

**Audit Committee – 22 July 2019**

**Internal Audit Progress Report 2019/20**

**Summary of the Report**

The purpose of this report is to update the Audit Committee on Internal Audit's progress on the 2019/20 audit plan (attached), including finalising remaining 2018/19 audits, and providing a final set of key performance indicators for 2018/19.

**Background Papers**

Internal Audit reports/monitoring information.

**Recommendations**

Audit Committee are recommended to note the contents of this report.

A handwritten signature in purple ink, appearing to read 'V Buckley' with a stylized flourish at the end.

**Vicky Buckley – Head of Finance**  
**9 July 2019**

**Resource and Legal Considerations**

The Accounts and Audit Regulations 2015 came into effect on 1 April 2015 and require councils to undertake an effective Internal Audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account Public Sector Internal Auditing Standards or guidance.

**Governance Issues**

The Audit Committee's activities include ensuring that an effective internal control environment is maintained and regular and ongoing scrutiny of internal audit work undertaken. The report supports the Audit Committee in exercising that role.

**Citizen Impact**

Internal Audit work is intended to ensure that effective systems of internal control are in place. This protects the council and its officers and provides an assurance to stakeholders and citizens regarding the security of council's operations.

## Performance and Risk Management Issues

Part of Internal Audit's role is to provide assurance in the council's performance and risk management arrangements. Internal Audit's programme of work is risk assessed to ensure areas most at risk are examined as a priority. Regular updates were provided to Audit Committee on progress against the approved Internal Audit Plan for 2018/19.

The Internal Audit contract is subject to key performance indicators (KPI's) including achievement of the audit plan and formal quarterly meetings are held between the S151 Officer, Head of Finance and senior representatives at Mazars to monitor performance of the contract.

KPI performance as at 31<sup>st</sup> December 2018 (quarter 3) were reported to Audit Committee in April 2019, and the final KPIS for 2018/19 are detailed below.

Standard	Target	Actual at 31/03/19
Achieve the Annual Audit Plan	100% audits in the annual plan to be completed to draft report stage within 15 working days of the 31 March of each year.	57/57 100%
Produce annual report which includes an overall assurance opinion for the Council for the year.	To be produced and issued to the S151 Officer within 15 working days from 31 March each year.	Achieved - draft report issued 23rd April. Final on agenda for July Audit Committee
Annual review and report on the effectiveness of the risk management strategy and its application with comments and recommendations for changes.	To be produced and issued to the S151 Officer in accordance with the Audit Committee Work Programme & Timetable.	Strategy reviewed 2018 and Risk Work programme approved by Audit Committee 2018/19.
Annual risk management report which provides assurance that the system of risk management and identification is suitable and sufficient for the purposes of the Annual Governance Statement.	To be produced and issued to the S151 Officer in accordance with the Audit Committee Work Programme & Timetable.	Ongoing Risk Management work with the Council
Effective completion of audit work.	100% draft reports, which include relevant recommendations, are issued within 6 weeks of the commencement of work.	50/57 88%  Exceptions: Purchasing Cards, Licensing, Corporate Review of Agency Staff, Transition to Education Health & Care Plans, GDPR, Communication and Staff Engagement, and Workforce Planning

Standard	Target	Actual at 31/03/19
Achieve performance of quarterly audit work plan.	100% expected audits in the quarterly plan to be completed to draft report stage within 15 working days of last day of quarter.	55/57 96%  Exceptions: Catering Contracts and Corporate Review of Agency Staff
Produce quarterly progress report in accordance with the specification.	To be produced and issued to the S151 Officer within 15 working days of the end of each quarter.	Met for all Quarters
Produce a quarterly risk management update report.	To be produced and issued to the S151 Officer within 15 working days of the end of each quarter.	Strategic Risk Register presented to CMT and Audit Committee. Risk sessions across the Council ongoing. Last review reported to Audit Committee in April
Quarterly review of Strategic Risk Register (SRR) and report for Corporate Management Team and Audit Committee	To be produced and issued to the S151 Officer within 15 working days of the end of each quarter.	Strategic Risk Register presented to CMT and Audit Committee. Update went to Audit Committee January and April 2019








The following table sets out the Performance Standards against which the success of the contract is measured. Performance has been maintained in most areas.


Standard	Target	Actual at 31/03/19
Notification of planned audits to Secondary Clients. (Not surprise visits).	Secondary Clients to be notified of the start date of each audit (100%) at least 15 working days in advance.	56/57 98%
Issue audit brief.	100% of audit briefs to be submitted to the Secondary Client for comment and approval at least 10 days prior to commencement date of each audit.	57/57 100%
Conduct exit meetings.	100% to be carried out with Secondary client or their representative within 5 days of the completion of all audit work at a pre arranged time, as specified in the audit brief.	57/57 100%
Produce draft report, which reflects the agreed brief.	100% to be produced and issued by the date set out in the terms of reference and within 10 working days of the exit meeting.	47/57 82%  Exceptions: One Source System - Phase 1, New Leaf PRU, Jane Lane (PAS), Shepwell School, Growth Fund, Treasury Management, Rushall Primary, Castle School, Millfield Primary, Transition to Education Health & Care Plans

Standard	Target	Actual at 31/03/19
Produce final report.	100% to be produced and issued with 5 working days of receipt of management response to draft report.	55/56      98%  Exception: Main Accounting
Complete National Fraud Initiative (NFI) data matching exercise.	Ensure that all data matches are reviewed and investigated on an annual basis in accordance with the timetables provided.	2018/19 matches received and WIP
Counter fraud work	To maintain and update counter fraud policies, the counter fraud toolkit, training and other counter fraud work as agreed in advance with the Chief Finance Officer.	Ongoing as required - Counter Fraud programme of work reported to Audit Committee in 2018/19
Follow up on all high priority actions	Reports produced in accordance with timetables set out in the Specification.	Ongoing and progress reported to each Audit Committee
Specialist IT / risk audits	Quarterly report detailing percentage of time of qualified or specialist staff utilised in delivery of the audit and risk work undertaken during the quarter	Completed as part of monitoring information
Respond to unsatisfactory client satisfaction questionnaires/CMT feedback	To be provided to the Chief Finance Officer within 10 working days	N/A
Attendance at planned meetings with both the Chief Finance Officer and external audit as detailed throughout this specification.	Meetings attended by Contract Manager	Ongoing - Quarterly meetings attended during 2018/19
Attend the Audit Committee meetings in accordance with the Audit Committee Work Programme and Timetable	Meetings attended by Partner or Director or Contract Manager	Ongoing - attended each meeting of the Committee during 2018/19
Provision of audit helpline	Summary of advice provided, to be submitted to chief Finance Officer prior to discussion at quarterly meetings.	Completed as part of monitoring information
Provision confidential reporting hotline answer phone facility.	Summary of calls received and action taken to be submitted to chief Finance Officer prior to discussion at quarterly meetings.	None received
Quality control system	Copy to be provided to Chief Finance Officer on an annual basis	Provided
Compliance with the PSIAS via external accreditation	To provide evidence of the external accreditation	External Assessment completed in 2016 and results shared with Chief Finance Officer. Recommendations implemented.

Standard	Target	Actual at 31/03/19
Provide training for Council Officers, Project Managers and Members in the principles and practices of Risk Management	Provision of training as agreed by the Chief Finance Officer	Member training before Audit Committee - July, September and January
Audit and Risk Training Programme	To provide a copy to the Chief Finance Officer on an annual basis	Recently updated as part of Strategy review in December 2018

The Following table reports on performance trends over the three years of the Internal Audit contract and shows strong performance and significant improvement in many areas.

Standard	Target	Actual 16/17	Actual 17/18	Actual 18/19	Trend
Achieve the Annual Audit Plan	100% audits in the annual plan to be completed to draft report stage within 15 working days of the 31 March of each year.	41/49 84%	39/49 80%	57/57 100%	
Effective completion of audit work.	100% draft reports, which include relevant recommendations, are issued within 6 weeks of the commencement of work.	31/49 63%	32/49 65%	50/57 88%	
Achieve performance of quarterly audit work plan	100% expected audits in the quarterly plan to be completed to draft report stage within 15 working days of last day of quarter.	41/49 84%	33/49 67%	55/57 96%	
Notification of planned audits to Secondary Clients. (Not surprise visits).	Secondary Clients to be notified of the start date of each audit (100%) at least 15 working days in advance.	49/49 100%	48/49 98%	56/57 98%	
Issue audit brief.	100% of audit briefs to be submitted to the Secondary Client for comment and approval at least 10 days prior to commencement date of each audit.	49/49 100%	44/46 96%	57/57 100%	
Conduct exit meetings.	100% to be carried out with Secondary client or their representative within 5 days of the completion of all audit work at a pre- arranged time, as specified in the audit brief.	49/49 100%	44/44 100%	57/57 100%	
Produce draft report, which reflects the agreed brief.	100% to be produced and issued by the date set out in the terms of reference and within 10 working days of the exit meeting.	27/49 55% <b>Average time to issue for 49 audits is 18.5 days.</b>	36/44 82% <b>Average time to issue for 44 audits is 10.5 days.</b>	47/57 82% <b>Average time to issue for 57 audits is 7.8 days.</b>	

Standard	Target	Actual 16/17	Actual 17/18	Actual 18/19	Trend
Produce final report.	100% to be produced and issued with 5 working days of receipt of management response to draft report.	32/38 84% <b>Average time to issue for 32 audits is 5.6 days.</b>	34/39 87% <b>Average time to issue for 39 audits is 3 days.</b>	55/56 98% <b>Average time to issue for 55 audits is 2.4 days.</b>	

Regular updates will be provided to Audit Committee on progress against the approved Internal Audit Plan for 2019/20.

### Equality Implications

Internal Audit has full regard to equalities both within the internal audit service and in the services / activities under review.

### Consultation

The annual work plan 2019/20 was consulted upon before its final endorsement by executive directors, senior managers, the Chief Finance Officer and Audit Committee.

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# **WALSALL COUNCIL**

## **INTERNAL AUDIT PROGRESS REPORT**

**Audit Committee – 22<sup>nd</sup> July 2019**

### **Status of our reports**

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 in Appendix 5 of this report for further information about responsibilities, limitations and confidentiality.

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## Introduction

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

Appendix 1 outlines progress to date against the 2019/20 Internal Audit Plan.

## 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.

## Progress to Date

Progress against the 2019/20 Internal Audit Plan is shown in Appendix 1.

We have issued the following 2018/19 Draft reports since the last meeting of the Audit Committee:

- Commissioning of Placements (Looked After Children & Special Education Needs and Disability)

We have issued the following 2018/19 Final reports since the last meeting of the Audit Committee:

- Corporate Review of Agency Staff (Evaluation assurance: **Substantial**. Testing assurance **Substantial**)
- Residential and Nursing Care (Evaluation assurance: **Limited**. Testing assurance **Limited**)
- Payroll & Pension Administration (Evaluation assurance: **Substantial**. Testing assurance **Substantial**)
- Communication & Staff Engagement (Evaluation assurance: **Substantial**. Testing assurance **Substantial**)
- Performance Management Framework (Evaluation assurance: **Substantial**. Testing assurance **Limited**)
- Benefit Savings Realisation (Evaluation assurance: **Good**. Testing assurance **Good**)
- One Source System – Phase 1 (Evaluation assurance: **Good**. Testing assurance **Good**)
- ICT Business Continuity (Evaluation assurance: **Limited**. Testing assurance **Limited**)
- Integrated Health and Social Care (Evaluation assurance: **Substantial**. Testing assurance **Substantial**)

- Procurement (Evaluation assurance: **Substantial**. Testing assurance **Limited**)

We have issued the following 2019/20 Draft reports since the last meeting of the Audit Committee:

- Sunshine Infant & Nursery School
- Little Bloxwich CE Primary School

We have issued the following 2019/20 Final reports since the last meeting of the Audit Committee:

- Alumwell Infant School (Evaluation assurance: **Substantial**. Testing assurance **Substantial**)
- Blakenall Heath Junior School (Evaluation assurance: **Substantial**. Testing assurance **Substantial**)
- Moorcroft Wood Primary School (Evaluation assurance: **Substantial**. Testing assurance **Substantial**)
- Christ Church CE Primary School (Evaluation assurance: **Substantial**. Testing assurance **Substantial**)

## Progress to Date Follow-up of Recommendations

### 2016/17, 2017/18, 2018/19, 2019/20

The table below highlights the number of recommendations raised in the final audit reports for 2016/17, 2017/18, 2018/19 and 2019/20. It should be noted that progress in implementing recommendations raised is due for follow up as part of the 2018/19 audit plan, and summary of findings to date is shown in the table below:

Year	Total Recommendations	Implemented and no longer relevant	%	Implemented, no longer relevant or partly implemented	%
2016/17	417	413	99%	414	99%
2017/18	375	350	93%	354	94%
2018/19	318	240	75%	251	79%
2019/20	37	28	76%	28	76%

The table below highlights the number of outstanding high priority actions:





Year	Partly Implemented	Not Implemented	Implemented	Not Yet Due	Superseded
2017/18	1	1			
2018/19	2	2	1	13	
2019/20					

Appendix 4 provides details of outstanding high priority actions and a summary of the status of all 2016/17, 2017/18, 2018/19 and 2019/20 recommendations where the proposed implementation date was at or before 31st May 2019.

## 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:

Level	Symbol	Adequacy of system design	Effectiveness of operating controls
<b>Good</b>		There is a sound system of internal control designed to achieve the system objectives.	The controls are being consistently applied.
<b>Substantial</b>		Whilst there is a basically sound system of internal control design, there are weaknesses in design which may place some of the system objectives at risk.	There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
<b>Limited</b>		Weaknesses in the system of internal control design are such as to put the system objectives at risk.	The level of non-compliance puts the system objectives at risk.
<b>Nil</b>		Control is generally weak leaving the system open to significant error or abuse.	Significant non-compliance with basic controls leaves the system open to error or abuse.

The assessment gradings provided here are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board and as such the grading of 'Good' does not imply that there are no risks to the stated control objectives.

## Grading of recommendations

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

Level	Definition
<b>Priority 1</b>	Recommendations which are fundamental to the system and upon which the organisation should take immediate action.
<b>Priority 2</b>	Recommendations which, although not fundamental to the system, provide scope for improvements to be made.
<b>Priority 3</b>	Recommendations concerning issues which are considered to be of a minor nature, but which nevertheless need to be addressed.

## Priority 1 Recommendations

Nine Priority 1 recommendations have been raised in the final reports issued since the last Audit Committee meeting.

All Priority 1 recommendations arising from our work in 2018/19 are included in our Annual Report which is a separate agenda item for this meeting.

No Priority 1 recommendations have been raised from our 2019/20 work to date.

## Appendix 1 – Status of Audit Work 2019/20

	Area	Scope	Plan Days	Days Delivered	Start of Fieldwork	Status	Opinion		Recommendations			Comments
							Evaluation	Testing	1	2	3	
Operational Risks	Resources and Transformation											
	Apprenticeships	<ul style="list-style-type: none"><li>• Policies, Procedures &amp; Legislation</li><li>• Appointment of Apprentices</li><li>• Maximisation of Take-Up</li><li>• Procurement of Training Providers</li><li>• Retention of Apprentices</li><li>• Apprenticeship Levy Funding</li></ul>	10	3	Q1	Work Ongoing						
	CRC Energy Efficiency Scheme	Annual audit and sign off	10	0.5	Q1	Work Ongoing						
	Homelessness	<ul style="list-style-type: none"><li>• Policies, Procedures &amp; Legislation</li><li>• Homelessness Strategy</li><li>• Identification of those at risk of Homelessness</li><li>• Prevention of Homelessness</li><li>• Relief of Homelessness</li><li>• Management Information</li></ul>	15	0.5	Q2	TOR Issued						
	Economy & Environment											
	New Art Gallery	<ul style="list-style-type: none"><li>• Policies, Procedures &amp; Legislation</li><li>• Promotional Activities</li><li>• Budget Monitoring</li><li>• Income &amp; Grant Management</li><li>• Procurement</li><li>• Payroll</li><li>• Asset Management</li></ul>	10	0.5	Q1	Work Ongoing						
	Children's Services											

	Area	Scope	Plan Days	Days Delivered	Start of Fieldwork	Status	Opinion		Recommendations			Comments
							Evaluation	Testing	1	2	3	
	Children's Social Care Caseloads	<ul style="list-style-type: none"> <li>• Policies, Procedures &amp; Legislation</li> <li>• Monitoring of Caseloads</li> <li>• Allocation of Cases</li> <li>• Recruitment &amp; Retention</li> <li>• Management Information</li> </ul>	12	0.5	Q2	TOR Issued						
	National Funding Formula	<ul style="list-style-type: none"> <li>• Policies, Procedures &amp; Legislation</li> <li>• Allocation of Funding</li> <li>• Transition to National Funding Formula</li> </ul>	10	0.5	Q2	TOR Issued						
	<b>Adult Social Care</b>											
<b>Operational Risks Total</b>			<b>67</b>	<b>5.5</b>								
<b>Strategic Risks</b>	Walsall Proud Programme	Covering adequacy and effectiveness of controls in place over transformation projects	40		Q1-Q4							
	Supplier Resilience	<ul style="list-style-type: none"> <li>• Policies, Procedures &amp; Legislation</li> <li>• Supplier Set Up, Approval &amp; Due Diligence</li> <li>• Supplier Resilience</li> <li>• Contract Monitoring and Compliance</li> <li>• Contract Exit Arrangements</li> <li>• Management Information</li> </ul>	15	0.5	Q2							
<b>Strategic Risks Total</b>			<b>55</b>	<b>0.5</b>								
<b>Governance, Fraud &amp; other Assurance Methods</b>	Counter Fraud	Internal Audit will work with the Council in the development of fraud risk, the provision of fraud awareness training, pro-active fraud exercises and reactive investigations.	30	5	Q1-Q4							National Fraud Initiative data matching exercise.  Attendance at the Midland Fraud Group.  Policies Review / E-learning / Fraud Risk Register

	Area	Scope	Plan Days	Days Delivered	Start of Fieldwork	Status	Opinion		Recommendations			Comments
							Evaluation	Testing	1	2	3	
	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		Q1-Q4							
	Assurance Mapping	Mapping assurances against risks across the Council and identifying assurance gaps.	20		Q1-Q4							
	Governance, Fraud & other Assurance Methods		90	5								
Other	Follow-up of Recommendations	Follow-up of all priority 1 and 2 recommendations made in final reports issued.	30	5	Q1-Q4							See detail on page 17
	Management and Planning	Including attendance at Audit Committee	70	5	Q1-Q4							
Other total			100	10								
Schools	To provide the Chief Finance Officer with adequate assurance over standards of financial management and the regularity and probity of spend		120	50.25	Q1-Q3							
Schools Total			120	50.25								
Plan Total			432	71.25								



## School Audits

	Area	Scope	Plan Days	Days Delivered	Start of Fieldwork	Status	Opinion		Recommendations			Comments
							Evaluation	Testing	1	2	3	
Schools	Alumwell Infant School		5	5	Q1	Final Report Issued (Jun 2019)	Substantial	Substantial	-	3	6	
	Blakenall Heath Junior School		5	5	Q1	Final Report Issued (Jun 2019)	Substantial	Substantial	-	5	6	
	Moorcroft Wood Primary School		5	5	Q1	Final Report Issued (Jun 2019)	Substantial	Substantial	-	4	3	
	Christ Church CE Primary School		5	5	Q1	Final Report Issued (Jun 2019)	Substantial	Substantial	-	5	5	
	Sunshine Infant School		5	4	Q1	Draft Report Issued						
	Little Bloxwich Primary School		5	4	Q1	Draft Report Issued						
	St Thomas of Canterbury Catholic Primary School		5	4	Q1	TOR Issued						
	Walsall Wood Primary School		5	4	Q1	TOR Issued						
	St Mary's the Mount Catholic Primary School		5	4	Q1	TOR Issued						
	Leamore Primary		5	4	Q2	TOR Issued						
	Elmore Green		5	4	Q2	TOR Issued						
	Meadow View Primary		5	0.25	Q2	TOR Issued						
	Barcroft Primary		5	0.25	Q2	TOR Issued						
	Kings Hill Primary		5	0.25	Q2	TOR Issued						
	New Invention Infants		5	0.25	Q2	TOR Issued						
	Radleys Primary		5	0.25	Q3	TOR Issued						
	Manor Primary		5	0.25	Q3	TOR Issued						

	Area	Scope	Plan Days	Days Delivered	Start of Fieldwork	Status	Opinion		Recommendations			Comments
							Evaluation	Testing	1	2	3	
	St Giles Primary		5	0.25	Q3	TOR Issued						
	Whitehall Infants		5	0.25	Q3	TOR Issued						
	St Patricks Primary		5	0.25	Q3	TOR Issued						
<b>Schools total</b>			<b>100</b>	<b>50.25</b>			TOR Issued					

## Appendix 2 – Summary of Final Reports

Audit	Opinion		Main Findings
	Evaluation	Testing	
Corporate Review of Agency Staff	Substantial	Substantial	<ul style="list-style-type: none"> <li>The current guidance requires updating to provide more clarity.</li> <li>The controls for ensuring non-use of the preferred agency contractor need to be updated.</li> <li>Evidence to support the appointment of agency workers &amp; external consultants has not been retained.</li> </ul>
Residential & Nursing Care	Limited	Limited	<ul style="list-style-type: none"> <li>Permanent arrangements for residential and nursing contracts are not in place.</li> <li>There is currently a back log of cases where service user financial assessments have not been completed.</li> <li>Approximately 50 deferred payment requests received prior to September 2018 have not been allocated for processing.</li> <li>There is currently a backlog of approximately 60 requests received since November 2018, which are currently awaiting allocation for processing.</li> <li>As a result of the above legal charges are not being secured on service user properties.</li> </ul>
Payroll & Pensions Administration	Substantial	Substantial	<ul style="list-style-type: none"> <li>In five cases a leaver form had been completed late resulting in an overpayment.</li> <li>In two cases timesheets had not been authorised for payment and in one case, three overtime claim forms could not be located.</li> <li>In one case car mileage claims relating to the previous financial year had been paid</li> <li>In one case documentation relating to another employee had been included on an employee's file.</li> </ul>
Communication & Staff Engagement	Substantial	Substantial	<ul style="list-style-type: none"> <li>The communication strategy needs to be updated to reflect the 2018-2021 Corporate Plan</li> <li>The key themes/pledges identified from the Employee Survey 2017 need to be communicated to staff</li> <li>Communication methods can be improved by expanding the various methods that are currently used.</li> </ul>
Performance Management Framework	Substantial	Limited	<ul style="list-style-type: none"> <li>The update performance management framework has not been publicised to staff.</li> <li>Measures are not appropriate to address the outcomes of the Corporate Plan 2018-2021.</li> <li>Measures have not been linked to service plans in some areas.</li> <li>Relevant performance data for measures is not being provided.</li> <li>Poor performance is not being addressed as effectively as is outlined in the framework.</li> </ul>
Benefit Savings Realisation	Good	Good	<ul style="list-style-type: none"> <li>Savings monitoring processes should reference undelivered previous years' savings impacts;</li> <li>Reporting of savings plans could be separated to show additional savings; and</li> <li>When savings plans are submitted for oversight and scrutiny, levels of detail should be considered.</li> </ul>
One Source System – Phase 1	Good	Good	<ul style="list-style-type: none"> <li>The Senior Internal Audit Manager and the IT Internal Audit Manager attended scenario testing on the 5th December where Walsall's Systems Implementer (SI), demonstrated scenarios for the</li> </ul>

Audit	Opinion		Main Findings
	Evaluation	Testing	
			<p>following modules of the Oracle Cloud system across Finance. Procurement and Payroll. We noted the session to be well run, with staff engaged and motivated and we took an active part in the session and provided feedback and recommendations ready for the next build of the system, at the time due in February. We intend to attend further sessions in phase 2.</p> <ul style="list-style-type: none"> <li>• Roles of key personnel and core delivery roles across all involved parties are well defined and established.</li> <li>• Access security design and implementation is to be considered in the CRP2 and CRP3 phases but will follow Oracle based security practices for Oracle Cloud Services which are aligned with the ISO/IEC 27002 Code of Practice for Information Security. These will be audited in more depth once defined.</li> <li>• At this stage whilst suggestions have been made both in the scenario testing session and in enquiry with the project lead no formal recommendations or concerns have been raised at this stage.</li> </ul>
Alumwell Infant School	<b>Substantial</b>	<b>Substantial</b>	<ul style="list-style-type: none"> <li>• DBS certificates of two governors had expired.</li> <li>• A check is not made to ensure that the correct amount of income has been banked.</li> <li>• An independent member of staff does not check bank reconciliations.</li> </ul>
Integrated Health & Social Care	<b>Substantial</b>	<b>Substantial</b>	<ul style="list-style-type: none"> <li>• The integrated health and social care model has not been included on the directorate risk register to ensure that associated risks are monitored and treated appropriately.</li> <li>• Spend analysis of performance data has not been considered to maximise opportunities and make processes efficient.</li> </ul>
Blakenall Heath Junior School	<b>Substantial</b>	<b>Substantial</b>	<ul style="list-style-type: none"> <li>• DBS certificates of three governors had not been renewed in accordance with required timescales.</li> <li>• Approval is not sought from governors for service level agreements.</li> <li>• Governors had not been informed of the reasons for not complying with contract rules and approval had not been obtained for a purchase in excess of the Head Teacher's delegated limit.</li> <li>• A check is not made to ensure that the correct amount of income has been banked.</li> </ul>
Moorcroft Wood Primary School	<b>Substantial</b>	<b>Substantial</b>	<ul style="list-style-type: none"> <li>• A summary of bankings is not completed making it difficult to verify amounts received to amounts banked.</li> <li>• A check is not made to ensure that the correct amount of income has been banked.</li> <li>• Monthly bank reconciliations are not undertaken for the school fund and day care bank accounts.</li> <li>• The school does not have an Inventory Write Off / Disposals Policy.</li> <li>• A memory stick held at the school is not encrypted.</li> </ul>
Christ Church CE Primary School	<b>Substantial</b>	<b>Substantial</b>	<ul style="list-style-type: none"> <li>• DBS certificate of one governor had not been renewed in accordance with required timescales.</li> <li>• Orders and invoices are signed by the same officer,</li> <li>• The school fund spreadsheet is not totalled and compared to the amount of cash held.</li> <li>• Two timesheets examined had not been approved by an appropriately authorised member of staff.</li> </ul>

Audit	Opinion		Main Findings
	Evaluation	Testing	
			<ul style="list-style-type: none"> <li>Consideration has not been given to completing a data sharing agreement with the human resource services provider.</li> </ul>

## Appendix 3 – Summary of Unplanned/Irregularity Reports

No unplanned or irregularity reports have been issued since the last meeting of the Audit Committee.

## Appendix 4 - Follow-up of Recommendations 2016/17, 2017/18, 2018/19 and 2019/20

Follow-up audits have been undertaken in accordance with the 2017/18 audit plan. The objective was to confirm the extent to which the recommendations made in 2016/17 and 2017/18 internal audit final reports have been implemented.

### Outstanding and Partly Implemented High Priority Recommendations from 2016/17, 2017/18, 2018/19, 2019/20

Audit/Report Date	Assurance	Recommendations	Management Response	Responsibility and Due Date	Update Position
Market Management  April 2018	Limited / Substantial	<p>It should be ensured that:</p> <ul style="list-style-type: none"> <li>• There is quality contract monitoring of domiciliary care providers.</li> <li>• The quality monitoring tool used for residential care providers is utilised for other care providers.</li> <li>• Service reviews of non-residential care providers are undertaken on a regular basis.</li> </ul>	<p>There is no dedicated resource for quality monitoring within ASC and the function of our corporate team is limited to contract compliance.</p> <p>ASC has tried to address the gap for Older People Residential Care homes by incorporating the task into the Commissioning Officers role with the intention of rolling out the learning across all client groups and accommodation types. With competing priorities, this ambition has not been achieved. In recognition of the gap ASC hosted the Quality Summit bringing together key stakeholders with collective responsibility for the quality of all care provision in Walsall.</p> <p>Sub groups have been established and scoping work continues with recognition of the areas covered in this report. It is likely the Council will need to find additional investment to effectively manage providers to deliver good quality care in Walsall.</p>	<p>Head of Service – Integrated Commissioning / Lead Commissioner / Lead Commissioner</p> <p>December 2018</p> <p>Revised September 2019</p>	<p><b>Not implemented</b></p> <p>Work is outstanding due to vacant posts and staff long term absences (maternity and illness).</p> <p>The business case for a quality team will be presented to JNCC during quarter one with the aim of staff in place by the end of quarter two.</p>

Audit/Report Date	Assurance	Recommendations	Management Response	Responsibility and Due Date	Update Position
Forest Arts July 2018	Limited / Limited	The grant conditions noted in the observation should be investigated and addressed to ensure compliance. The Service Manager and Service Accountant should ensure that they are aware of and undertake their roles and responsibilities as documented in the grants manual and that communications are effective to ensure that any conditions noted in Arts Council England grant offer letter are met.	<p>The DfE / ACE grant-funded Music Hub activities will be put into a separate cost centre to clearly differentiate funded activities from the wider Forest Arts / music tuition activities. This action will be progressed with Finance colleagues.</p> <p>There is an opportunity to improve the collaborative working between Finance and Service officers so that the claiming and usage of grant funding is shared and fully understood by all involved. This will be addressed through monthly budget monitoring meetings.</p> <p>The DfE funding (distributed by ACE) of £465,655 (2017/18) is solely used to fund Music Hub salaries. Two forms of non-income generating provisions are understood to be made through this employment:</p> <ul style="list-style-type: none"> <li>a) After school music activity - free to all Walsall young people.</li> <li>b) One term of first access music tuition - free to Walsall schools.</li> </ul> <p>This indicates that ACE / DfE funding is spent on front-line delivery, however work is ongoing, with support from Finance, to evidence this and to better track music</p>	<p>Forest Management Team / Finance</p> <p>September 2018</p> <p>Revised June 2019</p>	<p><b>Implemented</b></p> <p>Music Hub and Forest Arts Centre income and expenditure are now clearly separated in independent cost centres. The Forest Arts Operations Manager, Music Education Manager and the Senior Accountancy Officer now meet on a monthly basis to monitor income and expenditure and ensure that transactions are appropriately coded.</p> <p>As of April 2019 Schools SLA are coded separately from Arts Council funding.</p>

Audit/Report Date	Assurance	Recommendations	Management Response	Responsibility and Due Date	Update Position
			educators work so that it can be properly costed to either the Arts Council free Music Hub work or the schools SLA traded service. Income from traded services with schools currently sits under the Music Hub cost centre, however feeds into the Forest Arts overall budget. Work is ongoing to improve how we account for the DfE / ACE grant so that it is clear this service (and associated income) sits under Forest Arts activities and not the Music Hub.		
Licensing November 2018	Limited / Limited	<p>Verification of the Right to Work in the UK should be undertaken in accordance with statutory requirements as part of the application process. Evidence of Rights to Work verification and checks should be documented and retained.</p> <p>Consideration should be given to strengthening Right to Work checks for other licenses.</p> <p>The Licensing webpage on the Council website should be updated to clearly notify applicants that Right to Work checks will be carried out as part of the application process for specific licences.</p>	<p>We agree with the recommendation and will research the statutory requirements for each type of license.</p> <p>We will also check with our Neighbouring Authorities Working Group and the Institute of Licensing to identify any good practice they may use to resolve this issue.</p>	<p>Regulatory Services Manager</p> <p>December 2018</p> <p>Revised June 2019</p>	<p><b>Not implemented</b></p> <p>This remains under review. Queries were raised with the NAWG as to other Councils approaches. There was some variation in response base don RTW checks that are required by licensing law, RTW checks that arent required by Licensing law and RTW checks that could be considered on a local policy level. Further work will be carried out on this matter and verified through Legal Services and the licneinsg and Safety Committee most likely in the next municipal year.</p>



Audit/Report Date	Assurance	Recommendations	Management Response	Responsibility and Due Date	Update Position
		<p>A full review of the data set held by the Licensing and enforcement teams should be completed to identify:</p> <ul style="list-style-type: none"> <li>information and data held in excess to requirements;</li> <li>duplication of information available in other records; and</li> <li>outside of the Council's document retention guidelines.</li> </ul>	<p>We agree with the recommendation.</p> <p>The ease with which information/data can be cleansed from the system will vary depending on the nature of the license and how the information is recorded. Initial detection of this will give us a better idea of how quickly/easily this can be done.</p> <p>There has been a lot of cleansing of M3 in the last 2 years but primarily around enforcement worksheets and consultations not specifically licences.</p>	<p>Regulatory Services Manager</p> <p>December 2018</p> <p>Revised June 2019</p>	<p><b>Partially implemented</b></p> <p>A large amount of records have been disposed of through the councils confidential waste contract recently. A new starter is currently assisting with work to rationalise records in Licensing but the whole process may take longer than anticipated due to the volume and variety of records.</p>
<p>CRC Energy Efficiency Scheme</p> <p>October 2018</p>	Substantial / Limited	<p>There should be appropriate cover arrangements established to ensure that all statutory deadlines are met in the event of key officer annual leave commitments.</p>	<p>Cover and alternative arrangements were put in place to allow for the holiday period; unfortunately due to sickness the signatory was unavailable.</p> <p>Going forward we would recommend bringing forward the internal sign off and submission of the CRC report and figures to the 1<sup>st</sup> July 2019.</p> <p>All parties will be informed of the new timelines and Walsall council expectations for all parties to meet these.</p> <p>To ensure that the new submission date is met, all parties will be required to submit a status review 4 weeks prior to the submission date to IFM.</p>	<p>Commercial Manager</p> <p>Contract Monitoring Officer</p> <p>January 2019</p>	<p><b>Implemented</b></p> <p>Revised timetable was put in place allowing work to commence earlier, allowing sign off to take place earlier in July.</p>

Audit/Report Date	Assurance	Recommendations	Management Response	Responsibility and Due Date	Update Position
Purchase Cards (Money, Home, Job)  March 2019	Limited / Substantial	Policies and procedures on the following should be provided for officers to give clear guidance on what is considered appropriate: <ul style="list-style-type: none"> <li>How to make initial contact with those who require the support services the Council provides</li> <li>The processes to follow when first contact is made</li> <li>What is considered appropriate in spend on services, with a requirement to obtain management authorisation over and above the guideline amounts.</li> </ul>	Management to create a procedure for officers to follow post restructure for appropriate use of P-cards  The procedure will run alongside the Walsall crisis support scheme document, which will be updated to reflect the new Universal Credit roll out.  Note hotels are now paid via invoice and a 10% discount has been negotiated with Britannia Hotels our biggest local provider.	Housing & Welfare Benefits Leads  July 2019	<b>Not yet due for implementation</b>
Alumwell Junior School  January 2019	Limited / Limited	It should be ensured that: <ul style="list-style-type: none"> <li>At least two members of staff are involved in the collection and banking of income. Both officers should sign records maintained.</li> <li>Handover of cash between staff is recorded and signed for.</li> <li>A review of the tuck shop is undertaken to determine reasons for discrepancies and</li> </ul>	<ul style="list-style-type: none"> <li>Income received into the office (school trips / tuck shop) is signed for, counted and verified by the office manager and receptionist.</li> <li>Banking is prepared by Finance Manager and the Office Manager, Finance Manager signs records of income and verifies amounts banked.</li> <li>Tuck shop is now supervised by the school receptionist at break times to ensure money and stock is being counted correctly.</li> <li>All school income is now banked</li> </ul>	Completed	<b>Implemented</b>  Follow up audit confirmed implementation.

Audit/Report Date	Assurance	Recommendations	Management Response	Responsibility and Due Date	Update Position
		<p>whether it is feasible to continue its operation.</p> <ul style="list-style-type: none"> <li>Income is monitored to ensure that it is banked regularly.</li> <li>An independent officer checks that income has been banked and a record of this check maintained.</li> <li>The tuck shop money is banked immediately.</li> <li>Income is banked frequently.</li> <li>The Council's insurance section are contacted to determine the safe insurance limit.</li> <li>A safe contents sheet is maintained.</li> </ul>	<p>weekly using Securicor Collection.</p> <ul style="list-style-type: none"> <li>Safe Log is being used to record all income that is collected and banked.</li> <li>Educational visits income logs completed and filed by the School Office Staff visits money is verified and signed off by the Finance Manager.</li> <li>Safe contents list has been made and is attached to the inside of the safe door.</li> <li>Safe insurance limit is £3000.00 at any one time as confirmed by Walsall Council</li> </ul>		
<p>New Leaf Inclusion Centre</p> <p>February 2019</p>	Limited / Limited	Members of the Management Committee should be requested to provide evidence of their holding an Enhanced DBS certificate as a priority. Details should then be recorded on the single central record.	Process for obtaining DBS for Management Committee is underway. Some members already hold Walsall DBS clearance.	<p>Interim Head Teacher</p> <p>March 2019</p>	<p><b>Partly Implemented</b></p> <p>This has been completed. New board member was voted in on 24<sup>th</sup> June and the DBS process is being commenced.</p>
<p>The Jane Lane School</p> <p>March 2019</p>	n/a	<p>It should be ensured that:</p> <ul style="list-style-type: none"> <li>The relevant governors are requested to provide evidence of their holding an Enhanced DBS certificate as a priority.</li> </ul>	Governing body has been disbanded and Interim Executive Board is in place from 6 <sup>th</sup> Feb. DBS checks are currently being carried out by School Business Manager.	<p>School Business Manager and IEB</p> <p>April 2019</p>	<p><b>Follow up audit to be undertaken September 2019</b></p>

Audit/Report Date	Assurance	Recommendations	Management Response	Responsibility and Due Date	Update Position
		<ul style="list-style-type: none"> <li>The single central record is updated as soon as DBS documentation is provided.</li> <li>DBS expiry dates are monitored to ensure renewals are obtained promptly.</li> </ul>			
		A school development plan should be produced and submitted to the governing body for approval. It should be monitored to ensure all priorities are addressed.	Interim Head Teacher and Senior Management Team are currently working on a new development plan.	Interim Head Teacher, SMT & IEB May 2019	<b>Follow up audit to be undertaken September 2019</b>
		It should be ensured that: <ul style="list-style-type: none"> <li>Funding is applied for promptly and in accordance with specified requirements.</li> <li>Applications for the remaining pupils are submitted as soon as possible.</li> </ul>	<p>The Deputy Head Teacher has already submitted some banding appeals to the local authority. More work on banding appeals are to be submitted to the LA.</p> <p>The interim Head Teacher is working with SMT and the IEB to identify further band change requirements and / or placement change as identified.</p>	Interim Head Teacher, SMT & IEB May 2019	<b>Follow up audit to be undertaken September 2019</b>
Residential & Nursing Care  April 2019	Limited / Limited	It should be ensured that permanent arrangements for residential and nursing contracts are put in place. The tendering exercise should be undertaken in accordance with Public Contract	There is no evidence to suggest a lack of due diligence checks when awarding transitional contract or that value for money is not achieved as placements are funded within the Councils 'usual rates' agreed each year as part of the budget setting process. Rates would only be higher	Commissioning Lead September 2019	<b>Not yet due for implementation</b>

Audit/Report Date	Assurance	Recommendations	Management Response	Responsibility and Due Date	Update Position
		Regulations 2015 and the Council's Contract Rules.	by individual negotiation as a result of an assessed care need or as a result of market capacity.  The historical joint commissioning arrangement between Walsall Council and Walsall Clinical Commissioning Group are currently under review and until a decision is reached a procurement exercise will not commence.		
		A review of the backlog of financial assessments should be undertaken and resources made available to ensure that are undertaken immediately.  Financial assessments should then be undertaken promptly.  The notification issued to service users should be condensed into a shorter version.	A review of 237 cases including the 12 cases identified will be undertaken and resources / relevant solutions will be put in place.  A solution is now in place for the lengthy financial assessment document.	Finance Admin Officer – Residential and CBC  August 2019  Complete	<b>Not yet due for implementation</b>
		The unallocated cases should be allocated and reviewed as a matter of urgency to ensure the correct payments are made.	Temporary resource to be arranged to help clear the legacy cases.	Income Team Manager  August 2019	<b>Not yet due for implementation</b>
		It should be ensured that: <ul style="list-style-type: none"> <li>Statement of accounts are produced promptly.</li> </ul>	Temporary resources to be arranged to help clear backlogs and ensure statements and invoices are produced promptly.	Income Team Manager  August 2019	<b>Not yet due for implementation</b>

Audit/Report Date	Assurance	Recommendations	Management Response	Responsibility and Due Date	Update Position
		<ul style="list-style-type: none"> <li>• The backlog of cases should be reviewed and the deferred payment applications processed as a matter of urgency.</li> <li>• Requests for legal charges to be placed on properties should be monitored and chased where necessary.</li> <li>• Sundry debtor invoices should be raised promptly.</li> </ul>	Process to be implemented to review and monitor cases passed to Legal.		

## Summary of Recommendations Raised and Follow Up Status - 2016/17

Audit/Reportk Date	Assurance Level	Raised	Implemented	Partly Implemented			Outstanding			No longer relevant	Original Due Date	Revised Due Date	Not yet due
				1	2	3	1	2	3				
Town & District Centres Markets March 2017	Limited / Limited	12	10		1					1	July 2017	Jul 2019	
Facilities Management January 2017	Limited / Limited	15	12					3		-	June 2017	Jul 2019	
		27	22		1			3		1	-	-	

\* See 'Outstanding and Partly Implemented High Priority Recommendations from 2016/17, 2017/18, 2018/19 and 2019/20' table at the start of appendix 4 for priority 1 recommendations updated position.

## Summary of Recommendations Raised and Follow Up Status - 2017/18

Audit/Report Date	Assurance Level	Raised	Implemented	Partly Implemented			Outstanding			No longer relevant	Original Due Date	Revised Due Date	Not yet due
				1	2	3	1	2	3				
RIPA April 2018	Substantial / Substantial	10	3							-	Sep 2018	-	7 No response to follow up
Adult Social Care Market Management April 2018	Limited / Substantial	7	3		2		1	1		-	Dec 2018	Sep 2019	-
Domiciliary Care June 2018	Limited / Limited	13	9					4		-	Apr 2019	Sep 2019	-
Forest Arts Centre July 2018	Limited / Limited	19	16					3			Apr 2019	Jun 2019	-
Controlling Migration Fund August 2018	Substantial / Substantial	7	6					1			Aug 2018	Dec 2018	No response to follow up
Delays in Transfer of Care October 2018	Substantial / Substantial	9	7		1			1			Jan 2019	May 2019	-
Streamlining of Services (Re-design of LibraryService) March 2018	Substantial / Substantial	4	-		1						Oct 2019		3
		69	44	-	4	-	1	10	-	-	-	-	10

\* See 'Outstanding and Partly Implemented High Priority Recommendations from 2016/17, 2017/18, 2018/19 and 2019/20' table at the start of appendix 4 for priority 1 recommendations updated position.



## Summary of Recommendations Raised and Follow Up Status - 2018/19

Audit/Report Date	Assurance Level	Raised	Implemented	Partly Implemented			Outstanding			No longer relevant	Original Due Date	Revised Due Date	Not yet due
				1	2	3	1	2	3				
School Governance August 2018	Limited / Substantial	7	6		1						Dec 2018	Dec 2019	-
IR35 Compliance October 2018	Substantial / Limited	9	7					2			Jan 2019	Jun 2019	-
Crisis Support Scheme October 2018	Substantial / Limited	5	3					2			Dec 2018	Jun 2019	
Licensing November 2018	Limited / Limited	11	5	1			1				Mar 2020	-	4
CRC Energy Efficiency Scheme October 2018	Substantial / Limited	3	2	1							Jan 2019	-	
Housing Benefit & Council Tax Reduction November 2018	Substantial / Substantial	7	6								Jun 2019	-	1
Millfield Primary School October 2018	Limited / Limited	17	16		1						Nov 2018	Jun 2019	
New Leaf Inclusion Centre	Limited / Limited	18	14	1	2			1			Dec 2019	-	

Audit/Report Date	Assurance Level	Raised	Implemented	Partly Implemented			Outstanding			No longer relevant	Original Due Date	Revised Due Date	Not yet due
				1	2	3	1	2	3				
February 2019													
Shepwell Centre January 2019	Substantial / Substantial	8	7		1						Feb 2019	Jul 2019	-
Planning February 2019	Substantial / Substantial	9	6								Sep 2019	-	3
Purchase Cards (Money Home Job) March 2019	Limited / Substantial	4	3								Jul 2019	-	1
Follow Up of ICO Recommendations relating to Subject Access Requests March 2019	n/a	4	1								Jul 2019	-	3
Troubled Families Grant Q4 March 2019	Substantial / Substantial	1									Jun 2019		1
The Jane Lane School March 2019	n/a	21	10		1						Jul 2019		10
Corporate Review of Agency Staff April 2019	Substantial / Substantial	3	1								Jun 2019		2

Audit/Report Date	Assurance Level	Raised	Implemented	Partly Implemented			Outstanding			No longer relevant	Original Due Date	Revised Due Date	Not yet due
				1	2	3	1	2	3				
Residential & Nursing Care April 2019	Limited / Limited	13	2		1						Mar 2020		10
Integrated Health & Social Care	Substantial / Substantial	2	1								Jul 2019		1
Communication & Staff Engagement June 2019	Substantial / Substantial	3	1								Dec 2019		2
Payroll & Pensions Administration May 2019	Substantial / Substantial	7	2		1						Nov 2019		4
Benefits Realisation June 2019	Good / Good	3	2								Jun 2019		1
Performance Management Framework June 2019	Substantial / Limited	5	1								Jul 2019		4
ICT Business Continuity June 2019	Limited / Limited	4	1								Sep 2020		3
Procurement June 2019	Substantial / Limited	11									Apr 2020		11
		175	97	3	8		1	5					61

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

Audit/Report Date	Assurance Level	Raised	Implemented	Partly Implemented			Outstanding			No longer relevant	Original Due Date	Revised Due Date	Not yet due
				1	2	3	1	2	3				
Alumwell Infant School June 2019	Substantial / Substantial	9	8								Sep 2019		1
Blakenall Heath Junior School June 2019	Substantial / Substantial	11	6								Aug 2019		5
Moorcroft Wood Primary School June 2019	Substantial / Substantial	7	5								Dec 2019		2
Christ Church CE Primary School	Substantial / Substantial	10	9								Sep 19		1
		37	28										9

## Appendix 5 – 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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