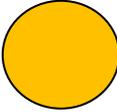


Internal Audit

Client Affairs December 2015

Distributed to:

- Director of Adults & Communities
- Assistant Director Community and Wellbeing
- Financial Assessment Manager, Financial Assessment Team
- Commissioning Director – Adults & Health
- Chief Operating Officer

	None	Limited	Satisfactory	Substantial
Audit Opinion				

1. Executive Summary

Introduction

As part of the 2015/16 Internal Audit Plan, agreed by the Audit Committee in April 2015, we have undertaken a review of Client Affairs.

Background & Context

The Council's Client Affairs Team manage the financial affairs of residents who are incapable of doing so themselves, and do not have family or friends willing or able to do so on their behalf. The Court of Protection authorise the Council to undertake these duties through deputyship.

- A Deputy is responsible for managing clients' day to day financial affairs. A Deputy will generally receive all income and use this to pay living costs and debts. Any excess should be prudently invested. The Deputy must account for their actions periodically to the Court.

The Client Affairs team currently manage the financial affairs for approximately 60 clients under the deputyship position.

In addition to the management of client financial affairs, the Client Affairs team are also responsible for the protection of property. The Team have a statutory responsibility to protect the property of deceased persons in the Borough where next of kin cannot be immediately located. Property is securely stored and logged until the next of kin can be traced. Responsibilities include ensuring property is secure, and removal of cash, bank books and other small items of value for safekeeping. If the service user is not returning to the property, the Team will assist in terminating tenancies and disposing of furniture.

Corporate objectives and risks

The audit supports two of the four strategic objectives in the Corporate Plan 2015 –2020:

The Council, working with local, regional and national partners, will strive to ensure that Barnet is a place:

1. of opportunity, where people can further their quality of life; and
2. where people are helped to help themselves, recognising that prevention is better than cure.

Scope

As part of our work, we performed a detailed review of the design and tested the operating effectiveness of the key controls around deputyship and protection of property.

Key Findings (informing Audit opinion)

This audit has identified one priority 1, six priority 2 and two priority 3 recommendations.

We identified the following areas of good practice:

- Staff involved in the management of client affairs has sufficient knowledge of all key stages of the statutory deputyship process, appropriate expertise and security clearance. The team's guidance on management of deputyship customers' financial affairs is reviewed for changes in statutory requirements.

We identified the following issues as part of the audit:

- **Property visits** – As per the team's guidance on protection of property, visits to any referred property should be performed by two members of staff and an inventory document with a listing of client's belongings cleared from properties should be retained for each visit. Our testing identified instances where there were no records confirming that two officers had been in attendance at property visits and instances where an inventory document was not created. We also found that there are no written guidelines around the timescale between the referral date, which is the date when the property starts being under the Council's control, the initial visit date, and the date of the first visit to the property which is used to clear the client's belongings. There are also no guidelines around the frequency of spot checks and subsequent visits to the property. **(Finding one, priority 1)**
- **Monitoring of transactions undertaken by client affairs – Quicken/bank reconciliations** - The Client Affairs team performs a monthly reconciliation between the client records on Quicken, the database holding details of transactions for all deputyship clients, and the bank statement. Our testing identified an instance where the supporting documentation for the reconciliation had not been retained. There is evidence on file that the bank statement had been reconciled as individual client names have been assigned to each transaction but we were unable to confirm that the full reconciliation was performed as the relevant reports from Quicken were not saved. Quicken has no facility to recall uncleared transactions for the previous month or produce reconciliation reports for previous periods. **(Finding two, priority 2)**
- **Supporting documentation for client affairs transactions** – All payments made on behalf of clients require at least two approvers before payment is processed. In six out of 25 sampled transactions, the payment was made by cheque and the scanned signed copy of the cheque has not been retained hence it was not possible to confirm who had signed the cheque. In one out of 25 cases, the item was a weekly instalment of personal allowance payment made in cash to a social worker. Supporting documentation could not be retrieved from the archives, so we were unable to verify that the expenditure was appropriately authorised. **(Finding three, priority 2)**
- **Data protection** – Hard copies of supporting documents are put into archive and stored remotely. Any member of Council staff, within the Adults and Communities delivery unit, is able to request files from the archive based on the file name. It was noted that there is currently guidance on the staff intranet on the recommended file naming structures which may enable staff outside the Client Affairs team to request files from the archive that they are otherwise not entitled to access. It was also noted that some hardcopy records relating to client affairs activity are stored in the

short-term in a locked cabinet but one to which members of staff outside of the Client Affairs team, albeit within the Customer Finance team, have access.

(Finding four, priority 2)

- **Changes to standing data** - SWIFT, the database that holds records of personal details of the deputyship clients and all Adults and Communities clients, currently does not record who has requested and authorised a change in standing data. **(Finding five, priority 2)**
- **Peer review of completed transactions** - Independent file reviews are supposed to be undertaken on clients records for 10% of cases every quarter. A file review would include examination of supporting documentation for each transaction on the file that has been processed in the last quarter. Management confirmed that at the time of the audit been unable to undertake the independent file reviews due to the high workload of the Team. However, all transactions are required to be reviewed by a different team member before payment is made. **(Finding six, priority 2)**
- **Accuracy and completeness of training records** - The guidance for client affairs staff does not state the formal training requirements and no formal training records are kept. **(Finding seven, priority 3)**
- **Data handling** - Three members of the Client Affairs team have access to Quicken. As the system does not have an audit trail recording who enters a record, one officer is the sole operator. If they are on holiday then records of transactions are kept until the officer returns to enter the details onto Quicken which may cause delays, errors and inconsistencies. It was also noted that there is currently no formal regular process identifying when the hard copies of documents need to be transferred into the archive and during the audit several files requested from the archives were not retrieved. This happened because the designated officer from the archive team left the Council and changes in the team structure were not communicated to the Client Affairs team. **(Finding eight, priority 3)**

Area of Scope	Adequacy of Controls	Effectiveness of Controls	Number of Recommendations Raised		
			Priority 1	Priority 2	Priority 3
Governance			0	0	1
Management of personal finances			0	5	1
Protection of property			1	0	0

Acknowledgement	We would like to thank management and staff of the Client Affairs team for their time and co-operation during the course of the internal audit.
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2.1 Property visits

P	Detailed finding	Risk	Recommendation
1	<p>Audit trail of property visits</p> <p>The Client Affairs' team guidance states that when a property is handed to the Council for protection, the initial visit to the property should be undertaken by two members of staff. An inventory document should be completed as part of this visit, detailing the belongings cleared from property owned by the client. The inventory document should include details of any personal items and bills that the Client Affairs team has taken from the property. The bills are then put into the client's case file because the Client Affairs team needs to take the client's debts into consideration when decisions are made about the management of their finances.</p> <p>The key register is a document that Council staff need to sign in order to take the key for a property out of the safe for a site visit. It is the document that can be used to evidence who attended the site visit.</p> <p>We selected two properties that were transferred into the Council's ownership between 1/04/2015 and 19/11/2015 and examined supporting evidence showing records of the site visits. We noted the following exceptions:</p> <ul style="list-style-type: none"> In both cases, the inventory document was not retained. In both cases it was stated by management that the inventory document was not created because nothing of value had been taken from the property. However, in one case we noted that bills were attached to the client's case file which were removed from the property and should have been recorded in the inventory document in line with the guidance. In both cases, there are no records of attendance to the property other than the key register. As outlined by the guidance, two officers must be present at all times for all visits. The key register does not require double signatory and therefore there is no evidence that two officers have been in attendance at property visits. <p>Timeliness of visits to properties</p>	<p>Complete and accurate records of belongings cleared from properties owned by clients may not be maintained resulting in reputational damage to the Council if instances of loss or misappropriation are reported and they are unable to demonstrate that client assets were sufficiently monitored.</p> <p>Property which is managed by the Council on behalf of clients may not be cleared and secured promptly or monitored on a regular basis resulting in the property becoming illegally occupied and the Council incurring unnecessary legal costs to regain possession in order to fully discharge their statutory responsibilities in protecting the property.</p>	<ol style="list-style-type: none"> The Council should update the template form that must be filled out at every initial property visit, regardless of whether any items are removed from the property. This form should detail the date of visit, inventory of all items removed including bills and require the signature of both officers in attendance. This should then be kept in the case file along with any other relevant documentation. A similar form should be required for all subsequent visits to ensure an audit trail is maintained regarding the attendance of two officers at all property visits. The key register should be amended to require double signatory. Guidance around the timescale between the referral date and the initial visit date should be introduced. The guidance should state who is responsible for monitoring performance against the target timescale Guidance should be updated to define the frequency of spot checks and subsequent visits to the properties. The guidance should state who is responsible for monitoring performance against the target timescale A working document or log should be updated and reviewed at least monthly to monitor the date of the latest visit to each property and identify when then the next visit should be undertaken.

<p>Initial visits</p> <p>There are no written Council guidelines around the timescale between the referral date, which is the date when the property starts being under the Council's control, the initial visit date, and the date of the first visit to the property which is used to clear the client's belongings if needed.</p> <p>The Council guidelines outline the requirement to complete a visit to the property of a referred person 'as soon as is practicable'. Management confirmed that as very few referrals are made, the team carry out this task on an ad hoc basis and undertake property visits as close to referral as possible.</p> <p>Subsequent visits and spot checks</p> <p>There are no guidelines around the frequency of spot checks and subsequent visits to the property. The length of time the Council might have control over the empty property depends on the situation of the client, for example it may be a few days for a hospital stay or longer if the client has gone into sheltered accommodation. Management stated that they have created a log with the dates of the latest visit to each property but at the time of the Audit it had not been updated on a regular basis. Management confirmed that there is an informal process by which they visit properties at least once a month but this is not monitored on a formal basis.</p>			
Management Response		Responsible Officer	Deadline
The policy and procedures for the protection of property will be updated to reflect the Internal Audit report recommendations.		Financial Assessment Manager, Financial Assessment Team Residential Team Leader	31 January 2016

2.2 Monitoring of transactions undertaken by client affairs – Quicken/bank reconciliations

P	Detailed finding	Risk	Recommendation
2	<p>Quicken/bank reconciliations</p> <p>The Client Affairs team perform a monthly reconciliation between</p>	Client records may not be complete, accurate or up to date resulting in the	a) There should be a cover sheet on the bank reconciliation file with a checklist of the relevant documentation that needs to

<p>the client records on Quicken, the database holding details of transactions for all deputyship clients, and the bank statement.</p> <p>The reconciliation should include details of the month end balance per the bank statement, month end balance on client accounts per Quicken, the listing of uncleared transactions as per month end from Quicken and supporting documentation for any reconciling items.</p> <p>A hard copy of the reconciliation is retained. The reconciliation process addresses the risk of banking errors and human errors helping to ensure that the client records are complete. We selected two months for testing to check that the reconciliation has been performed and all applicable documentation has been retained.</p> <p>In one out of two tested months, reconciliations supporting documentation could not be provided as it had not been retained on file. We confirmed that the reconciliation was performed but the relevant reports from Quicken were not saved. Quicken has no facility to recall uncleared transactions for the previous month or produce reconciliation reports for previous periods. Therefore, we could not test the reconciliation or any of the relevant reconciling items. There is, however, some evidence on file that the bank statement had been reconciled as individual client names have been assigned to each transaction.</p> <p>It was noted through our testing that the design of the reconciliation process relies heavily on manual processes which might lead to errors and inconsistencies if a member of staff runs the reports after the end of the reconciled period.</p>	<p>Council not being able to produce and monitor financial records, including bank accounts, on behalf of clients leading to reputational damage if the Council are unable to demonstrate that the assets of clients are appropriately safeguarded.</p>	<p>be retained. This cover sheet should include the reconciliation statement, the month end balance as per the Quicken report, the month end bank statement, and the listing of uncleared transactions as at month end as per Quicken. A separate member of the team should check that the relevant documentation is in the file and sign-off to ensure independent review.</p> <p>b) There should be an allocated time, from month end, within which the reconciliation should happen to ensure timely monitoring (for example, prepared and signed within 1 month from the month end).</p>
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Management Response	Responsible Officer	Deadline
<p>The policy and procedures for deputyship will be updated to reflect the Internal Audit report recommendations.</p>	<p>Financial Assessment Manager, Financial Assessment Team</p> <p>Residential Team Leader</p>	<p>29 February 2016</p>

2.3 Supporting documentation for client affairs transactions

P	Detailed finding	Risk	Recommendation
2	<p>All payments made on behalf of clients require at least two approvers who should check the expenditure amount to the supporting documentation (such as invoice) before payment is made. If a payment is processed by cheque, the number of signatories on the cheque depends on the value with double signatory required for any value over £3,000.</p> <p>The evidence of approval should be retained on the client file for each transaction. We tested a sample of 25 transactions to verify that the process had been followed appropriately.</p> <p>We identified the following exceptions:</p> <ul style="list-style-type: none"> In six out of 25 cases, the payment was made by cheque and the scanned signed copy of the cheque had not been retained, so it was not possible to confirm who had signed the cheque. It was noted that the online banking system has only recently included the facility to scan in cheques, and management confirmed that from October 2015 a scanned copy of all signed cheques have been held on the online banking system. There was at least one instance where there was evidence on a scanned cheque that the double-signatory control was operating effectively. In one out of 25 cases, the amount related to a cheque for personal allowance – these are funds withdrawn from the client's account to be used as cash given on a weekly basis to the social worker to spend on behalf of the client. In these instances when the social worker comes to pick up the cash, two members of the Client Affairs team are required to be present and double sign a form stating the amount of cash given to the social worker. The social worker also signs the form after counting the cash. The social worker then returns the receipts of any monies spent along with any change to the Client 	<p>Transactions processed and key decisions made on behalf of clients, including deputyship fees, may not be documented on Council information systems, supported by sufficient and appropriate evidence or, where appropriate, processed in line with the Council's procurement rules resulting in the Council being unable to successfully demonstrate that client accounts are being managed in line with statute.</p>	<p>a) Evidence of approval should be retained for all transactions. Whilst it is recognised that every client is different and therefore the specifics of the documentation will vary, the team may benefit from having a more defined list of documentation to retain.</p> <p>b) An upgrade to a specialist deputyship system to automatically record transactions and retain an audit trail of approval within the system is recommended as this would reduce the chance of human error in this manual process.</p>

<p>Affairs team the next week before picking up the next instalment of monies. The forms relating to the tested instalment in July 2015 could not be retrieved from the archives. That being said, we attended the meeting where the instalment of the money for November 2015 relating to this client was given to the social worker in which the controls were deemed to be operating efficiently.</p> <p>Management stated that an upgrade to a specialist deputyship system is being considered as it would allow the software to automatically record transactions and retain an audit trail of approval within the system.</p>		
Management Response	Responsible Officer	Deadline
<p>The procedures on the retention of transactional activity will be reviewed and updated. The upgrade of the financial case management system for Deputyship is currently being considered.</p>	<p>Financial Assessment Manager, Financial Assessment Team</p> <p>Residential Team Leader</p>	<p>29 February 2016</p>

2.4 Data protection

P	Detailed finding	Risk	Recommendation
2	<p>Hardcopy records</p> <p>Some hardcopy records relating to client affairs activity, for example invoices that the Team need to retain and store on the shared drive, are first stored for a short period of time with the administration staff who are responsible for scanning them. The records are stored in a locked cabinet but one to which members of staff outside of the Client Affairs team, albeit within the Customer Finance team, have access.</p> <p>Access to the archived data</p> <p>The Adults & Community team are part of a pilot</p>	<p>Client details may not be appropriately restricted resulting in an Information Governance breach, unauthorised changes being made to records or unauthorised or fraudulent transactions being processed through client accounts and the Council not being able to demonstrate that they have satisfied their statutory responsibilities in relation to the management of client affairs.</p>	<p>a) Hardcopy records</p> <p>Hardcopy records temporarily kept for scanning should be held in a more secure cabinet in an area to which only the relevant/approved staff have access.</p> <p>b) Access to the archived data</p> <p>Only the Client Affairs team should be able to obtain their files from the archive. The new process being piloted should be clearly laid out, particularly regarding access rights, as part of the new guidance documents currently being</p>

<p>archiving scheme currently in process. Hard copies of documents are put into archive and stored remotely. Any member of Council staff is able to request files from the archive based on the file name. They send a mail to the Records Coordinator within the respective delivery unit who can then request the file from the Records Manager in the Information Management Team (via a designated email request inbox) who will then obtain it from the third party archive supplier.</p> <p>The file names are assigned by the Client Affairs team and in theory as each team designed the file names of the files they archived, other staff members outside the Team would be unable to request their files as they would be unaware of the file names. However, it was noted that there is currently guidance on the staff intranet on recommended file naming structures which could, in theory, enable staff outside the Client Affairs team who are not part of the new approach being piloted to request files from the archive that they would otherwise not be entitled to access.</p> <p>The new process being piloted does mitigate this risk, however the approach is yet to be rolled out across the Council and the draft guidance is has not yet been finalised or issued to delivery units.</p>		<p>drafted by Information Management.</p>
<p>Management Response</p>	<p>Responsible Officer</p>	<p>Deadline</p>

<p>Hard copy files of documents can only be accessed by members of the customer finance team. Files are stored securely within the team. The process for requesting files within the delivery unit will be reviewed in accordance with corporate records retention policy.</p>	<p>Financial Assessment Manager, Financial Assessment Team</p>	<p>29 February 2016</p>
<p>The archiving guidance document will clearly lay out the new process around archiving and access rights and will be finalised and issued to delivery units shortly.</p>	<p>Residential Team Leader</p> <p>Information and Records Management Practitioner</p>	<p>29 February 2016</p>

2.5 Changes to standing data

P	Detailed finding	Risk	Recommendation	
2	<p>SWIFT, the database that holds records of personal details of the deputyship clients, currently does not record who has requested and authorised a change in standing data.</p> <p>We confirmed that the Council are currently undergoing migration to the MOSAIC system which will record who made and authorised changes in standing data.</p> <p>It was also noted that the Client Affairs team does not have access to make changes to the standing data of clients within the SWIFT system as these are processed by a different team to ensure segregation of duties.</p>	<p>Unauthorised changes made to client records may not be identified by the Client Affairs team resulting in the Council not being able to demonstrate that they have satisfied their statutory responsibilities in relation to the protection and management of client affairs.</p>	<p>Once the update from SWIFT to MOSAIC is complete, a listing of changes to standing data for deputyship clients should be produced and reviewed on a regular basis.</p> <p>Until the update to MOSAIC is complete, a mitigating control should be introduced to monitor changes in standing data, for example the team could run and review a report of changes to standing data (without the name of requestor and authoriser), review for appropriateness and check evidence of authorisation on a sample basis.</p>	
Management Response			Responsible Officer	Deadline
<p>Until the replacement for SWIFT (MOSAIC) is in place the team will introduce mitigating controls to monitor changes to standing data for Deputyship and Property and Protection clients.</p>			<p>Financial Assessment Manager, Financial Assessment Team</p> <p>Residential Team Leader</p>	<p>29 February 2016</p>

2.6 Peer review of completed transactions

P	Detailed finding	Risk	Recommendation	
2	<p>The Client Affairs team's guidance document outlines that independent file reviews are undertaken for 10% of cases every quarter. A file review would include examination of supporting documentation for each transaction on the file that has been processed in the last quarter. Management confirmed that they have currently been unable to implement independent file reviews due to high workload of the team.</p> <p>However, all transactions are required to be reviewed by a different team member before payment is made. This ensures segregation of duties between processing and payment to ensure errors or inconsistencies are identified and resolved prior to any payments being made.</p>	<p>Lack of oversight of the type and size of transactions processed by the Client Affairs team may result in errors and irregular behaviour not being identified and investigated leading to reputational damage to the Council.</p>	<ul style="list-style-type: none"> a) If the planned independent file review of 10% of cases is not feasible given limited resources, consideration should be given to reducing the sample size or frequency to enable this control to operate within the resources available. The mitigating controls currently would not identify a series of transactions or emerging trends on a particular account (e.g. potential duplicate payments or a trend of payments to certain suppliers). b) It is also recommended that the current guidance is amended to reflect actual controls in place. c) To make the file review process more efficient, it is recommended that the Client Affairs team have more defined guidance around documentation for retention. Whilst it is recognised that every client is different and therefore the specifics of the documentation will vary, detailed guidance will help to ensure consistency across files and keep files up-to-date. 	
Management Response			Responsible Officer	Deadline

The procedure for independent file reviews will be reviewed and a revised process will be put in place following the outcome of this review. The recommendations from the audit report will be taken into account. .	Financial Assessment Manager, Financial Assessment Team Residential Team Leader	29 February 2016
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2.7 Accuracy and completeness of training records

P	Detailed finding	Risk	Recommendation
3	<p>The guidance for client affairs staff does not include details of training requirements and no formal training records are kept.</p> <p>We confirmed that staff are included on the newsletters from the Association of Professional Deputies and the National Association of Financial Assessment Officers which provide updates on any changes in statutory responsibilities of the Council with regards to deputyship.</p> <p>Management also confirmed that operational deputyship staff attend professional conferences organised by the professional bodies mentioned above. However, attendance at the conferences is not recorded, so were unable to validate this.</p>	Changes in statutory requirements may not be communicated or understood by officers resulting in key stages of the statutory deputyship process being missed and the Council being unable to demonstrate that they have fully discharged their legal responsibilities.	<p>a) A requirement for the Client Affairs team to attend formal training on the statutory responsibilities of the Council and Data Protection requirements should be included in the Client Affairs guidance.</p> <p>b) Although there are few changes in the Team which would warrant design and monitoring of more formal training procedures, the Team may benefit from keeping a record of attendance at professional conferences to ensure team members are up to date with statutory requirements and best practices within the industry.</p>

Management Response	Responsible Officer	Deadline
Training records and staff development needs will be identified as part of staff supervision and performance appraisals.	Financial Assessment Manager, Financial Assessment Team Residential Team Leader	29 February 2016

2.8 Data handling

P	Detailed finding	Risk	Recommendation
3	<p>Retrieval from the archives</p> <p>Hard copies of the files are stored remotely in an archive which is managed by a separate team. There is currently no formal regular process for identifying when documents need to be transferred into the archive. A number of files were sent to the archive when the team moved offices at the beginning of October.</p> <p>The Client Affairs team have contact details of a designated Records Officer who is responsible for retrieving documents from the archive in response to their requests. It was noted during the audit that several files requested from the archives were not retrieved in a timely manner. This happened because the designated Records Officer from the archive team left the Council and changes in the team structure were not communicated to the Client Affairs team. It is up to the service to make sure that their staff know who the Records Co-ordinators are and when they change.</p> <p>Access to Quicken</p> <p>Three members of staff have access to Quicken. As the system does not have an audit trail as to who enters a record one officer is the sole operator. If they are on holiday then records of transactions are kept until the</p>	<p>Transactions processed and key decisions made on behalf of clients may not be documented on Council information systems and hard copies of evidence may not be retained resulting in the Council being unable to successfully demonstrate that client accounts are being managed in line with statute.</p>	<p>Retrieval from the archives</p> <ul style="list-style-type: none"> a) A formal process should be introduced which should identify when documents need to be transferred into the archive. b) Ensuring that teams are aware at all times of the Records Officer from which they can request files from the archives and any changes to this person will help in the timely retrieval of files from the archives. <p>Access to Quicken</p> <ul style="list-style-type: none"> c) When the officer who is the sole operator on Quicken is away from the office, records should be entered on Quicken in a timely manner. Ensuring that other members of the team are aware when the officer is away and carry out the process instead would mitigate the risk of records being incorrect or outdated.

officer returns to enter onto the details on the system. Should she be away for an unexpectedly long period the other two members of staff have access to enter records if necessary but this is not done consistently.			
Management Response		Responsible Officer	Deadline
The policy on the procedure for storing and retrieving archived files will be updated to take into account the audit recommendations. Controls will be put in place to take into account risks associated with Quicken and updating, in the event of staff absences etc.,		Financial Assessment Manager, Financial Assessment Team Residential Team Leader	29 February 2016

Timetable	
Terms of reference	12 November 2015
Fieldwork completed	1 December 2015
Draft report issued	30 December 2015
Management responses received	12 January 2016
Final Report Issued	15 January 2016

Appendix A: Statement of Responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below:

- The matters raised in this report are only those which came to our attention during the course of our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made.
- Recommendations for improvements should be assessed by you for their full impact before they are implemented.
- The performance of internal audit work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity.
- Auditors, in conducting their work, are required to have regards to the possibility of fraud or irregularities. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.
- Internal audit procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our audit work and to ensure the authenticity of these documents.
- Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Appendix B: Guide to assurance and priority

The following is a guide to the assurance levels given:

	Substantial Assurance	There is a sound system of internal control designed to achieve the system objectives. The control processes tested are being consistently applied.
	Satisfactory Assurance	While there is a basically sound system of internal control, there are weaknesses, which put some of the client's objectives at risk. There is evidence that the level of non-compliance with some of the control processes may put some of the system objectives at risk.
	Limited Assurance	Weaknesses in the system of internal controls are such as to put the client's objectives at risk. The level of non-compliance puts the system objectives at risk.
	No Assurance	Control processes are generally weak leaving the processes/systems open to significant error or abuse. Significant non-compliance with basic control processes leaves the processes/systems open to error or abuse.

Priorities assigned to recommendations are based on the following criteria:

1 - High – Fundamental issue where action is considered imperative to ensure that the Council is not exposed to high risks; also covers breaches of legislation and policies and procedures. Action to be effected within 1 to 3 months.

2 - Medium – Significant issue where action is considered necessary to avoid exposure to significant risk. Action to be effected within 3 – 6 months.

3 - Low – Issue that merits attention/where action is considered desirable. Action usually to be effected within 6 months to 1 year.