



Internal Audit Progress Report
February 2024

1. Introduction

- 1.1 The Public Sector Internal Audit Standards (the Standards) require the Audit & Governance Committee to oversee the performance of the Internal Audit Team and to satisfy itself that it is receiving appropriate assurance that the controls put in place by management address the identified risks to the Council. This report aims to provide the Committee with details on progress made in delivering planned work, the key findings of audit assignments completed since the last Committee meeting, updates on the implementation of actions arising from audit reports and an overview of the performance of the Internal Audit service.

2. Performance

- 2.1 Since the last meeting of the Audit and Governance Committee, the Internal Audit team has been progressing work on delivery of the 2023/24 audit plan.
- 2.2 A full copy of the 2023/24 audit plan is provided as Table 1, on pages 10 to 17 of this report.
- 2.3 At the time of reporting, 53% of the audit plan in Table 1 has been delivered to at least draft report stages and a further 46% is in planning or fieldwork stages. This reflects that delivery is on track for this stage in the year.

3. Key findings

- 3.1 Since the last meeting of the Audit & Governance Committee, finalised reports have been issued in respect of six audit assignments. The key findings arising from those audits are summarised as follows:

Procurement compliance

The Council's Procurement Guides are designed to ensure probity and value for money when procuring goods, works or services that meet the needs of residents and comply with legal and regulatory requirements. The Council's current Contract Procedure Rules (CPRs) were approved in November 2022 and are accessible to all staff, along with a procurement intranet site providing additional information and guidance. Additionally, to support procurement / purchasing activity and in line with the requirements of the Local Governance Transparency Code, the Council's contract register is published on the Council's website as well as monthly publications of all expenditure over £500.

In terms of the control environment supporting procurement activity, the review found the CPRs along with the availability of procurement advice provides a strong framework to ensure that officers involved in procurement activity should be aware of the process they need to follow when making purchases. Additionally, checks are undertaken by procurement on new suppliers, as well as on all contracts over £100k and requisitions / orders over £100k in specific circumstances, although it needs to be noted that these checks are limited in coverage as a large amount of purchasing activity can take place without any checks being undertaken by the Procurement Team.

In terms of compliance, testing of purchases made in the financial year to date noted that for 16 out of 25 purchases (64%) there was evidence of compliance with the requirements of the CPRs. In relation to new contracts and contract extensions, for a sample of 15

commencing in the financial year 2023/24 there was evidence available to demonstrate the procurement processed followed in 14 (93%) of cases. In all non-compliant cases noted, the value of the purchase / contract was less than £100k and therefore had not been subject to checks by the Procurement Team, who currently only review purchases over £100k.

Actions have been agreed in relation to training, inclusion of procurement training in officer inductions and checks on new contracts added to the register.

Based upon the fieldwork completed, the following assurance opinions have been given:

Internal Audit Assurance Opinion		
Control Environment	●	Moderate
Compliance	●	Moderate
Organisational Impact	●	Medium

Revenue and Benefits system implementation – embedded assurance – phase 1

The Revenue and Benefits Team is responsible for the billing and collection of Council Tax and Business Rates, and also the administration, calculation and payment of Housing Benefits, Local Council Tax Support and Discretionary Housing Payments. The 2023/24 budget is based on income of £191.39 million in Council Tax and £94.62 million in Business Rates. Four legacy systems, aligned with the former councils, are now being replaced with a single Revenues and Benefits system with the overall programme anticipated to be completed in November 2024.

Embedded assurance is being provided over the project management arrangements for the programme. This is a key programme for the Council, with the new system being required to bill and recover monies which account for over 75% of the Council's total income. Phase 1 of the embedded assurance work has focused on project one of the programme - the implementation of the new Revenues and Benefits system, conversion of a database from a former council into a new database and the roll out of a document repository system. This new database and document repository will eventually hold all revenues and benefits information across the entire Council on completion of the programme.

As at the time of reporting, the Go Live date had been delayed by two weeks to allow further work to be undertaken to ensure the system is sufficiently stable for users to be concurrently using the system as would be seen in a normal business as usual environment. Throughout the project there have been ICT resource constraints, with reliance on a single individual for many tasks. Even though the Go Live date had been delayed and there had been resource constraints, the project had provided frequent updates and escalations as required. The project management has also evolved during the approach to the Go Live date in order to prioritise the outstanding issues.

Most of the audit findings from this phase 1 review are administration errors/gaps which should be tightened up and inform lessons learned for future phases of the programme and also other projects across the Council.

Based upon the fieldwork completed, the following assurance opinions have been given:

Internal Audit Assurance Opinion		
Control Environment	●	Good
Compliance	●	Good
Organisational Impact	●	Low

Complaints and compliments management

The Council promotes the right of its customers to raise a concern or make a complaint if they think something has been performed incorrectly, been addressed poorly, or where something has not been completed. The Council are committed to ensuring all complaints are investigated objectively, fairly and thoroughly in a positive problem-solving manner. To support this, the Council has developed a Customer Compliments, Comments and Complaints Policy that defines the expectations of how the Council will respond to complaints received. To assess performance in this area, several corporate performance indicators exist to support complaints management and an extract of data as at quarter two of 2023/24 is detailed below:

Indicator	Target	2022/23	2023/24 @ Q2
Total number of complaints received by the Council	N/A	2015	1179
Percentage of complaints answered within the service level agreement (20 working days or agreed extensions)	90%	62%	68%
Percentage of complaints upheld	20%	18%	33%
Total number complaints under investigation by the Ombudsman	N/A	40	29

The review found that an effective framework exists to support compliments and complaints. This is based around clearly defined expectations in the Customer Compliments, Comments and Complaints Policy; mechanisms in place to receive compliments and complaints; and the role of the Complaints team in co-ordinating and overseeing the correspondence. However, the following key areas have been identified, where further action is required to manage associated risks:

- The need to review the current policy; which was produced back in early 2021 in preparation for the unitary transition and has not been reviewed since the Council commenced operations.
- Current performance data, shown above, highlights an increasing number of complaints received by the Council and a higher proportion of completed investigations where the complaint has been upheld. Additionally, the Council's performance regarding response time is significantly below target.
- Apart from performance data included in corporate performance reports to the Executive, there are no specific reports considered by elected Members in respect of complaints.
- Where decisions are made to make compensation payments in response to a complaint, there is currently no policy that covers the circumstances when a payment should be considered nor how the value of payment should be determined. The approval process over such payments also requires review.

Actions have been agreed in relation to policy review; improvements to reporting to track trends on complaints and learning outcomes; strengthening escalation processes for overdue complaints; improving record keeping on remedies; and clarifying processes for compensation payments.

Based upon the fieldwork completed, the following assurance opinions have been given:

Internal Audit Assurance Opinion	
Control Environment	● Moderate
Compliance	● Moderate
Organisational Impact	● Medium

Home to school transport

At vesting day, it was agreed that the Highways and Transport service would be delivered by West Northamptonshire Council (WNC) on behalf of the Council. An internal audit review of arrangements reported in August 2022 found significant weaknesses and non-compliance with established policies especially in relation to monitoring of providers. Since the review, the service has been dis-aggregated, and the Council now has its own team in place to deliver a Home to School Transport Service. In terms of activity / data in respect of the home to school transport service:

- Based on a report to the Executive in July 2023, the Council provides transport for 4133 mainstream students and a further 173 students using the home to school service under the post 16 policy;
- There are currently 433 school transport routes in operation in North Northamptonshire; and
- The budget for home to school transport for 2023/24 is £17,309,008.

The review has found that the Council has a clearly defined Home to School Education Transport Policy, that is reflective of statutory guidance. To support the policy, appropriate systems were found to be in place to support the administration of applications, procurement activity and payments. Additionally, arrangements are in place to assess whether providers are meeting the Council's expectations around child safety and welfare through the work of Inspectors.

It should be noted that the disaggregation process has created challenges, and some have contributed to the following key areas, where further action is required to manage associated risks:

The review identified a lack of documented procedures covering most of the activity undertaken currently by the Council in support of home to school transport. Additionally, in terms of current working practices, there was limited evidence of the role of management in monitoring, reviewing and approving activity.

A review of working practices covering inspections highlighted that the master record provides limited details about the outcome of such activity, and there were concerns over the accuracy / relevance of information included in this record. Additionally, the template record used to record the results of inspections was not easy to follow as numerous fields




were left blank and it was unclear whether this was because they were not relevant to the specific provider or had just been missed.

In respect of financial arrangements, the review has found:

- Significant delays in raising invoices to those paying for transport, with over 50% of debts currently outstanding from 2022/23;
- The Council does not undertake any proactive checks to gain assurance that payments to providers are made only where services have been provided; and
- Current arrangements do not support informed management and forecasting of Council budgets.

Actions have been agreed in relation to updating procedures and working practices; improving billing processes; verifying attendance and activity to inform accuracy of payments; improving record keeping for inspections; and strengthening budgetary control processes.

Based upon the fieldwork completed, the following assurance opinions have been given:

Internal Audit Assurance Opinion		
Control Environment		Moderate
Compliance		Moderate
Organisational Impact		Medium

Early years providers (claims and invoicing)

The Free Early Education Entitlement (FEEE) is a national government scheme which allows parents/carers of children aged 3 and 4, and where eligible some 2 year olds, to access up to 570 hours of funded early learning and childcare annually. Some working parents/carers may also be entitled to an additional 15 hours of funded hours per week or 1140 hours annually.

Internal Audit visited a sample of 15 early years settings to conduct spot checks against claims that had been submitted for the last period. All of the settings visited had a means of recording attendance (i.e. registers and records of times attended) which was readily available at the time of audit. Testing found that, overall, the majority of claims processed were evidenced as accurate, based on parental contracts and attendance records – but this was not consistent for all children in each setting. In testing, 9 of the 15 settings (60%) were able to evidence that all of the children selected for testing had attended the number of hours claimed for the period - and any exceptions related only to safeguarding or Special Educational Needs and Disabilities (SEND) cases, for which provision is made in the provider agreement. In the other 40% of settings visited, cases were identified where the full claimed hours were not being regularly attended by the named child.




The testing also highlighted that in 13% of settings claims had been submitted for children for whom there was no signed, valid parental contract on file for the period; and 47% of settings had gaps in evidence of identification checks for children in the sample. Furthermore, only 38% of settings had evidence on file of checks on eligibility for two-year-old funding.

The National FEEE Guidance states that local authorities must ‘ensure that providers are aware that they can charge for meals and snacks as part of a free entitlement place and that they can also charge for consumables ...and for services....These charges must be voluntary for the parent’. There is an expectation that invoices issued by providers are itemised, clear and transparent with, voluntary costs clearly stated. Sample testing on invoices highlighted inconsistencies in this area and a need for greater clarity over the voluntary nature of additional charges at approximately 50% of the settings – in invoicing and/or policy coverage.

It is noted that compliance officer roles have recently been introduced into the Early Years structure and these will play a crucial role in taking forward actions from this audit and implementing a rolling audit programme with settings, going forward.

Actions have been agreed in relation to resolving discrepancies highlighted in audit testing; promoting lessons learnt with providers; and supporting on ensuring transparency of voluntary contributions across the range of providers.

Based upon the fieldwork completed, the following assurance opinions have been given:

Internal Audit Assurance Opinion		
Control Environment		Moderate
Compliance		Moderate
Organisational Impact		Medium

Public Health grant

The Council’s Public Health Grant (PHG) allocation for the 2022/23 year was £18,070,429, with £18,659,834 being received for the 2023/24 year. The Council must forecast and report expenditure against the sub-categories in the Revenue Account (RA) and Revenue Outturn (RO) returns to the Department for Levelling Up, Housing and Communities (DLUHC), which shares data with the Department of Health and Social Care (DHSC). The return must be certified by the authority’s Chief Executive (or S151 officer) and the Director of Public Health that, to the best of their knowledge, the amounts shown on the statement relate to eligible expenditure on public health and that the grant has been used for the purposes intended, as set out in the grant determination letter. The grant must be used only for meeting eligible expenditure incurred by the Council for the purposes of public health functions as specified in Section 73B(2) of the National Health Service Act 2006 (‘the 2006 Act’).

The underspend against the 2022/23 PHG was approximately £460k, which has contributed to an accumulated reserve carried forward into 2023/24 of approximately £4m. Plans are in place to utilise accumulated funds to support projects that meet with PH Grant conditions and are PH priorities. Overall arrangements for delivering public health priorities in North Northamptonshire are defined in the draft Public Health Framework 2023-25.




The Office for Health Improvement and Disparities (OHID) have advised councils that they will be scrutinising PH Grant spend more closely to ensure activities align with the grant. The scope of the audit was therefore to provide assurance on the use of public health grant monies in accordance with grant terms and conditions and the Public Health Framework 2023-25.

In overall terms, the audit confirmed that there is an appropriate governance framework in place to regulate and monitor expenditure against the PHG, however work remains ongoing to establish a financial coding structure that clearly identifies PHG spend against the categories outlined in the Revenue Outturn document.

Sample testing of expenditure totalling approximately £4.23m back to source documentation, which included costs such as payroll, agency staff, contractors, professional fees/hired services and equipment, confirmed eligibility of spend against PHG terms and conditions.

Actions have been agreed in relation to the coding structure; retention of supporting documentation; and clarifying disaggregated spend.

Based upon the fieldwork completed, the following assurance opinions have been given:

Internal Audit Assurance Opinion		
Control Environment		Good
Compliance		Good
Organisational Impact		Low

4. Implementation of recommended actions

- 4.1 Where any weaknesses or opportunities for improvement are identified by audit testing, recommendations are made and an action plan agreed with management. These actions are subject to agreed timeframes and owners and implementation is followed up by Internal Audit on a monthly basis.
- 4.2 Since the last Audit and Governance committee meeting, 49 open actions have been confirmed as implemented – an overview is provided in Table 2 of this report. There were 89 recommendations overdue for implementation as at 30th January 2024.
- 4.3 To provide the Committee with further detail on high risk actions which remain overdue by more than three months, full details are provided in Table 3, with latest updates from officers. There are four such actions at this time.

5. Review of audit plan coverage

- 5.1 The Internal Audit plan should remain subject to ongoing review throughout the financial year to ensure it remains focused on key risks and will add value to the organisation. In February 2024, the Planning Advisory Service will be conducting a follow up visit to the Council, to review progress on the Planning Service Transformation. The Internal Audit Plan for 2023/24 had included 12 days for an audit on the Planning Service Transformation, to take place in February 2024. As such, it is proposed that assurances be taken from the Planning Advisory Service’s review and, to avoid any duplication and make best use of the Internal Audit days, the planned Internal Audit work be cancelled.
- 5.2 The Council has recently introduced new spend review processes and this is an area where Internal Audit assurances have been requested. The cancellation of the Planning Service Transformation audit would provide a timely opportunity to reallocate audit days to this priority area. It is, therefore, recommended that the Planning Service Transformation audit

be cancelled from the 2023/24 plan and that the 12 days be reallocated to support on the spend review processes and assurances over compliance with these new controls in the last quarter of the financial year.

Table 1: Progressing the Annual Internal Audit Plan

2023/24

Key

Current status of assignments is shown by shading

Assignment	Initial timing planned	Not started	Planning	Fieldwork underway	Fieldwork complete	Draft report	Final report / complete	Control Environment	Compliance	Org impact	Comments
Governance											
Ethical governance	Q2										
Corporate compliance with key controls and policies											
Agency staff and consultants	2022/23							Moderate	Limited	Medium	Reported in August 2023
Information governance	Q1							Moderate	Good	Low	Reported in September 2023
Starters and leavers	Q1							Moderate	Good	Low	Reported in November 2023
Staff recruitment	Q2										
Procurement compliance	Six monthly							Moderate	Moderate	Medium	See section 3.1

Assignment	Initial timing planned	Not started	Planning	Fieldwork underway	Fieldwork complete	Draft report	Final report / complete	Control Environment	Compliance	Org impact	Comments
Partnerships and hosted services	Q2										Postponed to Q4
Budgetary control and savings plans	Q3										
Business continuity management	Q3										
Agency workers and consultants (follow up)	Q4										
IT risks											
Cyber security – training and awareness	Q1							Moderate	Moderate	Medium	Reported in September 2023
Cyber security – vulnerability management	Q2										
IT strategy and governance	Q1							Moderate	Moderate	Medium	Reported in November 2023

Assignment	Initial timing planned	Not started	Planning	Fieldwork underway	Fieldwork complete	Draft report	Final report / complete	Control Environment	Compliance	Org impact	Comments
Corporate objective – Modern Public Services											
New Customer Relationship Management system – phase 1	Q1							Good	Good	Low	Reported in August 2023
Management of capital projects	2022/23							Moderate	Moderate	Medium	Reported in September 2023
New revenues and benefits system (embedded assurance)	All year							Good	Good	Low	See section 3.1
New income management solution (embedded assurance)	All year										Engaged with project
Hospital discharge invoicing	Q1										
Right to buy applications	Q1							Moderate	Moderate	Low	Reported in September 2023
Complaints and compliments management	Q2							Moderate	Moderate	Medium	See section 3.1

Assignment	Initial timing planned	Not started	Planning	Fieldwork underway	Fieldwork complete	Draft report	Final report / complete	Control Environment	Compliance	Org impact	Comments
Agile working	Q2										
Housing repair stores (advisory)	Q2							Consultancy			Reported in September 2023
Asset management – leased assets (follow up)	Q3										
Capital project management – Kettering library roof	Q4										
Corporate objective – Safe and Thriving Places											
Homelessness and temporary accommodation	2022/23							Good	Moderate	Medium	Reported in August 2023
External placements	2022/23							Limited	Moderate	Medium	Reported in November 2023
Landlord health and safety	Q2										
Home to school transport (follow up)	Q2							Moderate	Moderate	Medium	See section 3.1

Assignment	Initial timing planned	Not started	Planning	Fieldwork underway	Fieldwork complete	Draft report	Final report / complete	Control Environment	Compliance	Org impact	Comments
Highways maintenance contracts	Q3										
Private sector housing enforcement and empty homes	Q3										
Housing repairs (follow up)	Q4										
Planning service transformation	Q4										
UK Shared Prosperity Fund	Q1							Good	Moderate	Low	Reported in November 2023
Corporate objective – Greener, Sustainable Environment											
Climate change strategy	Q4										
Corporate objective – Better, Brighter Futures											
SEND	Q2										
Early years providers	Q2							Moderate	Moderate	Medium	See section 3.1
Schools – thematic review (safer recruitment and payroll)	Q3										Eight school

Assignment	Initial timing planned	Not started	Planning	Fieldwork underway	Fieldwork complete	Draft report	Final report / complete	Control Environment	Compliance	Org impact	Comments
											audits completed
Ad-hoc support and school audits	As required										One Safer Recruitment audit completed at management request in June 2023.
Governance of the Children's Trust	Q4										
Corporate objective – Active, Fulfilled Lives											
Payments to social care providers	Q1							Good	Moderate	Medium	Reported in November 2023
Continuing health care (CHC) funding	Q1										Linked to coverage in other audits – postponed to Q4
Adult social care data quality	Q2										
Specialist care centres	Q3										
Health and Social Care Act 2022 (advisory)	Q3										
Public health contract	Q3										

Assignment	Initial timing planned	Not started	Planning	Fieldwork underway	Fieldwork complete	Draft report	Final report / complete	Control Environment	Compliance	Org impact	Comments	
management (follow up)												
Adult safeguarding	Q4											
Key financial systems - Providing assurance that the Council has made arrangements for the proper administration of its financial affairs, these system audits focus on the systems with the highest financial risk.												
Payroll	Q4	Being delivered under lead authority model										
Pensions	Q4	Being delivered under lead authority model										
Accounts payable	Q4											
Debtors and debt recovery	Q4	Being delivered under lead authority model										
Main accounting system – year end	Q1							Moderate	Moderate	Medium	Reported in August 2023	
Main accounting system	Q4											
Treasury management	Q4											
Government procurement cards	Q1							Moderate	Limited	Low	Reported in September 2023	
Local taxation 2022/23	Q1							Moderate	Moderate	Medium	Reported in August 2023	

Assignment	Initial timing planned	Not started	Planning	Fieldwork underway	Fieldwork complete	Draft report	Final report / complete	Control Environment	Compliance	Org impact	Comments
Local taxation 2023/24	Q4										
Housing benefit 2022/23	Q1							Good	Good	Low	Reported in August 2023
Housing benefit 2023/24	Q4										
Public Health											
Public health grant	Q2							Good	Good	Low	See section 3.1
Grant claims											
Supporting families	Quarterly							Quarterly audits and sign off			
Family Hubs	Q1 and Q3							Complete			
Contain Outbreak Management Fund (COMF)	Q1							Complete			
Disabled Facilities Grants	Q2							Complete			

The Auditor's Opinion

At the completion of each assignment the Auditor will report on the level of assurance that can be taken from the work undertaken and the findings of that work. The table below provides an explanation of the various assurance statements that Members might expect to receive.

Compliance Assurances		
Level	Control environment assurance	Compliance assurance
Substantial ●	There is a sound system of internal control to support delivery of the objectives.	The control environment is operating as intended with no exceptions noted which pose risk to delivery of the objectives.
Good ●	There is generally a sound system of internal control, with some gaps which pose a low risk to delivery of the objectives.	The control environment is generally operating as intended with some exceptions which pose a low risk to delivery of the objectives.
Moderate ●	There are gaps in the internal control framework which pose a medium risk to delivery of the objectives.	Controls are not consistently operating as intended, which poses a medium risk to the delivery of the objectives.
Limited ●	There are gaps in the internal control framework which pose a high risk to delivery of the objectives.	Key controls are not consistently operating as intended, which poses a high risk to the delivery of the objectives.
No ●	Internal Audit is unable to provide any assurance that a suitable internal control framework has been designed.	Internal Audit is unable to provide any assurance that controls have been effectively applied in practice.




Organisational Impact		
Level		Definition
High		The weaknesses identified during the review have left the Council open to a high level of risk. If the risk materialises it would have a high impact upon the organisation as a whole.
Medium		The weaknesses identified during the review have left the Council open to medium risk. If the risk materialises it would have a medium impact upon the organisation as a whole.
Low		The weaknesses identified during the review have left the Council open to low risk. This may have a low impact on the organisation as a whole.

Table 2: Implementation of Audit Recommendations

	'High' priority recommendations		'Medium' priority recommendations		'Low' priority recommendations		Total	
	Number	% of total	Number	% of total	Number	% of total	Number	% of total
Actions due and implemented since last Committee meeting	11	58%	32	32%	6	30%	49	36%
Actions due within last 3 months, but not implemented	5	26%	18	18%	3	15%	26	19%
Actions due over 3 months ago, but not implemented	3	16%	49	50%	11	55%	63	45%
Totals	19	100%	99	100%	20	100%	138	100%

Table 3: ‘High’ priority actions overdue for more than three months

Audit Title and Year	Service Area	Outstanding Action	Status Update	Officer Responsible	Original Date	Revised Date (if provided)
Governance of Children’s Trust 2021-22	Children’s Services	Intelligent Client Function To develop a framework for assessing the effectiveness of the Client Function	January 2024: Monitoring Officers for North Northants Council (NNC) and West Northants Council (WNC) have worked with external legal advisors to prepare a draft Interface Agreement. Progressing this has been delayed due to ongoing discussions between WNC and NNC on the future delivery of the Client Function. NNC Corporate Leadership Team is aware of and fully engaged in these discussions. A revised timetable to agree and sign an interface agreement setting out the arrangements between the two Councils to manage the Trust, including the role of the Client Function is to be put before Joint Officer Board on 30th January 2024. If agreed, with no further unforeseen delays, this would likely ensure an Interface Agreement is in place by 1st April 2024.	Director of Children’s Services / Assistant Director Commissioning and Partnership	31/08/2022	01/04/2024
ICT Asset management 2022-23	Chief Executives Office	Central record/register for software applications and licenses assets. A corporate central register for all software applications and licenses is to be developed and implemented.	Initial NNC Build has been created. The build will need to go through rigorous testing by the various test groups to ensure it meets our requirements.	ICT Manager & Interim Service Delivery Lead and Interim IT Applications Lead	30/06/2023	31/12/2024
ICT Asset management 2022-23	Chief Executives Office	Software Assets – Role and Responsibility clarification Engagement across services will be required	This is linked to the software asset management system action, above, as roles and responsibilities would be directly related. The work relating to this is planned to go ahead next year with the required resource allocation.	ICT Manager & Interim Service Delivery Lead and Interim IT Applications Lead	30/06/2023	31/12/2024

Audit Title and Year	Service Area	Outstanding Action	Status Update	Officer Responsible	Original Date	Revised Date (if provided)
		(via communications) to establish the current roles and responsibilities held by ICT and/or services for the management of software assets.				

Limitations and Responsibilities

Limitations inherent to the internal auditor's work

Internal Audit is undertaking a programme of work agreed by the council's senior managers and approved by the Audit & Governance Committee subject to the limitations outlined below.

Opinion

Each audit assignment undertaken addresses the control objectives agreed with the relevant, responsible managers. There might be weaknesses in the system of internal control that Internal Audit are not aware of because they did not form part of the programme of work; were excluded from the scope of individual internal assignments; or were not brought to Internal Audit's attention. As a consequence, the Audit & Governance Committee should be aware that the Audit Opinion for each assignment might have differed if the scope of individual assignments was extended or other relevant matters were brought to Internal Audit's attention.

Internal control

Internal control systems identified during audit assignments, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision making; human error; control processes being deliberately circumvented by employees and others; management overriding controls; and unforeseeable circumstances.

Future periods

The assessment of each audit area is relevant to the time that the audit was completed in. In other words, it is a snapshot of the control environment at that time. This evaluation of effectiveness may not be relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in operating environment, law, regulatory requirements or other factors; or
- The degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management; internal control and governance; and for the prevention or detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems. Internal Audit endeavours to plan its work so that there is a reasonable expectation that significant control weaknesses will be detected. If weaknesses are detected additional work is undertaken to identify any consequent fraud or irregularities. However, Internal Audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected, and its work should not be relied upon to disclose all fraud or other irregularities that might exist.