

Internal Audit Report

Equalities data - quality and analysis

November 2018

To: Deputy Chief Executive
Interim Strategic HR Lead
Interim Strategic Human Resources Director, CSG

Copied to: Director of Public Health (Council Management Team Equalities Sponsor)
HR Business Partner, CSG
Operations Director, CSG
Interim Assistant Director, Strategy & Communications
Community Engagement, Participation & Strategy Lead

From: Head of Internal Audit

We would like to thank management and staff of CSG HR and the Commissioning Group Strategy Unit for their time and co-operation during the course of the internal audit.

1. Executive Summary

Assurance level	Number of recommendations by risk category				
	Critical	High	Medium	Low	Advisory
Limited assurance	-	2	-	2	-

Scope

The Public Sector Equality Duty (PSED) requires public bodies to have due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations between different people when carrying out their activities. To support the Council to meet this requirement, data analysis and interpretation is carried out by CSG HR. This activity includes staff data reporting within the Annual Equalities Report, the review and analysis of data to assess the whether the annual performance reviews process negatively affects any groups with protected characteristics under the Equality Act, and gender pay gap reporting.

This audit looked at whether:

- Published equalities data is accurate, and appropriately reviewed and authorised prior to publication.
- Data analysis carried out over equality data is meaningful and informs ongoing strategy.

Summary of findings

Significant issues were found in the design and operation of controls relating to the processing and interpretation of equalities data at the Council. Data analysis was not sufficiently in-depth to identify equalities issues and support the targeting of interventions to improve equalities performance. As such, this activity did not support the Council to demonstrate that it is meeting the requirements of the PSED.

This audit has identified 2 high risk and 2 low risk findings.

We identified the following high risk findings as part of the audit:

- **Data quality and analysis – staff performance reviews (finding 1, high)** – equalities data analysis was carried out relating to staff performance reviews at the end of 2017/18. However, this analysis did not identify potential issues relating to the performance ratings assigned to some groups of staff with protected characteristics under the Equality Act. This was exacerbated by a failure to act on high risk findings from a previous audit. Data was published which might allow the outcomes of individuals' performance reviews to be identified. Some protected characteristics were omitted from the data analysis.

- **Data quality and analysis – mandatory gender pay gap reporting (finding 2, high)** – mandatory gender pay gap reporting published by the Council included an incorrectly calculated median gender pay gap: the published data stated that there was no median gender pay gap, but a median pay gap of -6.3% (women are paid more than men) should have been reported. Records of the approach taken to the calculation were not retained, and as such it is not possible to confirm that the national guidance was fully followed.

We identified the following low risk findings as part of the audit:

- **Data quality and analysis – Annual Equalities Report (finding 3, low)** – limitations were identified with the depth of the narrative accompanying reporting of staffing data within the Annual Equalities Report.
- **Data quality and analysis - roles and responsibilities (finding 4, low)** – the review process for key equalities data before it is published or provided to committees is also not clear.

2. Findings, Recommendations and Action Plan

Ref	Finding	Risks	Risk category	Agreed action
1.	<p><u>Data quality and analysis – staff performance reviews (control design and operating effectiveness)</u></p> <p>Within the annual equalities report, it states that "Pay progression decisions are monitored to ensure equality issues are considered at each stage of the process to avoid any unconscious bias." As part of the annual performance reviews process, an equalities analysis is carried out to assess whether any groups with protected characteristics have been adversely affected by the process. This is presented to the Strategic Commissioning Board (SCB).</p> <p>We reviewed the report covering the 2017/18 performance review process which should have been presented to SCB on 11 June 2018. The report was not actually presented to the meeting due to concerns raised by senior management that it failed to adequately address concerns about equalities analysis, consistency of ratings and achievement of corporate objectives.</p> <p>The following issues were noted:</p> <ul style="list-style-type: none"> • Actions agreed relating to a high priority finding from the audit of the performance review process (part of the 2017/18 audit plan) had not been carried out, and the data analysis within the report presented to SCB is not of a high enough standard to 	<p>If equalities data analysis is inadequate and cannot be used to investigate and mitigate inequalities where they arise during the annual performance review process, then the Council may not meet the requirement of the Public Sector Equalities Duty to "advance equality of opportunity between people who share a protected characteristic and those who do not", leading to reputational damage.</p>	<p>High</p>	<p>a) <i>CSG HR will ensure that analysis of future performance review outcomes is meaningful. A method statement covering the equalities process for 2018/19 performance reviews will be drafted.</i></p> <p>b) <i>LBB HR will redact future published equalities data relating to groups of fewer than 15 people to ensure that individuals are not identifiable.</i></p> <p>c) <i>Where certain protected characteristics are omitted from published equalities data, an explanation will be provided by LBB to explain the omission.</i></p> <p>d) <i>The revised high priority actions from the 2017/18 Performance Reviews audit will be implemented (see Appendix 1).</i></p> <p>e) <i>The interim Strategic HR Director will consider whether provision can be made so that employees can voluntarily update via the LBB Employee Self Service Mechanism to ensure that the</i></p>

Ref	Finding	Risks	Risk category	Agreed action
	<p>allow equalities impacts to be identified or acted on. As such, the report does not support the Council to meet the requirement of the Public Sector Equalities Duty to "advance equality of opportunity between people who share a protected characteristic and those who do not". See Appendix 1 for further details.</p> <ul style="list-style-type: none"> • Within the staff equalities statement it states that "Where an equalities impact assessment is required, we will only publish the data where groups of more than 15 employees are affected, and we will redact (blank out) any data that may identify an individual." We noted that the published data included all staff members broken down by the following protected characteristics (ethnicity, gender, age, religion, sexual orientation and disability, without removing data relating to groups of fewer than 15 people. As a result, staff within those groups might be identifiable to others, along with details of their year end performance ratings and any change to those ratings as a result of moderation. • Three sets of protected characteristics under the Equality Act were not reported on: gender reassignment, marital status and pregnancy/maternity. It is not clear why these were excluded from the report. 			<p><i>personal data held by the Council is updated.</i></p> <p>f) <i>The interim Strategic HR Director will work with the Council's communications team to encourage staff to actively participate in improving their engagement with equalities data.</i></p> <p>Responsible officers:</p> <p>a) Interim Strategic HR Director, CSG b) Strategic HR Lead, LBB c) Strategic HR Lead, LBB d) See Appendix 1 e) Interim Strategic HR Director, CSG f) Interim Strategic HR Director, CSG</p> <p>Target date:</p> <p>a) 28 February 2019 i.e. in advance of the 2018/19 performance reviews b) From now on c) From now on d) See Appendix 1. e) 31 March 2019 f) 31 March 2019</p>

Ref	Finding	Risks	Risk category	Agreed action
2.	<p><u>Data quality and analysis – mandatory gender pay gap reporting (operating effectiveness)</u></p> <p>Employers with 250 or more employees must publish figures comparing men and women’s average pay across the organisation on a government website. We reviewed the published gender pay gap for Barnet Council for the year ending 31 March 2017. We used the source data to reperform the calculation for the gender pay gap using the approach outlined in the government guidance.</p> <p>The following issues were noted:</p> <ul style="list-style-type: none"> • Our reperformance of the calculation showed that the median pay gap was incorrectly calculated due to a formula error and the median pay gap for the year was actually -6.3%, not -0.8%, as calculated by CSG. • The published pay gap on the government website, which shows that women earn more than men at the Council (mean gap - 5%, median gap -0%) does not match the pay gap calculated by the Council, which showed that the mean gap is -5.7% and the median gap is -0.8%. Management stated that it was not possible to submit the numbers to one decimal place, but the figures should have been rounded to the nearest whole number, rather than 	<p>If mandatory gender pay gap reporting is incorrect due to manual errors, data quality issues or failure to follow reporting guidance, then there is a risk of government investigation, fines and reputational damage.</p>	<p>High</p>	<p>a) <i>CSG HR will prepare a procedural note to be followed by the service for the preparation of the gender pay gap reporting in March 2019. This note will reflect national guidance on the calculation.</i></p> <p>b) <i>CSG HR will ensure that detailed records are retained to record the approach to calculation and quality checking of the gender pay gap in future years and retain evidence that the national guidance for the calculation has been correctly followed. Similar records will be retained to evidence the calculations performed during the Council’s 2018/19 equal pay audit.</i></p> <p>c) <i>Where data issues are identified during the calculations and quality checking of those calculations, CSG HR will retain evidence of any investigation carried out and the outcome of that investigation.</i></p> <p>d) <i>LBB HR will seek to amend the data on the public record to reflect the correct median gender pay gap as part of the 2019 reporting cycle.</i></p>

Ref	Finding	Risks	Risk category	Agreed action
	<p>rounded down. Other employers were able to publish data which was accurate to one decimal place.</p> <ul style="list-style-type: none"> The data provided to Internal Audit doesn't indicate that anybody within the Council's headcount was excluded from the calculation, however the official guidance states that only full-pay relevant employees should be included. This means that anyone who has been on any form of unpaid or differently paid leave (e.g. Statutory Sick Pay, Statutory Maternity Pay etc) during the pay period the snapshot date falls in should be excluded from the calculation. Management stated that they believed that these members of staff had been correctly excluded, however were not able to provide evidence to support this statement. The calculation should be based on gross salary before pension deductions, but after any salary sacrifice (e.g. childcare vouchers). It was not clear from the data provided whether salary sacrifices had been identified and removed from the gross pay figures used for the calculation. One employee was shown as having an hourly rate of £8.70, which is below the Barnet Living Wage for the period under review (£9.40) and indicates either that this 			<p>Responsible officer:</p> <ul style="list-style-type: none"> a) Interim Strategic HR Interim Strategic HR Director, CSG b) Interim Strategic HR Interim Strategic HR Director, CSG c) Interim Strategic HR Interim Strategic HR Director, CSG d) Strategic HR Lead, LBB <p>Target date:</p> <ul style="list-style-type: none"> a) Complete b) 31 March 2019 c) 30 June 2019 d) 31 March 2019

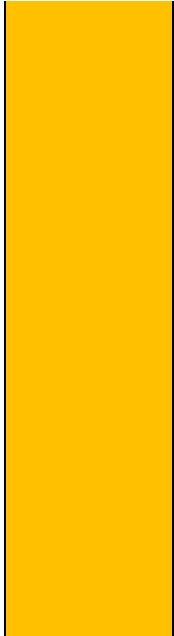
Ref	Finding	Risks	Risk category	Agreed action
	<p>employee's hourly rate was incorrectly calculated for the purposes of the gender pay gap analysis, or that the employee received a salary lower than the Barnet Living Wage, which would breach the Council's commitment to pay its staff an agreed minimum wage.</p> <ul style="list-style-type: none"> • Two employees who were working in multiple roles in the Council were shown as both male and female within the data, and one individual was shown as working two full-time roles (further investigation demonstrated that the individual is only being paid for one role), indicating that issues with the source data were not identified and fully investigated by the team who analysed the pay gap. • 28 employees within the data were flagged as agency staff, who should be excluded from the calculation in accordance with the guidance. Management explained that these were former agency staff who had been employed permanently by the Council, and as such should be included in the calculation. However, they were not able to provide evidence for this and the data was not linked to a staff reference number for these individuals so it was not possible to verify this statement. 			

Ref	Finding	Risks	Risk category	Agreed action
	<p>Management confirmed that detailed process notes had not been kept to explain the treatment of the raw data, and that more effective records should have been retained of the steps taken to calculate the gender pay gap.</p>			
3.	<p><u>Data quality and analysis – Annual Equalities Report (operating effectiveness)</u></p> <p>We reviewed the equalities data which was presented to demonstrate compliance with the Council’s Strategic Equality Objective in the 2017 Annual Equalities Report and the draft equalities data for the 2018 report (to be published in October 2018).</p> <p>The following issues were noted:</p> <ul style="list-style-type: none"> The content of this element of the report has not significantly changed year on year. While it provides clear information comparing LB Barnet staff breakdowns by protected characteristic with the wider Barnet population, it doesn't indicate how this information is used, or what the outcome of investigation of significant variances has been. For instance, in both years, there is a much higher rate of non-disclosure of sexual orientation at the Council than there is in the wider London average used to compare this with. The text states that "In the staff survey follow 	<p>If the Council is unable to demonstrate that it is meeting the Public Sector Equality Duty, then there is a risk of legal challenge and reputational damage.</p>	Low	<p>a) <i>In future years the narrative accompanying staff equalities data within the Annual Equalities Report will include the outcome of any investigations into any major discrepancies identified between the breakdown of protected characteristics of staff and those of the wider Barnet and London communities.</i></p> <p>Responsible officer:</p> <p>a) Director of Public Health (Council Management Team Equalities Sponsor)</p> <p>Target date:</p> <p>a) 30 September 2019</p>

Ref	Finding	Risks	Risk category	Agreed action
	<p>up we will explore any issues in the discrepancy between Barnet and the London average for those who prefer not to disclose their sexual orientation.", however there is no indication in the 2018 report what the outcome of this exploration was in the prior year.</p> <p>It is not clear whether the presentation of the staff data without more detailed interpretation fully demonstrates compliance with the PSED.</p>			
4.	<p><u>Data quality and analysis - roles and responsibilities (control design)</u></p> <p>Issues were reported during the course of the audit around a lack of guidance about who should review key equalities data before it is published or provided to committees. Roles and responsibilities for the provision and review of equalities data is not covered within the document which outlines the structure of equalities activity going forwards, agreed at Strategic Commissioning Board in August 2018.</p>	<p>If it is not clear who is responsible for monitoring, documenting and facilitating equalities activities, then there is a risk that the Council may fail to comply with the PSED.</p>	Low	<p>a) <i>Any committee paper or equalities data produced by CSG in the HR space will be signed off on behalf of the Council by the Deputy Chief Executive and the HR client lead prior to publication or submission to committees for approval.</i></p> <p>Responsible officer:</p> <p>a) Strategic HR Lead, LBB</p> <p>Target date:</p> <p>a) Ongoing</p>

Appendix 1: follow-up of high rated finding from the 2017/18 Performance Reviews audit

Ref	Original finding	Risks	Risk category	Agreed action
1	<p>Governance - presentation of monitoring information (operating effectiveness)</p> <p>We obtained and reviewed the SCB Paper that was presented to the Board dated 29 June 2017. It includes an analysis of the outcome of the review process for each delivery unit and an equalities analysis of performance ratings across different monitored characteristics.</p> <p>We noted that the charts within the document, which were intended to visually convey the rating curve for various groups, did not effectively do that as a result of the categories being shown in the wrong order and unrated staff being included within the curve. As a result, the quality of the visual representation of ratings was not sufficient to allow management to identify areas of concern around consistency of the application of the performance review guidance across the Council.</p> <p>We used the raw data within the document to re-perform some of the analysis and produce the distribution curves in a way that could be easily read. We noted that there were differences in the curves between service areas which may indicate that there is not a consistent understanding of what "satisfactory" and "good" look like across the organisation (see appendix 1 for details). At the time of drafting this report, we have not been able to fully re-perform the ethnicity analysis because the information within the report did not clearly state the numbers for some ethnic groups and management had not yet responded to a request for this information.</p> <p>Within the equalities monitoring section, the report stated that "data shows there is no adverse impact demonstrated across the different characteristics", however when we re-performed the analysis of the curves with categories in the correct order and with unrated staff</p>	<p>If ratings curves presented to the SCB don't accurately reflect performance rating distributions, it may not be possible to provide the board with assurance that performance rating guidance is being consistently applied across different service areas and across employees with different equalities monitoring characteristics. In the absence of accurate data analysis, issues</p>	High	<p>Original Agreed Action at the date of the Performance Reviews audit:</p> <p>a) HR will re-assess the ratings distributions across different service areas and equalities monitoring characteristics. Where potentially statistically significant variances are identified, these will be investigated to understand whether they represent systemic bias or inconsistent understanding of the performance management approach. If this is the case, management will ensure that mitigating actions are taken to address any issues identified before the next round of annual performance reviews in March – May 2018.</p> <p>b) Management will consider whether to</p>

<p>excluded, there were clear differences in outcomes for different groups within the areas of gender, religion, ethnicity and disability. While it is not possible to say whether these differences are statistically meaningful, they should have been investigated further. It is not possible to categorically state that there was no adverse impact across different characteristics based on the information within the report.</p> <p>This analysis took place after the end of the moderation process, meaning that any variances could only be investigated retrospectively. A similar analysis carried out after the indicative ratings stage would allow management to include staff from groups with unusual ratings curves in the moderation process to provide a secondary review of the ratings given to those staff.</p>	<p>around consistent application of the performance assessment process may not be identified at all and therefore may not be investigated and mitigated.</p>		<p>introduce equalities monitoring earlier in the process (at the point of indicative ratings) to ensure that the moderation process can be used to address any areas of anomaly identified and provide additional assurance over the validity of staff ratings.</p> <p>Responsible officer: HR Director</p> <p>Target date: April 2018</p>
<p>Follow-up work performed</p>	<p>Conclusion</p>		
<p>We looked at the data presented in the 2017/18 performance review equalities impact report which was drafted for but not presented to the Strategic Commissioning Board on 11 June 2018, to assess whether the issues identified with the 2016/17 report had been remedied, and to inform the Equalities audit review of compliance with the Public Sector Equality duty (see finding 1 of this report).</p> <p>A commentary was included in the report around the outcomes of the data analysis performed, which stated that no significant equalities issues had been identified during the performance reviews and moderation process. Data was included in the report to support this statement but was presented raw in a way which could not be interpreted without further work, which essentially rendered the data in the report meaningless to the reader.</p> <p>We used this raw data to analyse ratings distributions for each of the protected characteristic groups. This exercise showed that there are</p>	<p>Not Implemented</p> <ul style="list-style-type: none"> a) No evidence was provided that the 2016/17 data was reassessed in advance of the 2017/18 process in line with the recommendation. The recurrence of several of the issues identified with the 2016/17 data in the 2017/18 report demonstrates that the outcome of the Performance Reviews audit did not significantly influence the 2017/18 performance review and moderation process. b) There was no indication that analysis took place prior to the moderation stage of the process, as recommended within the Performance Reviews audit report, or that the analysis led to any further investigation or resolution of equalities issues. 		

potential areas for concern around equalities in the performance review process, with particular areas of concern relating to ethnicity, religion and disability (all areas which were identified as areas of concern in the prior year reporting during the Performance Reviews audit).

Revised recommendation:

- a) 2017/18 performance review source data will be used as dummy data to devise and test an approach to the equalities assessment for the 2018/19 performance review cycle. This will support management to understand the root cause of any issues identified and to put measures in place to ensure the 2018/19 performance review process is fairer and more equitable across all protected characteristic groups and delivery units.
- b) HR training for managers will include training on cognitive bias to support the organisation to meet the requirements of the PSED and ensure that the performance review process is carried out by staff with an awareness of the potential for cognitive bias in the ratings process.

Responsible officer:









- a) Interim Strategic HR Director, CSG
- b) Strategic HR Director, CSG

Target date:

- a) 28 February 2019
- b) 31 March 2019

Appendix 2: Definition of risk categories and assurance levels in the Executive Summary

Note: the criteria should be treated as examples, not an exhaustive list. There may be other considerations based on context and auditor judgement.

Risk rating	
Critical 	<p>Immediate and significant action required. A finding that could cause:</p> <ul style="list-style-type: none"> • Life threatening or multiple serious injuries or prolonged work place stress. Severe impact on morale & service performance (eg mass strike actions); or • Critical impact on the reputation or brand of the organisation which could threaten its future viability. Intense political and media scrutiny (i.e. front-page headlines, TV). Possible criminal or high profile civil action against the Council, members or officers; or • Cessation of core activities, strategies not consistent with government's agenda, trends show service is degraded. Failure of major projects, elected Members & Senior Directors are required to intervene; or • Major financial loss, significant, material increase on project budget/cost. Statutory intervention triggered. Impact the whole Council. Critical breach in laws and regulations that could result in material fines or consequences.
High 	<p>Action required promptly and to commence as soon as practicable where significant changes are necessary. A finding that could cause:</p> <ul style="list-style-type: none"> • Serious injuries or stressful experience requiring medical many workdays lost. Major impact on morale & performance of staff; or • Significant impact on the reputation or brand of the organisation. Scrutiny required by external agencies, inspectorates, regulators etc. Unfavourable external media coverage. Noticeable impact on public opinion; or • Significant disruption of core activities. Key targets missed, some services compromised. Management action required to overcome medium-term difficulties; or • High financial loss, significant increase on project budget/cost. Service budgets exceeded. Significant breach in laws and regulations resulting in significant fines and consequences.
Medium 	<p>A finding that could cause:</p> <ul style="list-style-type: none"> • Injuries or stress level requiring some medical treatment, potentially some workdays lost. Some impact on morale & performance of staff; or • Moderate impact on the reputation or brand of the organisation. Scrutiny required by internal committees or internal audit to prevent escalation. Probable limited unfavourable media coverage; or • Significant short-term disruption of non-core activities. Standing orders occasionally not complied with, or services do not fully meet needs. Service action will be required; or • Medium financial loss, small increase on project budget/cost. Handled within the team. Moderate breach in laws and regulations resulting in fines and consequences.
Low 	<p>A finding that could cause:</p> <ul style="list-style-type: none"> • Minor injuries or stress with no workdays lost or minimal medical treatment, no impact on staff morale; or • Minor impact on the reputation of the organisation; or • Minor errors in systems/operations or processes requiring action or minor delay without impact on overall schedule; or • Handled within normal day to day routines; or • Minimal financial loss, minimal effect on project budget/cost.
Level of assurance	
Substantial 	<p>There is a sound control environment with risks to key service objectives being reasonably managed. Any deficiencies identified are not cause for major concern. Recommendations will normally only be Advice and Best Practice.</p>
Reasonable 	<p>An adequate control framework is in place but there are weaknesses which may put some service objectives at risk. There are Medium priority recommendations indicating weaknesses but these do not undermine the system's overall integrity. Any Critical recommendation will prevent this assessment, and any High recommendations would need to be mitigated by significant strengths elsewhere.</p>
Limited 	<p>There are a number of significant control weaknesses which could put the achievement of key service objectives at risk and result in error, fraud, loss or reputational damage. There are High recommendations indicating significant failings. Any Critical recommendations would need to be mitigated by significant strengths elsewhere.</p>
No 	<p>There are fundamental weaknesses in the control environment which jeopardise the achievement of key service objectives and could lead to significant risk of error, fraud, loss or reputational damage being suffered.</p>

Appendix 3 – Analysis of findings

Area	Critical		High		Medium		Low		Total
	D	OE	D	OE	D	OE	D	OE	
Public Sector Equality Duty	-	-	1*	2*	-	-	1	1	5*
Total	-	-	1*	2*	-	-	1	1	5*

*Includes one finding relating to both control design and operating effectiveness

Key:

- Control Design Issue (D) – There is no control in place or the design of the control in place is not sufficient to mitigate the potential risks in this area.
- Operating Effectiveness Issue (OE) – Control design is adequate, however the control is not operating as intended resulting in potential risks arising in this area.

Timetable					
Terms of reference agreed: 26/02/18	Fieldwork commenced: 13/03/18	Fieldwork completed: 10/08/18	Draft report issued: 22/08/18 Revised: 10/10/18 Revised: 16/11/18	Management comments received: 29/10/2018 11/11/2018 and 13/12/2018	Final report issued: 19/12/2018

Appendix 4 – Identified controls

Area	Objective	Risks	Identified Controls
<p>Public Sector Equality Duty</p>	<p>Data analysis carried out over equality data is meaningful and informs ongoing strategy.</p>	<p>If equalities data is not accurately reported internally, or reviewed and challenged prior to publication, there is a risk that the Council may go on to republish inaccurate data externally, leading to reputational damage.</p>	<p>Gender pay gap reporting</p> <p>Employers with 250 or more employees must publish figures comparing men and women’s average pay across the organisation on a government website. Barnet produced and published its figures for the year ending 31 March 2017 in March 2018.</p> <p>See findings 2 and 4.</p>
		<p>If data analysis performed around equalities is not meaningful, then it may not be apparent if the Council is failing to meet the requirements of the PSED in any of the analysed areas, and senior stakeholders may not have the oversight required to take action to remedy issues.</p>	<p>Annual performance review equalities impact reporting</p> <p>Within the annual equalities report, it states that "Pay progression decisions are monitored to ensure equality issues are considered at each stage of the process to avoid any unconscious bias." As part of the annual performance reviews process, there is an equalities analysis carried out to assess whether any groups with protected characteristics have been adversely affected by the process. This is presented to the Strategic Commissioning Board.</p> <p>See findings 1 and 4.</p>
			<p>Annual Equalities report – staff data</p> <p>The Council’s Annual Equalities Report includes staff data broken down by protected characteristics and interpreted within the accompanying text, to help demonstrate compliance with the Council’s Strategic Equality Objective.</p> <p>See findings 3 and 4.</p>

Appendix 5 – Internal Audit roles and responsibilities

Limitations inherent to the internal auditor's work

We have undertaken the review of Equalities data quality and analysis, subject to the limitations outlined below.

Internal control

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.

Future periods

Our assessment of controls is for the period specified only. Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

- the design of controls may become inadequate because of changes in operating environment, law, regulation or other; 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 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.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.