Practices. I agree with the likely audit conclusion of 'Well Controlled'.
- 6.7 Field Inspections. Each of the four internal audit reports that I had selected for review had little or no evidence of field inspections to verify that front line actions matched the auditors' findings from interviews and reviewing documents. I was told that extensive field inspections are made in appropriate cases. I briefly reviewed three internal audit reports (13-798 Flood Protection (Canning Town and Westminster) in JNP; 14-786 Track BCV HSE Management and Safety Critical Licensing; and 14-737 Geomount Limited (Supplier Quality Assurance)) and I am satisfied that these audits included field inspections.

6.8 Inconsistencies in audit report format. Some but not all audit reports listed the names and job titles of interviewees and the key documents reviewed, again some state after details of the Closing Meeting that *"all the findings were discussed and agreed"* which is useful even if implicit as an audit report is not issued until findings and actions have been agreed. I understand that HSE & Technical audit template is being updated to ensure consistency with other internal audits, including prioritisation of findings and audit conclusions. To encourage open discussions, it is intended that the names of interviewees should not be listed in future; I support that change, however it would be useful to include generic job titles.

7 **Comments on the range of themes for Internal Audit**

7.1 All 26 HSE & Technical Audits issued for Quarter 4 2013/14 relate to Rail and Underground, with none for Surface Transport. This was discussed at the 15 July 2014 Panel meeting where it was explained that Surface Transport does fall within Internal Audit's remit, although the volume of HSE & Technical audits is lower than for Rail and Underground. In addition Surface Transport carries out some audits of its own. It was agreed at the meeting that in future the Panel would receive summaries of key audits from business areas of TfL carried out by teams that are not managed by Internal Audit.

7.2 System Safety Management (measures to prevent major incidents such as derailments, head-on train collisions, fire in a deep underground station, platform overcrowding etc.) is clearly essential. This is covered under Catastrophic Risk in the Rail & Underground Strategic Risks register, where one of the Key Controls is listed as *'Maintain HSE accident and incident risk models and use to identify further improvements and monitoring of precursors'*. The corresponding Key Action is to *'Develop and deliver a programme of interventions to enhance HSE performance and improve HSE performance of smaller suppliers'*. Details of the specific hazards and risk controls are contained in the Quantified Risk Assessments which were described to the Panel on 19 March 2014. The HSE & Technical Audit topics listed in the Integrated Assurance Plan 2014/15 clearly include Personal Safety Management and Service Reliability. Although many key themes (such as track, signals and rolling stock) are relevant to System Safety Management, Internal Audit, given its finite resources, does not specifically assure that all the engineering and operational risk controls designed to reduce the risks to As Low As Reasonably Practicable (ALARP) are in place and working. However I was told that they are checked rigorously by Rail & Underground e.g. a 'Risk-Based Intrusion Assessment Tools User Guide' describes the use of the Level 1 and Level 2 tools developed by the then LUL Engineering Directorate in 2006 to determine requirements for maintenance and project activities being undertaken on LUL assets by Tube Lines, Metronet BCV, Metronet SSL, and other parties. There have been many organisational changes and system upgrades since then, also the data on which the guide is based are now at least eight years old, but I understand it is still considered a good guide for managing engineering risk controls.

7.3 **Concern: although many internal audit themes are relevant to System Safety risk controls, the Panel does not receive formal assurance that all engineering and procedural risk controls are validated by Rail & Underground.**

8 Conclusion, Recommendation and Concerns

- 8.1 Subject to the one Recommendation and three Concerns listed below, I conclude that the quarterly paper 'Key Findings from Internal Audit Reports' provides the Panel with appropriate assurance of TfL's safety, health and environmental management systems.
- 8.2 **Recommendation: when available around July 2015, the ORR Intervention Project report on 'Effectiveness of LUL safety audits' should be presented to the Panel.**
- 8.3 **Concern: The definitions of audit conclusions for Requires Improvement and Poorly Controlled do not make it clear that they include a judgement of the level of risk to TfL.**
- 8.4 **Concern: The detailed report of Internal Audit 13-736 (Implementation of Rule or Procedural Changes) suggests that, if it had been started in 2014/15, a likely audit conclusion of 'Poorly Controlled' might have been more appropriate than 'Requires Improvement'.**
- 8.5 **Concern: although many internal audit themes are relevant to System Safety risk controls, the Panel does not receive formal assurance that all engineering and procedural risk controls are validated by Rail & Underground.**

List of Appendices to this Paper:

Appendix 1 – How the audit programme is set and managed

Appendix 2 – Definitions of Priorities for Findings and Audit Conclusions

List of Background Papers:

- Subordinate Bodies of TfL <http://www.tfl.gov.uk/cdn/static/cms/documents/tfl-subordinate-bodies.pdf> (pages 13-14 describe the Panel and its Terms of Reference)
- Integrated Assurance Plan 2014/15 (Agenda Item 8 for the Panel Meeting on 19 March 2014)
- Project Intervention Plan: Effectiveness of LUL Safety Audits, Office of Rail Regulation (ORR), issued 1 April 2014
- Key Findings from Internal Audit Reports (Item 12 for the Panel Meeting on 15 July 2014)
- Internal Audit 13-752 Signals and Power Projects Delivery
- Internal Audit 13-725 Bank Station Design Management and Co-ordination
- Internal Audit 13-736 Implementation of Rule or Procedural Changes
- Internal Audit 13-811 Asset Performance JNP Winter Preparedness
- Internal Audit 13-755 Signals TANC management
- Internal Audit 13-798 Flood Protection (Canning Town and Westminster) in JNP
- Internal Audit 14-786 Track BCV HSE Management and Safety Critical Licensing
- Internal Audit 14-737 Geomount Limited (Supplier Quality Assurance) Draft B
- Rail & Underground Strategic Risks July 2014
- Risk-Based Intrusion Assessment Tools User Guide, Issue 01, April 2006

Contact: Gordon Sellers, External Adviser to the Panel (until 30 September 2014)

Number: 07775 601320

Email: gordon@gordonsellers.co.uk

Appendix 1 – How the audit programme is set and managed

From: Collis Jill [mailto:Jill.Collis@tube.tfl.gov.uk]

Sent: 27 June 2014 12:18

To: 'gordon@gordonsellers.co.uk'

Subject: action relating to the key findings from Internal audit reports

Gordon,

In relation to our action on reviewing the key findings from internal audit reports, I have presented below a reminder of how we plan for the audits and how we then manage the programme to help set the context.

Developing the programme

- The audit programme for the forthcoming financial year is finalised in February each year. This is linked to the strategic risk register and our strategic goals. This is so we can gain assurance that the strategic risks are well controlled and any associated improvement programmes are progressing to reduce these risks (where this activity has been identified as some risks are already categorised as low or very low).
- The programme has flex in it to accommodate any additional audits that may be identified as the year progresses.
- The audit programme is developed with input from Directors, senior managers and key stakeholders from all areas of the business and with the strategic risk owners, (if different from the former). This includes senior members of the HSE team for the HSE audits.
- The audit programme is approved by each of the operational boards in TfL.
- The programme for 2014/15 was included on the agenda at the last Safety, Accessibility and Sustainability panel meeting held in March 2014 for noting.

Audit Findings (HSE audits focussed on as this is the remit of the Safety, Accessibility and Sustainability Panel)

- The summary of the audit findings are only published once all Findings have agreed actions in place. Hence all the audits in a published summary will have associated action plans
- Each audit has a senior manager as a sponsor, who the auditor provides the audit report to and escalates any issues e.g. with completing actions
- The HSE Team also receive a summary of the audit findings each period
- A weekly summary of outstanding HSE and Technical actions, which includes details of the action, the action manager and due date is sent to senior managers, including Directors each week to provide visibility of action close out. Actions are categorised as Outstanding, Non-Conformances and Business Improvement Actions.
- Starting in 2nd Quarter 2014/15, a summary of overdue actions will be provided to the Rail & Underground Directors at their Rail and Underground Operational Meeting.
- The HSE and Technical audit findings are reported every 4 weeks to the Value & Sustainability Programme Board (a sub-group of the Rail & Underground Board) – in a similar format to that provided for the Safety, Accessibility & Sustainability Panel, but obviously the Panel summary is a quarterly one. The programme board has Rail and Underground board members sitting on it, with other relevant senior managers.

Here the audit findings are reviewed and challenged as necessary to provide assurance risks are being managed.

- From 1st Quarter 2014/15, the HSE and technical audits are now reported on in the same format/style as other TfL audits i.e. the audit findings are summarised as being either Well Controlled/Adequately Controlled/Requires Improvement/ Poorly Controlled. (This is a development since the last summary was provided to the Panel)
- Once a year towards the end of the year a review of the audits undertaken in the year is carried out. The purpose of this is to read across all the audit findings to see if there are any common trends that need more strategic actions.

March Panel Audit Report

- Paragraph 2.2 of the report provided to the last Panel highlights the most significant audit reports issued in the last quarter (going forward if any audits were poorly controlled these will definitely be included in this section and all audits will have their categorisation against them i.e. well controlled / adequately controlled / requires improvement / poorly controlled). Details of all the audits issued are included in the appendix
- Paragraph 2.2 should give the Panel assurance that risks are being Controlled or actions are in place to mitigate/remove weaknesses. The audit findings should also be assisting in helping with continual improvement in the area being audited.
- If there was an area of particular concern which meant we should be very worried and escalation was required this would be highlighted in the main body of the audit report. (in addition to this having been escalated at the time of finding it). In this report no such concerns are highlighted
- Secondly section 2.2 should provide assurance the audit findings are being addressed.
- Appendix 1 – this is set out linking each audit to the strategic area of the business it relates to for example the first audits listed consider the risk around 'Delivery of the Capital Investment Portfolio and Contract Management'.
- Having reviewed the report again – I think we could strengthen it by mentioning in the introduction how many audits that were originally planned did not occur and why, and how many additional audits took place and why – this would allow the Panel to highlight any concerns.

Regards, Jill Collis – Director of Health Safety Environment

Appendix 2 – Definitions of Priorities for Findings and Audit Conclusions

These definitions were supplied by Brian Schiff, Audit Manager - HSE & Technical - TfL Internal Audit.

Table 2.1 Priorities for Findings

Level	Description
Priority 1	Significant weakness(es) in the control environment which, if not addressed, have the potential to undermine the achievement of key corporate and/or business area objectives. These weaknesses require urgent management attention.
Priority 2	Other control weaknesses that are less significant, but nonetheless have the potential to threaten the achievement of corporate and/or business area objectives. These weaknesses require management attention.
Priority 3	Whilst not necessarily a control weakness there is potential for process improvement by, for example, ensuring compliance with good practice, increasing process efficiency, identifying areas of 'over control', or strengthening the overall control environment by building upon the existing controls.
Good Practice	Controls, practices, processes etc. judged to be above what is normally expected

Table 2.2 Audit Conclusions

Audit Conclusion	Internal Audit Manual Description
Well controlled	Only to be given in circumstances where there are no issues to report, and the auditor / manager feels it appropriate, a conclusion of well controlled may be reached.
Adequately controlled	No Priority 1 issues, usually two or three Priority 2 issues and/or any number of Priority 3 issues. Control systems are effective but some opportunities to strengthen the control environment have been identified.
Requires improvement	One or more Priority 1 Issues, together with any number of Priority 2 and/or Priority 3 issues. In this situation, the control environment is generally not effective, although there has not been a widespread breakdown in controls
Poorly controlled	One or more Priority 1 issues, together with any number of Priority 2 and/or Priority 3 issues. Issues are of a nature that indicates a widespread weakness in control or a basic lack of control in the area under review.