North Northamptonshire Council

Internal Audit Progress Report

April 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 8 to 15 of this report.

2.3 At the time of reporting, 73% of the audit plan in Table 1 has been delivered to at least draft report stages and fieldwork is either complete or progressing on all remaining assignments.

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:

Landlord health and safety

As a social housing landlord, the Council has a number of responsibilities to ensure that the properties are safe for tenants and that legal duties are consistently and reliably met. The 2022/23 audit of this area noted some areas for improvement including a lack of consistent oversight in relation to timely completion of remedial actions arising from inspections and assessments. The Housing performance reporting now includes a range of indicators for compliance regimes. Monthly compliance meetings also take place, with recorded actions and review of live datasets from the compliance module, including monitoring of remedial actions arising from servicing/inspections which are logged on the system. Management attend these meetings providing the opportunity to escalate issues and maintain oversight.

At the time of reporting, the Council's records indicated that 99.78% of properties had a valid gas safety certificate, with remaining properties subject to access attempts and application for warrants. A sample of 40 of the properties with gas supplies was selected for audit testing and it was verified that 100% of those properties had a valid gas safety certificate dated within the last twelve months.

Since October 2022, social housing landlords have been legally required to ensure that all properties have sufficient smoke and carbon monoxide detection devices installed. The Council has required contractors to check these during compliance visits and install devices where needed. At the time of audit, it was reported that 98.9% of properties have carbon monoxide detection, where applicable, and 99.9% meet the requirements for smoke detection devices. Audit sample testing confirmed that evidence was available to support

compliance of properties in the Corby area but records were not consistent in Kettering, with assurance taken from officers.

Approaches to compliance are generally moving towards being better aligned across the localities. The differing approaches have, however, resulted in some greater backlogs in some areas – such as gaps in asbestos survey coverage in Kettering where full management surveys were not routinely sought historically, requiring a greater resource investment to bring records up to the expected standard. Properties in Kettering had also not previously been subject to five yearly electrical installation condition reports (EICRs) so the backlog in this area is also greater. Clarity is recommended for some reported performance data, i.e. defining the meaning of a 'valid' fire safety check, along with data verification checks for the wider data sets, to ensure complete and accurate reporting.

In 2023, following the Spotlight report, staff training was rolled out and the categorisation of cases relating to damp and mould was reviewed. There is a need to formalise the Council's policy on handling these cases to ensure compliance with latest guidance and consistency in approach across the housing stock.

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

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

Cyber security – vulnerability management

As part of the 2023/24 Internal Audit plan, a programme of cyber security audits is being undertaken, with this second audit reviewing the arrangements over vulnerability management. The Council has regular penetration testing and vulnerability scanning arrangements in place to identify vulnerabilities across the network. The Council is also enlisted to the National Cyber Security Centre's check services to help identify any relevant vulnerabilities.

Any areas where potential for further improvement was noted in the audit were discussed with management, and actions agreed.

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

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

Asset management (leases) – follow up

Commercial Property Management provides the Council with an opportunity to maximise income whilst keeping to its core values and supporting the Council's objectives. The net income on assets budgeted for 2023/24 was approximately £12 million. An audit in 2022/23 resulted in an opinion of Limited Assurance for the control environment and compliance with key controls. This follow up audit was included in the Internal Audit Plan for 2023/24 to provide assurance over progress made in implementing the agreed management actions.

It is evident that progress has been made in strengthening controls in this area since the last audit and there is support for a move to a 'corporate landlord' model to ensure all lease arrangements are subject to professional input by the Asset Management team, thereby managing associated risks. A number of key developments include the approval of the new Corporate Property Leaseholder Policy in November 2023; the procurement of a new asset management system to be rolled out in 2024/25; and formalising of some key processes and controls. Whilst this demonstrates good progress made, it is acknowledged that the embedding of some new systems and controls remains a work in progress due to the resource implications, the timescale for rolling out of the new software and the promotion and embedding of the new policy.

A key weakness flagged by the 2022/23 audit had been the lack of a single, complete record of all leased properties. The record keeping has improved since the last audit, with actions taken to improve coverage, but remains reliant on a number of separate records with varying content. The procurement of an asset management system to collate and maintain this data going forward demonstrates the actions taken to address this issue. This will support a number of the key processes, controls and reporting that require greater consistency and automation - and roll out is due to commence in 2024. In the meantime, some recommendations have been made to improve interim controls and to ensure that the data integrity and migration into the new system is suitably robust.

Some actions remain open in relation to establishing the VAT status of leases and ensuring a complete picture of all legacy rent deposits. The rent deposit process for new leases now appears to have been established and would be further supported by ensuring access to relevant income receipting information.

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

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

Special educational needs and disabilities (SEND)

A child or young person has special educational needs or disabilities (SEND) if they have a learning difficulty or disability which calls for special educational provision to be made. This audit provides assurance over the process for allocating SEND funding and ensuring funding meets the needs of children, focussing on the Education Health and Care (EHC) assessment process, management and allocation of funding and the sufficiency of education provision

for children with SEND. Records indicate that 451 EHC needs assessments had been requested between August 2022 and August 2023.

Aspects of the EHC process are operating well, such as effective budget monitoring and reporting, robust performance monitoring of the service and good dissemination of information to the public regarding education, health and care plans and the support available.

Audit sample testing has highlighted that the Council's education case management system is not deemed fit for its intended purpose, contributing to inefficiencies in EHCP decision making and correspondence management. Due to the limitations of the system, the service relies heavily on manual spreadsheets which poses the risk of data inconsistency and potential errors. Records are dispersed across various locations, which has led to difficulties in locating decision and correspondence records with regards to the EHC assessment, plan and annual reviews process, as well as the administration of personal budgets.

The absence of standard operating procedures has also contributed to inconsistent application of processes; however, positive steps have been taken to address this by introducing regular staff training days.

Since June 2023, the service's quality assurance (QA) process has been paused and no QA activities have taken place. Additionally, there is no documented and approved SEND sufficiency strategy and action plan which may impact the Council's ability to meet SEND requirements effectively.

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

Internal Audit Assurance Opinion		
Control Environment	🔴	Limited
Compliance	🟡	Moderate
Organisational Impact	🔴	High

Schools – safer recruitment and payroll

Section 175 of the Education Act (2002) requires local education authorities and governing bodies of maintained schools and further education institutions to make arrangements to ensure that their functions are carried out with a view to safeguarding and promoting the welfare of children. Additionally, schools and colleges in England must have regard to the Department of Education's Statutory guidance, Keeping Children Safe in Education (KCSIE) when carrying out their duties to safeguard and promote the welfare of children. The audit was designed to provide assurance that the Council's maintained schools adopt a consistent and rigorous approach to recruitment and selection with the aim of reducing the risk of appointing unsuitable people to positions of trust, and key payroll controls are operating effectively. Audits were conducted at a sample of eight maintained schools between October and December 2023.

All schools must maintain a Single Central Record (SCR). This is a key piece of documentation referred to in KCSIE guidelines and it plays a crucial part in establishing and evidencing safe recruitment practice. Whilst all schools in the sample hold a single central

record, notable variations in the content and format of the record were found and areas for improvement were identified across all schools. Schools would benefit from a standard template to ensure this record is complete and fully consistent with regulatory requirements.

Whilst all school visited were found to have up to date child protection and safeguarding policies, which included comprehensive coverage of safer recruitment practices, the audit identified instances of non-compliance, particularly in the retention of evidence verifying an employee's the right to work and identity.

Furthermore, there is a need for updated templates for whistleblowing policies across the schools and clarification regarding the retention of DBS certificates would help ensure consistent practices regarding the handling and retention of sensitive information.

All schools were keen to implement the recommendations outlined in the audits. There is a potential opportunity for increased support and guidance from the Council to facilitate the sharing of good practices and to actively aid in embedding these practices across the maintained school base. Strengthening collaboration in this manner will contribute to a more unified and effective implementation of recommended improvements across all schools.

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

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

Housing benefit

The Council administers Housing Benefit and local council tax support on behalf of the Department for Work and Pensions. The primary focus of this audit was to provide assurance that appropriate arrangements are in place to ensure the accurate and timely processing of claims. The current caseload across the Council as of December 2023, was 9,067 Housing Benefit cases and 17,407 Council Tax Support cases. The review has found that the Council has clearly robust systems and processes in place to administer benefits including defined processes to receive new claims and notifications around changes in a claimant's circumstances. To support this, appropriate arrangements were found to be in place for induction and training for new staff, updating system parameters and maintaining up to date procedures.

A key factor underpinning some of the findings in the audit is the fact that the service is still operating in many respects as four separate teams with different working practices, as such the impact of issues encountered are often limited to a specific team rather than across the whole service.

The audit has highlighted the following areas where further action is required to manage associated risks:

- Local targets have been set for the expected time to process a new claim or a change in circumstances. Based on the financial year 2023/24 up until December 2023, whilst the target for processing a change of circumstance is being met, the average

time taken to process a new claim was 26.83 days against a target of 21 days for the same period.

- Retrospective quality checks are undertaken to gain assurance over the accuracy of claims processed. The review found different approaches in the four teams around the expected number of checks to be undertaken and which claims are assessed. Additionally, analysis found the expected level of checks were not being carried in two of the teams.
- The level of benefit overpayments outstanding is currently £3.184 million, of which just under £2.2 million originated in legacy councils. Analysis of these debts highlighted concerns that for at least £700k of this total, the debt had been overdue for at least three years, (but much older in some cases), and little if any progress has been made in collecting this money to date. It was also noted that the value of some (i.e. 67 debts less than £150) was relatively low in value and may be judged to be uneconomical to pursue.
- Testing on 20 debts originating from 2023/24 highlighted that in 40% of cases, there was a lack of timely action by the Council in the last three to six months to progress recovery of the debt.

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

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

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, 26 open actions have been confirmed as implemented – an overview is provided in Table 2 of this report. There were 62 recommendations overdue for implementation as at 29th March 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.

Table 1: Progressing the Annual Internal Audit Plan 2023/24

Key
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	Advisory work, as required									
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**	Reported in February 2024

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						▓	**Good**	**Good**	**Low**	See section 3.1
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**	Reported in February 2024
New income management solution (embedded assurance)	All year	Engaged with project – advisory work									
Hospital discharge invoicing	Q1					▓					
Right to buy applications	Q1						▓	**Moderate**	**Moderate**	**Low**	Reported in September 2023

Assignment	Initial timing planned	Not started	Planning	Fieldwork underway	Fieldwork complete	Draft report	Final report / complete	Control Environment	Compliance	Org impact	Comments
Complaints and compliments management	Q2						▓	Moderate	Moderate	Medium	Reported in February 2024
Agile working	Q2					▓					
Housing repair stores (advisory)	Q2						▓	Consultancy			Reported in September 2023
Asset management – leased assets (follow up)	Q3						▓	Moderate	Moderate	Medium	See section 3.1
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						▓	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
Home to school transport (follow up)	Q2						▓	**Moderate**	**Moderate**	**Medium**	Reported in February 2024
Highways maintenance contracts	Q3			▓							
Private sector housing enforcement and empty homes	Q3			▓							
Housing repairs (follow up)	Q4					▓					
UK Shared Prosperity Fund	Q1						▓	**Good**	**Moderate**	**Low**	Reported in November 2023
Corporate objective – Greener, Sustainable Environment											
Climate change strategy (Carbon Management)	Q4			▓							
Corporate objective – Better, Brighter Futures											
SEND	Q2						▓	**Limited**	**Moderate**	**High**	See section 3.1
Early years providers	Q2						▓	**Moderate**	**Moderate**	**Medium**	Reported in February 2024

Assignment	Initial timing planned	Not started	Planning	Fieldwork underway	Fieldwork complete	Draft report	Final report / complete	Control Environment	Compliance	Org impact	Comments
Schools – thematic review (safer recruitment and payroll)	Q3						▓	Moderate	Moderate	Medium	See section 3.1
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					▓					Postponed to Q4
Adult social care data quality	Q2				▓						
Specialist care centres	Q3			▓							
Health and Social Care Act 2022 (advisory)	Q3				Advisory work – completed						
Public health contract management (follow up)	Q3			▓							

Assignment	Initial timing planned	Not started	Planning	Fieldwork underway	Fieldwork complete	Draft report	Final report / complete	Control Environment	Compliance	Org impact	Comments
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
Local taxation 2023/24	Q4			▓							

Assignment	Initial timing planned	Not started	Planning	Fieldwork underway	Fieldwork complete	Draft report	Final report / complete	Control Environment	Compliance	Org impact	Comments
Housing benefit 2022/23	Q1						▓	**Good**	**Good**	**Low**	Reported in August 2023
Housing benefit 2023/24	Q4						▓	**Moderate**	**Moderate**	**Medium**	See section 3.1
Public Health											
Public health grant	Q2						▓	**Good**	**Good**	**Low**	Reported in February 2024
Grant claims											
Supporting families	Quarterly							Quarterly audits and sign off			
Family Hubs	Quarterly						▓	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	8	67%	17	25%	1	10%	26	30%
Actions due within last 3 months, but not implemented	-	-	11	17%	-	-	11	13%
Actions due over 3 months ago, but not implemented	4	33%	38	58%	9	90%	51	58%
Totals	12	100%	66	100%	10	100%	88	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	March 2024: A joint review of the ICF with WNC has taken place. An Inter Authority Agreement between NNC and WNC to formalise partnership working and management on all matters relating to the Children's Trust, including the functions of the ICF is being developed for implementation in Q1 of 24/25. Following this recruitment to vacant posts to replace agency staff will take place.	Director of Children's Services / Assistant Director Commissioning and Partnership	31/08/2022	30/06/2024
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.	March 2024: This remain work in progress. Progress is however being made.	ICT Manager & Interim Service Delivery Lead and Interim IT Applications Lead	30/06/2023	31/08/2024
ICT Asset management 2022-23	Chief Executives Office	Software Assets – Role and Responsibility clarification Engagement across services will be required (via communications) to establish the current roles and responsibilities held by ICT and/or services for the management of software assets.	March 2024: This control, owing to an oversight, has progressed later than anticipated. This project is pending submission into the Digital Portfolio Board where the project will be allocated resources. The control makes clear that the project will need funding, which will be understood as the project enters the project pipeline. This work would benefit from being completed in line with the central record register and will share the same timeline as the central register project.	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)
Main accounting system 2022/23	Finance	Monitoring of Bank, Control and Suspense Account Reconciliations: The Control Account and Balance Monitoring Sheet should be completed on a monthly basis to ensure that all control accounts have been reconciled and reviewed. Appropriate reporting should be introduced to ensure senior officers received assurance over the robustness of arrangements for ensuring key activity undertaken by other councils on behalf of NNC are being actioned appropriately.	The Finance Team are currently completing year end close down for 2021/22, 2022/23 and 2023/24 with a view that all reconciliations will be completed for the year end accounts 2023/24. Bank control accounts are carried out monthly for the main NNC accounts. Monthly bank reconciliations being completed for all legacy areas - managed through weekly year end catch ups and line management 1-2-1's. Process and procedures for bank reconciliations are continuing to change/develop due to the implementation of the Income Management System and migration to one Revs and Bens System. Legacy arrangements will cease during 2024/25.	Assistant Director Finance and Accountancy	31/10/2023	March 2025

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.