



# Internal Audit Report

## CFL Care Assessments

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[OFFICIAL – SENSITIVE]



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## Internal Audit Report - CFL Care Assessments

### 1. Introduction

- 1.1 In June 2018, challenge and review sessions were held between Children's Families and Learning (CFL), Adult Social Care (ASC), Finance, and the Chief Executive. As a result, the Chief Executive expressed concerns around financial pressures and, in particular, the potential of a substantial shift from an anticipated underspend to a projected overspend within CFL. Concerns were also raised regarding the systems and processes in place for assessing, approving, procuring, and accurately forecasting costs of care packages.
- 1.2 This report reflects the first of two audits of care assessments, the first relating to CFL and a second, planned audit relating to ASC. Within CFL, the focus is on two areas with relatively the highest spend and the most future commitments: Children with Special Educational Needs and/or Disability (SEND); and Looked After Children (LAC).
- 1.3 This audit has been carried out at the request of the Chief Executive with a view to providing assurance over the following key processes:
  - Care needs assessments and approval of packages of care;
  - Commissioning and procurement of care;
  - Cost identification, forecasting, and financial monitoring; and
  - Review of care packages.
- 1.4 Whilst not included in the original scope of this audit, the use of IT systems has also been reviewed given the impact that such systems have on the management of both care packages and financial processes.
- 1.5 Surrey County Council (SCC) and East Sussex County Council (ESCC) have a joint procurement framework with Liquidlogic, a software company providing case management systems for social care and education. Liquidlogic products are integrated and SCC has already implemented several products: LAS for Adult Social Care; EHM, the Early Help Module; and LCS for Children's Social Care. SCC records all education data in EMS/One, a Capita One software product.
- 1.6 SCC and ESCC also purchased software from Oxford Computer Consultants (OCC), whose products include social care finance and purchasing solutions such as ContrOCC. ContrOCC is a financial administration package that integrates with both Liquidlogic products as well as the council's corporate finance system, SAP, to allow payments to be automated. ContrOCC is in use to varying extents within both ASC and CFL.
- 1.7 The findings in this report are based on discussions with numerous officers and review of the limited data available. Detailed testing was not carried out due to the absence of a satisfactory system of control being available to test and the lack

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of complete sets of reliable, accurate data. Our draft report was presented to CFL management in September 2018 and it has taken considerable time to agree actions to be able to issue this final report.

- 1.8 This report provides only a high level summary of our findings, and has been issued on an exception basis whereby only weaknesses in the control environment have been highlighted within the main body of the report. With the agreement of the Chief Executive, detailed findings have been shared and discussed with managers within CFL at regular intervals during the course of this audit.

## 2. Scope

2.1 The scope of this audit was to ensure:

- Care package assessments and approvals are determined by clear procedures that are both statutorily compliant and effectively balance suitable provision of care need with cost;
- There are appropriate gateways for checking and approving packages of care to enable consistency, quality and value for money to be monitored;
- Appropriate mechanisms are in place in the commissioning and procurement of care packages once assessment is complete;
- There are effective processes to forecast ongoing and future care liabilities that provide management at Surrey County Council with reliable and accurate management information; and
- Ongoing review of care packages is mindful both of meeting the care need and of maintaining a sustainable budget.

## 3. Audit opinion

3.1 **Minimal Assurance** is provided in respect of CFL Care Assessments. This opinion means that controls are generally weak or non-existent, leaving the system open to the risk of significant error or fraud. There is a high risk to the ability of the system/service to meet its objectives.

*Appendix A provides a summary of the opinions, what they mean, and sets out management's responsibilities.*

### 4. Basis of Opinion

4.1 We have only been able to provide **Minimal Assurance** over the controls operating within the area under review because:

- We found numerous and significant control weaknesses in each of the areas reviewed. Of particular concern is the fact that many officers involved in this audit were aware of a range of issues, over a number of years in some cases, and yet, until recently, very little effort has been made to address these.
- The absence of a clear set of procedures and process maps is contributing to inconsistent practices and varied understanding of expectations on care staff, including social workers and SEN case workers. There are weaknesses in care package approval processes such that these inconsistencies, and the financial sustainability of care packages, are not being robustly challenged or scrutinised.
- The absence of supporting documents, combined with staff turnover, means the amount spent on, and full reasons for purchasing, IT systems are not known. Despite the costs incurred in purchasing IT systems, failure to fully implement them are creating resource-intensive, inefficient workarounds. There is no service ownership of the IT systems that should be in use and officers are not held accountable for their actions.
- The ineffective use of systems has resulted in inaccurate and unreliable data, which hinders financial monitoring, precludes the availability of meaningful management information, and prevents the council from fulfilling its statutory duties for SEND or as a corporate parent for LAC.
- As a result of these poor practices, there are manual finance processes in place that are inefficient, ineffective, and have almost certainly led to data errors and overpayments. The current arrangements represent not only poor use of qualified finance resources, but also a missed opportunity to proactively support the service to improve the quality of its data and budget position. Consequently, reliable budget forecasting is, at present, impossible.
- While there are now numerous strands of transformation work and change projects within CFL, at the time of the audit these were not fully joined up, as highlighted by the absence of full engagement with Finance despite the importance of addressing budget pressures. A Design Authority has now been established to join up the transformation work, including exploring the impact of implementing the Capita One finance module.
- Despite the opportunities for shared learning arising from the Orbis partnership, the service has not made full use of peer support, such as the outcomes from the LAC peer review carried out by ESCC within the last year. Similarly, the council has not engaged with ESCC regarding their purchase of a Liquidlogic SEND product, which is currently being implemented.

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- The issues identified in this report have already been acknowledged by the service and significant resources have now been allocated to ongoing process re-design and improvements. It is anticipated that the majority of risks detailed below will be addressed by this work and, as such, agreed actions have been grouped into themed areas reflecting service work streams.
- This report is the conclusion to our reactive, high level audit. In the absence of an effective framework of controls, and given the scale of weaknesses identified, we agreed with the Chief Executive that no further detailed testing would be undertaken. Instead, Internal Audit will work with the service to support the service re-design through the provision of proactive advice on risk, governance, and internal control.

### 5. Action Summary

Risk Priority	Definition	No	Ref
High	Major control weakness requiring immediate implementation	27	1-7
Medium	Existing procedures have a negative impact on internal control or the efficient use of resources	3	1a, 2, 5
Low	Represents good practice but its implementation is not fundamental to internal control	-	-
<b>Total number of agreed actions</b>		<b>30</b>	

### 6. Acknowledgements

- 6.1 We would like to thank all officers who provided assistance during the course of this audit.



Ref	Finding	Potential Risk Implication	Priority	Agreed Action
1a	<p><b>IT Systems: Case management for LAC</b></p> <p>LCS enables the progress of a child to be tracked by holding a complete history of events for each child, from initial contact up to the point that the child leaves SCC’s care.</p> <p>We were unable to find the business case or any supporting paperwork for the Cabinet Member decision to purchase the integrated system.</p> <p>Despite being implemented in 2009, the system has not been properly maintained, which may be in part due to no one within the service having overall ownership of LCS.</p> <p>There is no single, clear set of procedure notes for LCS, contributing to inconsistent and/or incorrect recording of information. This lack of procedure notes is in turn contributing to a lack of officer accountability where children’s records are not properly maintained.</p> <p>As a result, there are: discrepancies between where a child is actually placed versus what is recorded on LCS; incorrect figures being reported in statutory returns; and reports of overpayments to care providers and foster carers.</p>	<p>Lack of transparency and uncertainty over VFM of public funds when purchasing LCS</p> <p>Lack of ownership of a critical system leading to inability to meet service objectives and statutory duties, and a system that is not fit for purpose</p> <p>Inability to meet statutory obligations of being a corporate parent for LAC, e.g. the location of a child may not be known</p> <p>Lack of staff accountability resulting in continued poor and/or inconsistent practice</p> <p>Inability to generate accurate, reliable data to meet reporting requirements</p>	<p>Medium</p> <p>High</p> <p>High</p> <p>High</p> <p>High</p>	<p>The service accepts these findings, which was the position at the date of audit (September 2018).</p> <p>These issues have been identified within a detailed action plan in CFL to address weaknesses in the control environment around care assessments, and rapid transformational change continues to take place to implement solutions.</p>



Ref	Finding	Potential Risk Implication	Priority	Agreed Action
1b	<p><b>IT Systems: Case management for SEND</b></p> <p>Information on all Surrey children of school age is maintained on EMS/One, a Capita One software product. This includes all children with SEND, although many children with SEND are also LAC, whose care records are maintained in LCS.</p> <p>While we acknowledge the need for EMS/One to manage pupil planning, the system is not linked in any way to LCS. Consequently, service management have yet to decide whether to use EMS/One in the long term to hold single central records of children with SEND.</p> <p>The service is aware of the poor quality of data held in EMS/One but, pending wider system development, officers have been instructed to record information accurately and consistently in the current system in a bid to improve data quality and monitoring.</p>	<p>Inefficiencies created by silo working including potential data differences and lack of data sharing or checking between systems</p> <p>Poor data quality is preventing meaningful management information from being available</p>	<p>High</p> <p>High</p>	<p>The service accepts these findings, which was the position at the date of audit (September 2018).</p> <p>These issues have been identified within a detailed action plan in CFL to address weaknesses in the control environment around care assessments, and rapid transformational change continues to take place to implement solutions.</p>
<b>Responsible Officer:</b>		Tina Benjamin, Liz Mills, Jacque Burke	<b>Target Date:</b>	June 2019



Ref	Finding	Potential Risk Implication	Priority	Agreed Action
2	<p><b>IT Systems: Financial administration</b></p> <p>ContrOCC integrates both with Liquidlogic products (including LCS) as well as SAP. It enables payments to be processed without the need for manual transactions. Used effectively, it improves financial administration by facilitating accurate, detailed cost information for every package of care.</p> <p>Despite being purchased in 2012 for use in all areas of Children’s Services, ContrOCC is only used for a few care services (e.g. foster care) and does not include SEND or residential LAC payments.</p> <p>General feedback is that there was insufficient buy-in from directorate leadership to fully implement the system and, as such, dedicated resources were not made available. For example: there was no clear specification of requirements; no project team, board or sponsor; and no officers available to carry out user acceptance testing.</p> <p>Further, there are reports that much of the functionality of ContrOCC was disabled in order to replicate the previous procure to pay system, SWIFT Financials.</p>	<p>Inefficient use of public money to purchase and pay annual costs for system that is not fully implemented</p> <p>Limited functionality of a key system that is not fully implemented and so not used to its full potential</p>	<p>High</p> <p>High</p>	<p>The service accepts these findings, which was the position at the date of audit (September 2018).</p> <p>These issues have been identified within a detailed action plan in CFL to address weaknesses in the control environment around care assessments, and rapid transformational change continues to take place to implement solutions.</p>



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	<p>Consequently, the bulk of payments are made manually through the SAP Supplier Relationship Management Module and recorded in local spreadsheets to maintain records. These spreadsheets are then manually reconciled to SAP on a monthly basis, which is a time-consuming exercise and inefficient use of resources.</p> <p>The council purchased the EMS/One finance module approximately three years ago but, despite paying annual fees, the system was not implemented as it was expected to be replaced.</p> <p>Service management are considering whether to implement this finance module to manage SEND payments, taking into account the fact that it is not compatible with Liquidlogic products and that ContrOCC is at least partly implemented.</p>	<p>Inefficient finance administration processes leading to poor use of resources</p> <p>Resources may be wasted implementing a finance system that may duplicate other systems and is not compatible with other systems</p>	<p>Medium</p> <p>High</p>	<p>The service accepts these findings, which was the position at the date of audit (September 2018).</p> <p>These issues have been identified within a detailed action plan in CFL to address weaknesses in the control environment around care assessments, and rapid transformational change continues to take place to implement solutions.</p>
<p><b>Responsible Officer:</b></p>		<p>Tina Benjamin, Liz Mills, Jacquie Burke</p>	<p><b>Target Date:</b></p>	<p>June 2019</p>



Ref	Finding	Potential Risk Implication	Priority	Agreed Action
3a	<p><b>Care needs assessments: LAC</b></p> <p>While an Area Manager provided an S:net link to procedure notes, an initial search on S:net did not default to this link. The volume of these notes large and not joined up and, as such, lacks clarity around the flow of information.</p> <p>During the course of the audit, information was continually added to this S:net page. This may be because the process maps were either not available previously, or not maintained in a single location for team members to access and follow in a consistent manner.</p> <p>The classification of and responsibility for health needs provision is disputed between teams. The failure to properly identify health needs early on may be impacting on two areas:</p> <ul style="list-style-type: none"> <li>• Early help for LAC that is not offered until the situation becomes an emergency and thus expensive and/or long-term; and</li> <li>• Increased ongoing pressures on ASC budgets once children transition into adults, worsened by the lack of dialogue between CFL and ASC until this point.</li> </ul>	<p>Inconsistent practices adopted by staff across service areas due to a lack of clear and up to date guidance available in a single location</p> <p>Poor practice leading to unnecessarily increased spend and budget pressures</p>	<p>High</p> <p>High</p>	<p>The service accepts these findings, which was the position at the date of audit (September 2018).</p> <p>These issues have been identified within a detailed action plan in CFL to address weaknesses in the control environment around care assessments, and rapid transformational change continues to take place to implement solutions.</p>



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3b	<p><b>Care needs assessments: SEND</b></p> <p>Since 2014, the number of Education, Health and Care Plans (EHCPs) issued has increased by over 60% (to more than 8,000). This is partly due to changes in legislation, but the number of EHCPs being issued is continuing to rise for reasons not clearly understood or explored by the service.</p> <p>The service was unable to provide process maps (as these are currently being produced) or procedure notes for SEND assessments.</p> <p>A reporting tool, Tableau, can provide data on whether EHCPs are completed within the statutory 20-week timeframe, but this information was not made available during the audit. Further, both the service and Finance were unable to provide accurate, up to date data on children with SEND.</p> <p>Feedback from both SCC and ESCC officers suggests that SCC is not engaging with families at an early stage or at key dates in the EHCP process. This frequently results in parents arranging private support followed by judicial review in the parents' favour. This in turn leads to increased costs of provision for the council (i.e.</p>	<p>Unable to address increased demand due to lack of knowledge of causes of rise in SEND referrals/ EHCPs issued</p> <p>Unable to meet statutory timeframes and/or requirements</p> <p>Inconsistent practice may not be identified due to a lack of clarity over procedures and oversight of SEND assessment processes</p> <p>A lack of support to families early on is leading to increased budget pressures</p>	<p>High</p> <p>High</p> <p>High</p> <p>High</p>	<p>The service accepts these findings, which was the position at the date of audit (September 2018).</p> <p>These issues have been identified within a detailed action plan in CFL to address weaknesses in the control environment around care assessments, and rapid transformational change continues to take place to implement solutions.</p>



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	<p>a private Speech and Language Therapist is more expensive than a council-employed therapist).</p> <p>Enquiries revealed that ESCC has distinct panels to approve each stage of the EHCP process, providing robust challenge not only of packages and their financial impact, but also of whether an EHCP (and subsequent cost to the council) is necessary.</p> <p>We understand that SCC has panels at the 6-week point of the EHCP process, as well as a Partnership Resource Forum at the 16- and 20-week points, but we were unable to determine the effectiveness of these panels.</p>			
<p><b>Responsible Officer:</b></p>		<p>Tina Benjamin, Liz Mills, Jacquie Burke</p>	<p><b>Target Date:</b></p>	<p>June 2019</p>



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4	<p><b>Care package approval</b></p> <p>There are panels in place to approve packages for some, but not all, areas of care. We have not been able to determine the membership of and efficacy of these panels in challenging the consistency and appropriateness of care needs assessments or scrutiny of proposed care packages.</p> <p>Membership of panels varies but officer feedback suggests key representatives are not always present, such as education representatives for SEND packages.</p> <p>In almost all cases, there is no input from finance regarding affordability checks. It is apparent that there is no consideration of financial implications such as whether the provision is within the council’s budget and, if not, other options available, or, as a last resort, the impact of any resulting overspend.</p>	<p>Inefficient use of public funds caused by inconsistent care assessments and packages not being identified and/or challenged</p> <p>Absence of key representation rendering panels ineffective</p> <p>Failure to consider the financial impact of packages leading to unsustainable levels of spend in the short, medium and long-term</p>	<p>High</p> <p>High</p> <p>High</p>	<p>The service accepts these findings, which was the position at the date of audit (September 2018).</p> <p>These issues have been identified within a detailed action plan in CFL to address weaknesses in the control environment around care assessments, and rapid transformational change continues to take place to implement solutions.</p>
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5	<p><b>Commissioning and procurement of care</b></p> <p>There are no brokerage functions (electronic or staffed), so there is very little assurance that best value is being achieved.</p> <p>Case workers act as both the key worker and purchaser of services, despite not necessarily having any commercial training. Consequently, packages are purchased with no end dates, no follow-up reviews, and questionable VFM.</p> <p>Surrey has insufficient local SEND provision, leading to increased costs through unnecessary out-of-county placements. However, this may be addressed as part of the ‘all age learning disability’ work currently being undertaken.</p> <p>While independent schools are a last resort in terms of cost, ESCC is exploring the possibility of a block contract with some of their more commonly used schools in a bid to obtain better fees. Given that similar issues exist in Surrey, this option could be examined for SCC.</p>	<p>Inability to achieve VFM by requiring care staff with little or no commercial experience to act as purchasers; and</p> <p>Potential conflict of interest caused by this arrangement</p> <p>Missed opportunity for potential efficiencies available through block contracts</p>	<p>High</p> <p>Medium</p>	<p>The service accepts these findings, which was the position at the date of audit (September 2018).</p> <p>These issues have been identified within a detailed action plan in CFL to address weaknesses in the control environment around care assessments, and rapid transformational change continues to take place to implement solutions.</p>
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6	<p><b>Cost identification, forecasting, and financial monitoring</b></p> <p>Due to the limited use of ContrOCC, financial management and monitoring is completed through numerous local spreadsheets and manual payments. Such manual procedures are not only prone to errors, but also severely hinder meaningful budget monitoring.</p> <p>In addition, a lack of knowledge of the care provision and corresponding charges means costs are often unknown until an invoice is received, making forecasting almost impossible.</p> <p>The relationship between the service and corporate finance should be strengthened through greater cooperation. Feedback suggests that Finance’s role is perceived to be transactional and report-focussed, rather than insightful and able to offer proactive support in terms of finding service efficiencies.</p> <p>Care workers commissioning services via spot purchases regularly fail to request a Purchase Order in SAP. Consequently, the invoice cannot be Goods Receipted and therefore cannot be paid on time by the Payments Team. These invoices are parked until the Business Support Team</p>	<p>Inefficient use of resources whereby professionally qualified accountants are maintaining spreadsheets</p> <p>Inability to identify or forecast costs due to manual procedures and lack of accurate and timely information</p> <p>Failure to use finance expertise to help manage budgets and reduce costs and overspend</p> <p>Weak financial administration processes resulting in late payment charges and reputational damage to the council</p>	<p>High</p> <p>High</p> <p>High</p> <p>High</p>	<p>The service accepts these findings, which was the position at the date of audit (September 2018).</p> <p>These issues have been identified within a detailed action plan in CFL to address weaknesses in the control environment around care assessments, and rapid transformational change continues to take place to implement solutions.</p>



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	<p>authorises payment, resulting in late payments that could incur interest charges.</p> <p>There is little or no checking of invoices and there are reports of paying for services not delivered, caused by records on LCS not being updated properly, for example:</p> <ul style="list-style-type: none"> <li>• Paying a foster carer for a LAC placement despite the child no longer being in that placement; and</li> <li>• Paying a school for a full term despite the child being excluded at the beginning of the term.</li> </ul>	<p>Wasted public funds caused by unnecessary payments (which may not always be identified) and the cost of recovery of overpayments; and</p> <p>Increased risk of fraudulent invoices and payments caused by weak payment processes</p>	<p>High</p>	<p>The service accepts these findings, which was the position at the date of audit (September 2018).</p> <p>These issues have been identified within a detailed action plan in CFL to address weaknesses in the control environment around care assessments, and rapid transformational change continues to take place to implement solutions.</p>
<p><b>Responsible Officer:</b></p>		<p>Tina Benjamin, Liz Mills, Jacquie Burke, Rav Nijjar</p>	<p><b>Target Date:</b></p>	<p>June 2019</p>



Ref	Finding	Potential Risk Implication	Priority	Agreed Action
7	<p><b>Review of care packages</b></p> <p>In the absence of full access to systems or reliable data, we were unable to test whether reviews are being completed within required timeframes.</p> <p>It is clear, however, that council officers place responsibility for SEND reviews entirely on schools with no follow-up from care workers. We are therefore unconvinced that the service makes any effort to sustain budgets.</p> <p>Analysis by the Insight &amp; Innovation Team suggests that open cases for up to 300 Children in Need who have not been seen for over 8 weeks can be closed. The allocation of these cases approximates to 18 FTE social workers, which may partly explain why some teams are over their establishment. For example, at the time of the audit, CFL Area Teams had 61 FTE locums filling 18 FTE vacancies.</p>	<p>Failure to meet statutory duties to carry out care reviews at least annually</p> <p>Council failure to take ownership of care reviews of children with SEND</p> <p>Unnecessary and/or inefficient use of public funds on extra staff; and/or</p> <p>Lack of knowledge of true caseload figures leading to inappropriately resourced teams</p>	<p>High</p> <p>High</p> <p>High</p>	<p>The service accepts these findings, which was the position at the date of audit (September 2018).</p> <p>These issues have been identified within a detailed action plan in CFL to address weaknesses in the control environment around care assessments, and rapid transformational change continues to take place to implement solutions.</p>
<b>Responsible Officer:</b>		Tina Benjamin, Liz Mills, Jacquie Burke	<b>Target Date:</b>	June 2019

# Appendix A

## Audit Opinions and Definitions

Opinion	Definition
<b>Substantial Assurance</b>	Controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
<b>Reasonable Assurance</b>	Most controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
<b>Partial Assurance</b>	There are weaknesses in the system of control and/or the level of non-compliance is such as to put the achievement of the system or service objectives at risk.
<b>Minimal Assurance</b>	Controls are generally weak or non-existent, leaving the system open to the risk of significant error or fraud. There is a high risk to the ability of the system/service to meet its objectives.

## Management Responsibilities

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

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

This report, and our work, should not be taken as a substitute for management's responsibilities for the application of sound business practices. We emphasise that it is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and 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.

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