

Walsall Council

Internal Audit Progress Report 2022/23

Audit Committee – 2 March 2023

Prepared by: Mazars LLP

Date: February 2023



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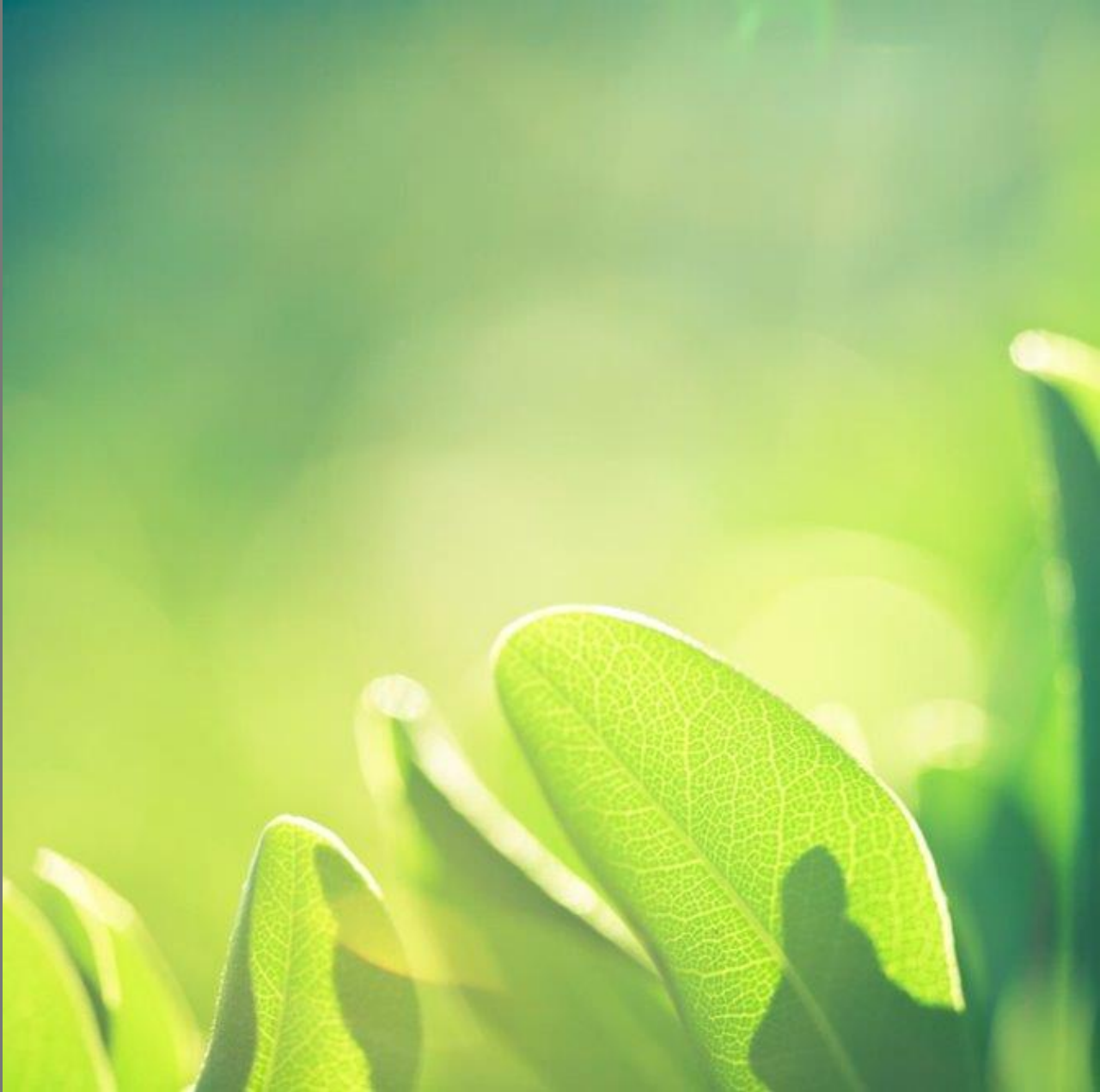
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Status of our Reports

Disclaimer

This report ("Report") was prepared by Mazars LLP at the request of Walsall Council and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

The Report was prepared solely for the use and benefit of Walsall Council and to the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk. Please refer to the Statement of Responsibility on the final page of this report for further information about responsibilities, limitations and confidentiality.



01

Section 01: **Introduction**



Introduction

This progress report to the Audit Committee covers the work carried out since the last audit committee by Mazars LLP.

The 2022/23 audit plan was agreed at Audit Committee in February 2022 and the Strategic Risk Register informed the audits included in the plan. Due to the Council's blended way of working, we will adapt our approach to ensure that front line services are not impaired by our work, but we must continue to assure members and management that risks are being managed effectively.

The Internal Audit Standards Advisory Board has developed guidance to support both heads of internal audit and individual auditors working in the UK public sector and we will be complying with this guidance in all of our work.

The vast majority of audits completed continue to be carried out remotely and the audit scopes are designed with that in mind.

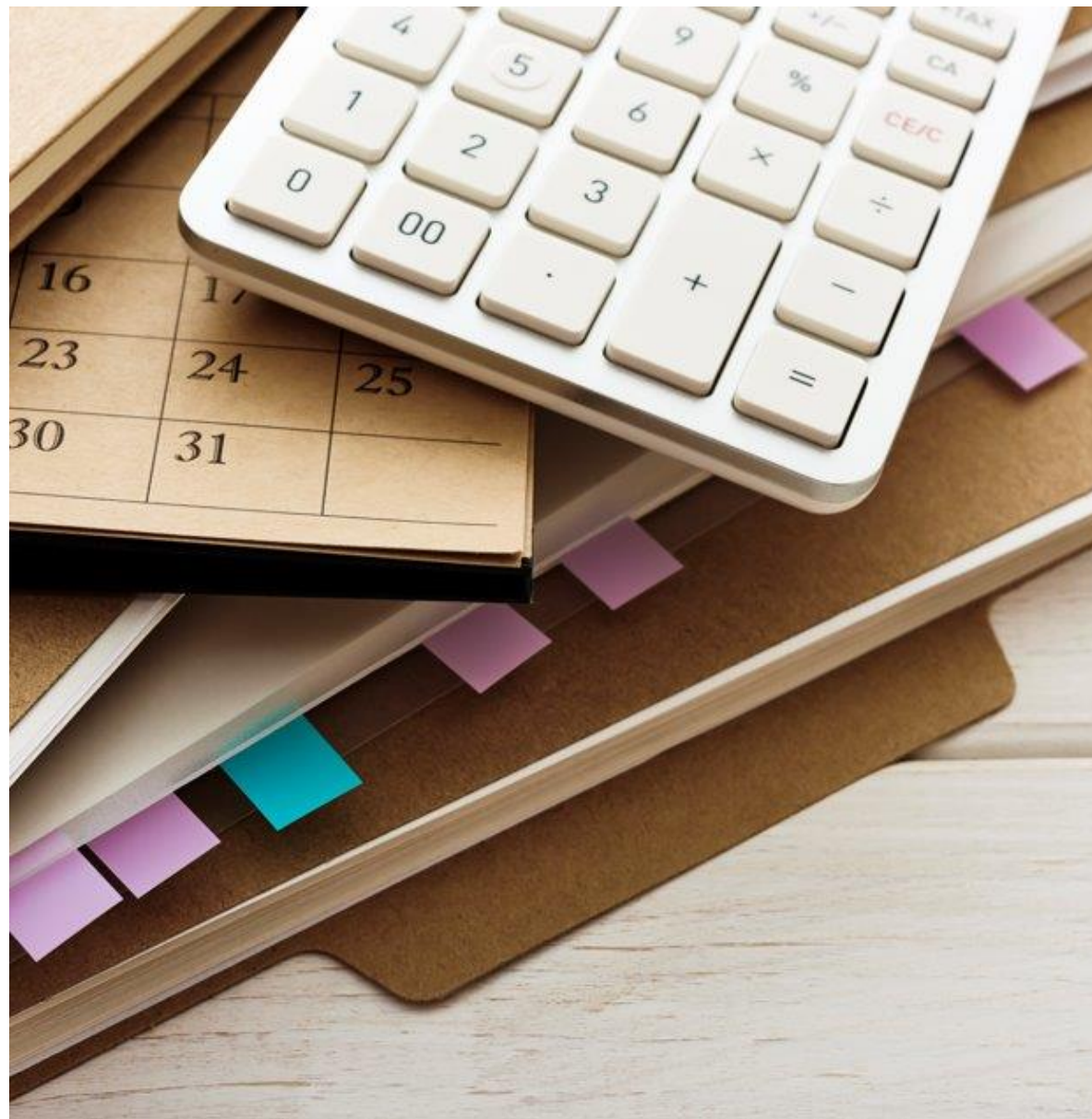
No High priority recommendations have been raised during the period.

Background

The purpose of the internal audit plan is to identify the work required to achieve a reasonable level of assurance to be provided by Mazars LLP in compliance with the Code of Practice for Internal Audit.

The fundamental role of Internal Audit is to provide senior management and Members with independent assurance on the adequacy, effectiveness and efficiency of the system of internal control, and to report major weaknesses together with recommendations for improvement. This role is fulfilled by carrying out appropriate audit work, normally in accordance with a strategic plan and an annual operational plan, as approved by the Chief Finance Officer and the Audit Committee.

As internal audit is a major source of assurance that the Council is effectively managing the principal risks to the achievement of its corporate objectives, a key rationale for the development of the internal audit plan was the Council's own Strategic, and Directorate Risk Registers and how the internal audit plan can provide this assurance.



02

Section 02: **Progress to Date**

Progress to Date

Progress against the 2022/23 Internal Audit Plan is shown in Appendix 1

We have issued the following 2022/23 Final Reports since the last meeting of the Audit Committee:

- Planning Applications (Evaluation/Testing Assurance: **Moderate / Moderate**)
- Shepwell School (Evaluation/Testing Assurance: **Moderate / Limited**)
- Greenfield Primary School (Evaluation/Testing Assurance: **Moderate / Moderate**)
- St Thomas of Canterbury Catholic Primary School (Evaluation/Testing Assurance: **Moderate / Moderate**)
- Palfrey Infants School (Evaluation/Testing Assurance: **Substantial / Substantial**)
- Bentley Federation (Evaluation/Testing Assurance: **Moderate / Moderate**)
- Lower Farm Primary School (Evaluation/Testing Assurance: **Substantial / Substantial**)
- Information Rights (Evaluation/Testing Assurance: **Moderate / Moderate**)
- Millfield Primary School (Evaluation/Testing Assurance: **Moderate / Limited**)



Progress to Date

Progress against the 2022/23 Internal Audit Plan is shown in Appendix 1

We have issued the following 2022/23 Draft Reports since the last meeting of the Audit Committee:

- Alumwell Junior
- Council Tax / NNDR
- Accounts Payable
- Accounts Receivable
- Climate Emergency Action Plan
- Growth Deal



Follow-up of Recommendations

2018/19, 2019/20, 2020/21, 2021/22, 2022/23

The table below highlights the number of recommendations raised in the final audit reports for 2018/19, 2019/20, 2020/21, 2021/22 and 2022/23. It should be noted that progress in implementing recommendations raised is due for follow up as part of the 2021/22 audit plan, and summary of findings to date is shown in the table below:

Year	Total Recommendations	Implemented and/or no longer relevant	%	Implemented, no longer relevant and/or partly implemented	%
2019/20	223	221	99%	223	100%
2020/21	138	137	99%	137	99%
2021/22	214	197	92%	203	95%
2022/23	94	78	83%	78	83%

The table below highlights outstanding high priority actions:

Year	Partly implemented	Not implemented / Not Followed up	Not yet due	Superseded
2019/20	1			
2021/22	1		1	

Definition of Assurance & Priorities

Audit Assessment

In order to provide management with an assessment of the adequacy and effectiveness of their systems of internal control, the following definitions are used.

Definitions of Assurance Levels		
Assurance Level	Adequacy of system design	Effectiveness of operating controls
Substantial Assurance:	The framework of governance, risk management and control is adequate.	The control processes tested are being consistently applied.
Moderate Assurance:	Some improvements are required to enhance the adequacy of the framework of governance, risk management and control.	There is evidence that the level of non-compliance with some of the control processes may put some of the Organisation's objectives at risk.
Limited Assurance:	There are significant weaknesses in the framework of governance, risk management and control such that it could become inadequate.	The level of non-compliance puts the Organisation's objectives at risk.
Unsatisfactory Assurance:	There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate or is likely to fail.	Significant non-compliance with basic control processes leaves the processes/systems open to error or abuse.

Grading of recommendations

In order to assist management in using our reports, we categorise our recommendations according to their level of priority as follows:

Definitions of Recommendations	
Priority	Description
High	Significant weaknesses in governance, risk management and control that if unresolved exposes the Council to an unacceptable level of residual risk. Remedial action must be taken urgently and within an agreed timescale.
Medium	Weakness in governance, risk management and control that if unresolved exposes the organisation to a high level of residual risk. Remedial action should be prioritised and undertaken within an agreed timescale.
Low	Scope for improvement in governance, risk management and control. Remedial action should be taken at the earliest opportunity and within an agreed timescale.

Section 03:

Appendix:

1. Status of Audit Work 2022/23
2. Follow-up of Recommendations 2019/20 2020/21,
2021/22 & 2022/23

Appendix 1 – Status of Audit Work 2022/23

The table below lists the 2022/23 Internal Audit Plan progress and a status summary for all of the reviews to date.

Assurance Requirement	Audit		Days	Status	Assurance Level	Total	H	M	L
Core Financial Systems	Main Accounting	<ul style="list-style-type: none"> Regulatory, Organisational & Management Requirement Accounting Records, including access control Accounting Transactions and Manual Adjustments Financial and Performance Management Reporting Reconciliations Systems Security 	10	Work ongoing					
	Accounts Payable	<ul style="list-style-type: none"> Policy, Procedures & Legislation Creditor Transactions & Records Standing Data Amendments Purchase Order Processing Goods Receipting Invoice Processing Payments Processing Procurement Cards Management Reporting 	10	Draft Report (Feb 2023)					
	Accounts Receivable	<ul style="list-style-type: none"> Policy, Procedures & Legislation Debtor Transactions & Records Standing Data Amendments Raising Invoices / Bills Collection Refunds Debt Recovery & Enforcement Management Reporting 	10	Draft Report (Feb 2023)					
	Budgetary Control	<ul style="list-style-type: none"> Regulatory, Organisational & Management Requirement Budget Setting Budget Upload Budget Monitoring Alterations and Virements Budget savings, Savings Delivery Monitoring & Financial Risk 	10	Work ongoing					

Appendix 1 – Status of Audit Work 2022/23

The table below lists the 2022/23 Internal Audit Plan progress and a status summary for all of the reviews to date.

Assurance Requirement	Audit	Days	Status	Assurance Level	Total	H	M	L
Core Financial Systems	Council Tax / NNDR	16	Draft Report (Feb 2023)					
	Housing Benefit & Local Council Tax	10	Final Report (Oct 2022)	Moderate / Moderate	3	-	2	1
	Payroll & Pensions Administration	10	Work ongoing					

Appendix 1 – Status of Audit Work 2022/23

The table below lists the 2022/23 Internal Audit Plan progress and a status summary for all of the reviews to date.

Assurance Requirement	Audit	Scope	Days	Status	Assurance Level	Total	H	M	L
Operational Risks	Planning Applications	<ul style="list-style-type: none"> Planning Application Process Decisions on Planning Applications Monitoring of Planning Applications to ensure compliance with Planning Guarantee Charging for Planning Applications including collection of fees Complaints Process 	12	Final Report (Nov 2022)	Moderate / Moderate	2	-	2	-
	Growth Deal	Annual Audit	10	Work Complete	N/A				
	Workforce Planning	To cover controls over the revised Corporate Workforce Strategy, including the succession planning, recruitment and retention and links to the WPP.	10	Audit Postponed to 2023/24					
	Domiciliary Care	<ul style="list-style-type: none"> Policy, Procedures and Legislation Market Management Arrangements Meeting Statutory Requirements Quality of Care Prioritisation of Most at Risk Monitoring of Capacity Management Information 	10	Final Report (Aug 2022)	Substantial / Substantial	-	-	-	-
	Partnership Arrangements	Covering adequacy and effectiveness of controls in place to maintain effective partnership relationships and outcomes within Children's Services.	12	Work starting Q4					
	Supporting Families	Covering adequacy and effectiveness of controls in place over eligibility, payments and achievement of progress measures.	10	Work ongoing		Three out of four visits completed			

Appendix 1 – Status of Audit Work 2022/23

The table below lists the 2022/23 Internal Audit Plan progress and a status summary for all of the reviews to date.

Assurance Requirement	Audit	Scope	Days	Status	Assurance Level	Total	H	M	L
Strategic Risks	Cadmus Family of Schools	<ul style="list-style-type: none"> • Policies & Procedures • Federation Governance Arrangements • Governing Body Structure • Scheme of Delegation • Declaration of Interests • Get Information about Schools Website • Financial Reporting to the LA • Budget Monitoring • Traded Service & Financial Management 	10	Work ongoing					
	Commissioning of Barristers within Children's Services	<ul style="list-style-type: none"> • Criteria for Referring Cases • Referral to Legal Services • Review of Complexity / Capacity Issues • Approval of Legal Services • Appointment of Barrister • Budget Monitoring / Approval of Costs 	10	Work ongoing					
	Internal Governance and Oversight of Public Health Contracts	<ul style="list-style-type: none"> • Recoding & Accounting for out of area services provided / received • Tracking and reviewing data for services provided / received • Reviewing opportunities for reducing out of area services • Claiming reimbursements from NHS Trust • Monitoring Performance of services provided 	15	Draft Report (Jan 2023)					
	Walsall Proud Programme Income Generation	<ul style="list-style-type: none"> • Project Governance Arrangements • Progress against Plan • Monitoring / Achievement of Increasing Income • Performance Monitoring including Outcomes • Reporting of Benefits Delivery 	10	Work ongoing					

Appendix 1 – Status of Audit Work 2022/23

The table below lists the 2022/23 Internal Audit Plan progress and a status summary for all of the reviews to date.

Assurance Requirement	Audit	Scope	Days	Status	Assurance Level	Total	H	M	L
Strategic Risks	Walsall Proud Programme Adult Social Care – Continuous Improvement Programme	<ul style="list-style-type: none"> Project Governance Arrangements Approval of Project Progress against Plan Delivering Service Transformation Plans Monitoring / Achievement of Increasing Income Performance Monitoring including Outcomes Reporting of Benefits Delivery 	15	Work ongoing					
	Programme Assurance	Covering adequacy and effectiveness of the Council's corporate approach to programme management – Connected Gateway	15	Work starting Q4					
	Cross Council Collaboration for Savings Plans	<ul style="list-style-type: none"> Engagement with Working Groups Communication Delivery of Savings Financial Tracking Management Information 	15	Work starting Q4					
	Climate Emergency Action Plan	<ul style="list-style-type: none"> Monitoring & Implementation of Climate Emergency Action Plan Inclusion within the Council Plan 2022-25 Alignment with the goals of WMCA Appointment of Climate Change Programme Manager Annual report to Cabinet and E&E Overview & Scrutiny Committee Role of the Climate Change Task Force Management Information 	10	Draft Report (Feb 2023)					
	Information Rights	<ul style="list-style-type: none"> Requests for Data, Proof of ID of requestor & acknowledgement of request Fees and Charges Timescales for providing information requested Delivery of information Appeals process Management information 	10	Final Report (Feb 2023)	Moderate / Moderate	6	-	4	2

Appendix 1 – Status of Audit Work 2022/23

The table below lists the 2022/23 Internal Audit Plan progress and a status summary for all of the reviews to date.

Assurance Requirement	Audit	Scope	Days	Status	Assurance Level	Total	H	M	L
	Procurement	<ul style="list-style-type: none">Governance Framework ComplianceValue for MoneyProcurement Planning	12	Work ongoing					
	Temporary Accommodation	<ul style="list-style-type: none">GovernanceStatutory ResponsibilitiesProperty Health & Safety ComplianceRepairs & MaintenanceManagement Information	15	Work ongoing					
	Grant Sign off Work	Annual sign offs: Adult Weight Management AYSE (Children's) COMF Better Mental Health Test and Trace Support Payments Public Health – S31 LAD1B LAD2	26	Sign off Complete					

Appendix 1 – Status of Audit Work 2022/23

The table below lists the 2022/23 Internal Audit Plan progress and a status summary for all of the reviews to date

Other Considerations		Days	Comments		
Schools	To provide the Chief Finance Officer with adequate assurance over standards of financial management and the regularity and probity of spend	115	See individual School Audit update		
ICT	IT Disaster Recovery, Business Continuity and Resilience	15	Work commencing 20 th February		
	IT Governance Policy and Strategy	15	Work commencing 6 th March		
Governance and Risk Management	The use of CRSA to provide assurance that managers understand their requirements and take ownership of their responsibilities. Risk Management Workshops for staff and Members. Review of individual risks registers as agreed with management.	40	Working with Directors Group		
Counter Fraud	Internal Audit will work with the Council in the development of fraud risk, attendance at Midlands Fraud Group meetings and carry out the role of key contact for the NFI and data match reviews	10	Attendance at Midlands Fraud Group Meetings, co-ordination of NFI data match reviews.		
Management and Reporting Activities					
Follow Up	Follow-up of all high and medium priority recommendations made in final reports issued.	20	Ongoing follow up as recommendations fall due		
Management, Advice and Planning	Including attendance at Audit Committee	70			
Contingency	Contingency allocation to be utilised upon agreement of the Chief Finance Officer.	15			
Total		603			

Appendix 1 – Status of Audit Work 2022/23 (Schools)

The table below lists the 2022/23 Internal Audit Plan progress and a status summary for all of the school reviews to date.

Audit	Days	Audit Scope	Status	Assurance Level	Total	H	M	L
Alumwell Junior School	5	To provide the Chief Finance Officer with adequate assurance over standards of financial management and the regularity and probity of spend	Draft Report (Feb 2023)					
Bentley Federation	10	To provide the Chief Finance Officer with adequate assurance over standards of financial management and the regularity and probity of spend	Final Report (Feb 2023)	Moderate / Moderate				
Butts Primary	5	To provide the Chief Finance Officer with adequate assurance over standards of financial management and the regularity and probity of spend	Final Report (Oct 2022)	Substantial / Substantial	2	-	1	1
Castle School	5	To provide the Chief Finance Officer with adequate assurance over standards of financial management and the regularity and probity of spend	Final Report (Oct 2022)	Substantial / Substantial	2	-	1	1
Cooper & Jordan Primary	5	To provide the Chief Finance Officer with adequate assurance over standards of financial management and the regularity and probity of spend	Final Report (June 2022)	Substantial / Substantial	4	-	1	3
Delves Junior	5	To provide the Chief Finance Officer with adequate assurance over standards of financial management and the regularity and probity of spend	Final Report (Sept 2022)	Substantial / Substantial	1	-	1	-

Appendix 1 – Status of Audit Work 2022/23 (Schools)

The table below lists the 2022/23 Internal Audit Plan progress and a status summary for all of the school reviews to date.

Audit	Days	Audit Scope	Status	Assurance Level	Total	H	M	L
Greenfield Primary	5	To provide the Chief Finance Officer with adequate assurance over standards of financial management and the regularity and probity of spend	Final Report (Nov 2022)	Moderate / Moderate	2	-	2	-
Holy Trinity Primary	5	To provide the Chief Finance Officer with adequate assurance over standards of financial management and the regularity and probity of spend	Final Report (Oct 2022)	Substantial / Moderate	3	-	2	1
Jane Lane School	5	To provide the Chief Finance Officer with adequate assurance over standards of financial management and the regularity and probity of spend	Final Report (Oct 2022)	Moderate / Moderate	7	-	3	4
Lower Farm Primary	5	To provide the Chief Finance Officer with adequate assurance over standards of financial management and the regularity and probity of spend	Work ongoing	Substantial / Substantial	2	-	1	1
Millfield Primary	5	To provide the Chief Finance Officer with adequate assurance over standards of financial management and the regularity and probity of spend	Final Report (Feb 2023)	Moderate / Limited	10	-	7	3
New Leaf Centre	5	To provide the Chief Finance Officer with adequate assurance over standards of financial management and the regularity and probity of spend	Final Report (Nov 2022)	Moderate / Moderate	6	-	5	1

Appendix 1 – Status of Audit Work 2022/23 (Schools)

The table below lists the 2022/23 Internal Audit Plan progress and a status summary for all of the school reviews to date.

Audit	Days	Audit Scope	Status	Assurance Level	Total	H	M	L
Palfrey Infants	5	To provide the Chief Finance Officer with adequate assurance over standards of financial management and the regularity and probity of spend	Final Report (Dec 2022)	Substantial / Substantial	1	-	1	-
Palfrey Junior	5	To provide the Chief Finance Officer with adequate assurance over standards of financial management and the regularity and probity of spend	Final Report (Sept 2022)	Moderate / Moderate	8	-	2	6
Pelsall Village Primary	5	To provide the Chief Finance Officer with adequate assurance over standards of financial management and the regularity and probity of spend	Final Report (Sept 2022)	Substantial / Moderate	4	-	2	2
Rushall Primary	5	To provide the Chief Finance Officer with adequate assurance over standards of financial management and the regularity and probity of spend	Final Report (Sept 2022)	Substantial / Substantial	1	-	-	1
Shepwell School	5	To provide the Chief Finance Officer with adequate assurance over standards of financial management and the regularity and probity of spend	Final Report (Dec 2022)	Moderate / Limited	12	-	8	4
St Johns CoE Primary	5	To provide the Chief Finance Officer with adequate assurance over standards of financial management and the regularity and probity of spend	Final Report (Sept 2022)	Moderate / Moderate	3	-	3	-

Appendix 1 – Status of Audit Work 2022/23 (Schools)

The table below lists the 2022/23 Internal Audit Plan progress and a status summary for all of the school reviews to date.

Audit	Days	Audit Scope	Status	Assurance Level	Total	H	M	L
St Thomas of Canterbury Primary	5	To provide the Chief Finance Officer with adequate assurance over standards of financial management and the regularity and probity of spend	Final Report (Jan 2023)	Moderate / Moderate	7	-	2	5
Watling Primary	5	To provide the Chief Finance Officer with adequate assurance over standards of financial management and the regularity and probity of spend	Final Report (Oct 2022)	Moderate / Moderate	2	-	2	-

Appendix 2 - Follow-up of Recommendations 2019/20, 2020/21, 2021/22 & 2022/23

Follow-up audits have been undertaken in accordance with the 2021/22 audit plan. The objective was to confirm the extent to which the recommendations made in 2019/20 and 2020/21 internal audit final reports have been implemented.

Summary of Recommendations Raised and Follow Up Status - 2019/20

Audit	Assurance Level	Status														
		Total Number of Audit Actions			Implemented			Partly Implemented			Outstanding Past Due Date			Due Date Not Reached		
		H	M	L	H	M	L	H	M	L	H	M	L	H	M	L
New Art Gallery (September 2019)	Limited / Substantial	2	3	1	1	3	1	1	-	-	-	-	-	-	-	-
		2	3	1	1	3	1	1	-	-	-	-	-	-	-	-
		6			5			1			-			-		

Summary of Recommendations Raised and Follow Up Status - 2020/21

Audit	Assurance Level	Status														
		Total Number of Audit Actions			Implemented			Partly Implemented			Outstanding Past Due Date			Due Date Not Reached		
		H	M	L	H	M	L	H	M	L	H	M	L	H	M	L
HR Recruitment Vetting (November 2020)	Substantial / Good	-	1	-	-	-	-	-	-	-	-	1	-	-	-	-
HR Grievances (March 2021)	Substantial / Substantial		1		-	-	-	-	-	-	-	1	-	-	-	-
Partnership Relationships (July 2021)	Substantial / Substantial	-	2	3	-	2	3	-	-	-	-	-	-	-	-	-
		-	4	3	-	2	3	-	-	-	-	2	-	-	-	-
			7			5			-			2			-	

Summary of Recommendations Raised and Follow Up Status - 2021/22

Audit	Assurance Level	Status														
		Total Number of Audit Actions			Implemented			Partly Implemented			Outstanding Past Due Date			Due Date Not Reached		
		H	M	L	H	M	L	H	M	L	H	M	L	H	M	L
Section 106 Planning Obligations (Mar 2022)	Limited / Limited	3	2	1	2	2	1	1	-	-	-	-	-	-	-	-
Information Governance (Feb 2022)	Moderate / Moderate	-	5	1	-	2	1	-	1	-	-	2	-	-	-	-
Business Continuity (Mar 2022)	Moderate / Limited	-	5	2	-	-	2	-	-	-	-	5	-	-	-	-
Children’s Services / IFM School Capital (May 2022)	Moderate / Moderate	-	3	1	-	-	1	-	2	-	-	1	-	-	-	-
Contract Management (Apr 2022)	Limited / Moderate	1	1	-	1	-	-	-	1	-	-	-	-	-	-	-
Asset Management (Jul 2022)	Moderate / Moderate	-	4	3	-	1	3	-	2	-	-	1	-	-	-	-

Summary of Recommendations Raised and Follow Up Status - 2021/22

Audit	Assurance Level	Status														
		Total Number of Audit Actions			Implemented			Partly Implemented			Outstanding Past Due Date			Due Date Not Reached		
		H	M	L	H	M	L	H	M	L	H	M	L	H	M	L
Mental Health Social Care Provision (Sep 2022)	Moderate / Moderate	-	3	1	-	-	1	-	-	-	-	3	-	-	-	-
Commissioning Strategy (Jun 2022)	Moderate / Limited	1	4	-	-	2	-	-	1	-	-	1	-	1	-	-
Walsall Proud Programme – The Hub (Oct 2022)	Moderate / Limited	-	6	-	-	-	-	-	-	-	-	-	-	-	6	-
		5	33	9	3	7	9	1	7	-	-	13	-	1	6	-
		47			19			8			13			7		

Summary of Recommendations Raised and Follow Up Status - 2022/23

Audit	Assurance Level	Status														
		Total Number of Audit Actions			Implemented			Partly Implemented			Outstanding Past Due Date			Due Date Not Reached		
		H	M	L	H	M	L	H	M	L	H	M	L	H	M	L
Housing Benefit & Council Tax Reduction (Oct 2022)	Moderate / Moderate	-	2	1	-	-	1	-	-	-	-	-	-	-	2	-
Planning Applications (Nov 2022)	Moderate / Moderate	-	2	-	-	-	-	-	-	-	-	-	-	-	2	-
New Leaf Centre (Nov 2022)	Moderate / Moderate	-	5	1	-	4	1	-	-	-	-	-	-	-	1	-
Shepwell School (Dec 2022)	Moderate / Limited	-	8	4	-	4	4	-	-	-	-	-	-	-	4	-
St Thomas of Canterbury Catholic School (Jan 2023)	Moderate / Moderate	-	2	5	-	-	5	-	-	-	-	-	-	-	2	-
Millfield Primary School (Feb 2023)	Moderate / Limited	-	7	3	-	5	3	-	1	-	-	-	-	-	1	-
Information Rights (Feb 2023)	Moderate / Moderate	-	4	2	-	-	2	-	-	-	-	-	-	-	4	-
		-	30	16	-	13	16	-	1	-	-	-	-	-	16	-
			46			29			1			-			16	

Section 04 - Statement of Responsibility

We take responsibility to Walsall Council for this report, which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

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