



## ***Internal Audit Report 2018/19***

# **Income Collection (Cowes Floating Bridge, Crematorium & Shanklin Cliff Lift) 18-19-15**

To:  Trevor Pugh, Interim Director of Neighbourhoods  
From:  Elizabeth Goodwin, Chief Internal Auditor

Isle of Wight Council

**FINAL**  
May 2019

**PAPER C**



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### ***For action***

- Collin Rowland, Director of Neighbourhoods
- Alex Minns, Assistant Director of Neighbourhoods
- Mark Downer, Parking Operations Manager (Floating Bridge)
- Stuart Babington, Facility Manager (Cliff Lift)
- Iain Donald, Bereavement Services Manager (Crematorium)
- Sean Newton, Strategic Manager - Commercial Services
- Toby Hazelgrove, Duty Manager

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### ***For information***

- Elizabeth Goodwin, Chief Internal Auditor



# Executive summary (1 of 2)

Classification	Trend	By type	By scope area
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**Medium Risk**

We have not previously carried out a review with an equivalent scope

	Critical	High	Medium	Low	Advisory
Framework	0	0	0	1	0
Delivery	0	1	1	2	0
Oversight	0	0	0	0	0

	Critical	High	Medium	Low	Advisory	Control design	Operating effectiveness	Total
						0	0	0
						1	0	1
						0	1	1
						2	1	3
						0	0	0

**Total findings: 5**

## Summary of findings

The Cowes Floating Bridge, Crematorium and Shanklin Cliff Lift are all important sources of income for the Council:

Establishment	2017/18	2018/19 to Dec 2018
Cowes Floating Bridge	£425,889	£562,738
Crematorium	£1,242,039	£920,573
Shanklin Cliff Lift	£76,978	£94,420

This review focused on income management and collection arrangements for the three establishments covering:

- **Framework:** confirming that there are clearly documented and up to date processes covering income management, which are in line with the Council's corporate expectations.
- **Delivery:** fees are levied correctly, tickets (where applicable) issued, arrangements are in place to reconcile 'sales' to income and that cash is stored securely and banked in a timely manner.
- **Oversight:** that regular reports concerning income are being produced and considered by regular management meetings, supported as necessary by corporate finance.

This audit includes five findings summarised below:



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*Up to date income collection procedures (Cliff Lift and Crematorium) (Low Risk):* Income collection / cash handling process notes vary in quality across the sites and have not been cross-referenced to the Council's cash handling policy. The Cliff Lift and Crematorium need to formally review and update process notes and include a version control dated front sheet.

*Floating Bridge procedures (Medium risk):* Operatives need to be reminded of the requirement to place cash bags in the safe at the end of a shift, to not use cash from cash bags for petty cash floats and to label cash bags correctly with passenger/vehicle details and the correct date. Two attendants are using another employee's system login contrary to policy. Debit notes may be issued by attendants where passengers cannot pay but the Council does not currently have the administrative capacity to chase collection of the debt and are reliant on passenger goodwill to pay. Additionally staff induction procedures should be updated and documented to include ticketing and cash handling, with a hard copy of the ticketing operating manual stored on the Bridge in future.

*Floating Bridge ticketing system (High risk):* There is a known issue with the Floating Bridge's transaction recording system (TransIQ) whereby sales made using the handheld devices are not appearing to be synced appropriately to the online database. It is currently impossible to reconcile the sales data back to the cash collected. Following modem capacity increase in 2018 discrepancies did decrease but the devices should work offline. It is not fully established that connectivity is the root cause of the discrepancies. This should be investigated with the system provider. For context the highest cash collected in excess of that reported by TransIQ was in September 2018, at £2273.94, the highest shortfall against that reported by TransIQ was in December 2018 at £368.33.

*Cliff Lift (Low risk):* The Duty Manager should annotate review of the ticket sales / cash collection reconciliation sheets completed at the Cliff Lift following each shift to review any overs / unders and use of the refund mode. The safe code at the Lift should be changed. For context there were four low value discrepancies identified in a sample of 25. All of these had satisfactory explanations bar one, which related to a discrepancy of £1:50.

*Crematorium (Low Risk):* While volumes are low cash handling/storage arrangement need to be improved. For clarity five cash payments were made to the Crematorium in the last 12 months, which do not breach Council insurance limits.

We would like to take this opportunity to thank Isle of Wight Council staff for their help and assistance with this review.

## Current year findings (1 of 5)

### Up to date income collection procedures (Cliff Lift and Crematorium)

#### Control design

1

Low

#### Finding and root cause

Internal Audit have reviewed the income collection process notes and documentation for ticketing/bookings, payment processing, cash collection and banking and cancellations/authorisation at each of the three locations. All sites hold income collection processing notes of varying levels of detail reflective of the complexity of the operating environment. The notes from each site clearly outline the day-to-day processes including sales, taking payment and cash handling and banking procedures. The following areas of improvement are noted:

*Cliff Lift:* As the least complicated operating environment, the process notes are simple and straightforward. The process notes have not been formally reviewed for some time (they are not dated). A formal review date should be introduced and noted on a “version control” front sheet to the notes. Discounts are issued for under 18’s (under 4 are free, 4 to 15 charged as juniors, 16 to 17 half adult price) and over 60’s however there is no explanation in the current notes as to how attendants should confirm this and it is currently judged solely at the attendants discretion. Upon new joiners starting at the Cliff Lift, a formal induction process is followed with a list of required areas signed off by the joiner and current attendant as well as counter signed by the manager; we note this to be good practice. Team meetings are held annually at the start of the season but minutes are not taken.

*Crematorium:* Process notes are detailed and contain sufficient information on the income handling processes involved at the crematorium. An updated version of these notes is in production to reflect system changes and these should be available to all staff in the coming months (a version control front sheet should be included). There is no formal review date for the process notes and should be introduced. Team meetings have been recently reintroduced and are minuted. Meetings include financial performance review.

All areas visited were either unaware of or not cross-referencing to the Council’s corporate cash handling policy (issued in 2016).

#### Implications

If processes are not appropriately documented then processing will be more likely to be inconsistent. If processes are not regularly reviewed and in line with corporate expectations then it will be more likely that they will not adequately safeguard/maximise income and, for example, may not incorporate appropriate management checks.

#### Action plan

- All cash / income process notes should be reviewed annually with record of review retained on a “version control” front sheet ( Cliff Lift and Crematorium only)
- Formal documentation of the processes for offering age related discount

#### Responsible person/title

Stuart Babington, Facility Manager

Iain Donald, Bereavement Services Manager

tickets at the Cliff Lift.

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(Crematorium)  
Toby Hazelgrove, Duty Manager

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*Target date*

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June 2019

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*Reference number*

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18-19-15 - 01

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## Current year findings (2 of 5)

### Floating Bridge procedures

#### Operating Effectiveness

# 2

**Medium**

#### Finding and root cause

The ticketing system on the Floating Bridge is provided by TransIQ and used to log all transactions. Attendants all have handheld devices which they use to scan savers cards/pre-paid tickets and can also print tickets if individuals pay via cash. The system then synchronizes with the servers on board the Bridge and records the sale. However, robust cash handling procedures are not always followed on the Floating Bridge. For example:

- Cash handling arrangements are not fully compliant with the Council's documented expectations.
- Attendants do not always label cash bags correctly with passenger/vehicle details and the correct date contrary to procedures.
- Attendants use the contents of their cash bags to top up their floats. Attendants are issued with a float every morning and if this runs low it should be topped up as per procedure as opposed to ad hoc taking from the cash bags as this makes it very difficult to accurately reconcile the cash collected to tickets issued.
- Currently two attendants are using management's system logins for issuing tickets as they have been having difficulties with their own. This is against the Bridge's policy, which states, "An operator's personal identity number is confidential and therefore no potential exists for other operators to use the number to log transactions." Operators who are having issues with their personal id numbers should report these immediately to TransIQ to remedy.
- The attendants are able to issue debit notes to customers who are unable to pay their fees on the Bridge. From April '18, c.110 debit notes have been issued. Most are paid, however, the Council does not have the administrative capacity to monitor whether debit notes are appropriately paid and issue penalties as stated in the process notes. Without the oversight of which debit notes are being paid and which are not, the Council will lose income. The option to issue debit notes should be removed given the plethora of payment options available to Bridge users.

In addition to the above Version 2 of the Floating Bridge operating manual was issued in November 2018. This includes income collection procedures and current prices. The manual was shared with all employees but a hard copy should be kept on the bridge at all times for attendants to quickly utilise should they be required to. A guide to using the handheld ticketing devices / system is also provided. Upon new joiners starting at the bridge, an induction is completed, however, this is not formalised and the current checklist of requirements does not cover income procedures such as ticketing, cash collection, cashing up etc. These processes should be added to the checklist and formally signed by the new joiner and attendant performing the induction as well as counter signed by relevant duty manager to ensure complete documentation of the induction pathway. Quarterly mini service boards are held and minuted and include review of the Floating Bridge financial performance.

#### Implications

If tickets/bookings/sales are not correctly issued and reconciled to income received then there will be an increased opportunity for undetected fraud. If coinage/cash is not secured, collected and banked regularly then there will be an increased opportunity for fraud/theft. If debit notes are not paid then income due to the Council is lost.

## Action plan

- Remind Bridge operatives of the required cash collection and security procedures especially at the end of each shift.
- Remind Bridge operatives that cash should not be swapped between bags and petty cash to facilitate effective reconciliation procedures.
- Secure logins to TransIQ and ensure each operative is using their own unique ID.
- Remove debit notes as a method of payment from the Floating Bridge
- Formalise staff induction processes at the Floating Bridge inclusive of income / cash procedures and signed off by the employee and appropriate manager.
- A hard copy of the Operating Manual and guide to the handheld ticketing system should be kept on the Floating Bridge.

### Responsible person/title

Mark Downer, Parking Operations Manager

### Target date

June 2019

### Reference number

18-19-15-02



## Current year findings (3 of 5)

### TransIQ system

#### Control Design

3

High

#### Finding and root cause

The ticketing system on the Floating Bridge is provided by TransIQ and used to log all transactions. Attendants all have handheld devices which they use to scan savers cards/pre-paid tickets and can also print tickets if individuals pay via cash. The system then synchronizes with the servers on board the Bridge and records the sale. Internal Audit planned to reconcile tickets / sales to cash collected at each location for each payment method. However, due to known issues with the TransIQ ticketing system used on the Floating Bridge this test was not possible. The Parking Operations Manager identified this issue when attempting to reconcile ticket sales to income collected in 2018. It is understood due to connectivity issues with the handheld ticketing devices on the Bridge the number and type of sales is consistently incorrect so does not match the cash collected. Modem capacity was boosted in late 2018 and the value of discrepancies has decreased in more recent months, as shown below:

April	May	June	July	August	September	October	November	December	January	February
£956.61	£2,909.26	£949.71	£1,160.47	£1723.31	£2273.94	£2538.81	- £51.05	- £368.33	£564.56	£199.89

For context the highest shortfall was for week commencing, 21<sup>st</sup> June of £891.87, prior to the new modem being installed.

However, there continues to be discrepancies every day. This could also be disguising error and fraud in the ticketing /cash collection procedures. Internal audit performed a spot check of the cash balance held by one of the attendants and noted that this was £15 above the recorded sales information from the TransIQ system in a 2 hour period. It should be noted that cash collected and banked is reconciled to the bank statement and no issues were noted with this process. However, no reconciliation can currently be done back to tickets sold.

In a separate review of contract monitoring it was noted that the TransIQ contract has been accepted and fully signed off. Included within this contract are various statements such as "The supplier will provide on-board data network via 4G for the local server to sync to the web server". The Council should contact the supplier to determine whether the current performance of the system is in line with the agreed requirements per the signed contract. Connectivity issues have not been fully established as the root cause of the discrepancies.

#### Implications

Without an accurate and timely record of tickets issued it is impossible for the Council to accurately reconcile the cash received back to the tickets issued. This is a fundamental control issue and the Bridge income collected is susceptible to fraud and theft. If the system supplier is not providing the level of service contracted by the Council then the Council should require the supplier to remedy the connectivity issues.

#### Action plan

- Working with the system supplier establish the root cause of the ticketing / income discrepancies. Then work with TransIQ (if required) to resolve the issue.
- Ensure the contract with TransIQ is fit for purpose at the next review opportunity.

<b>Responsible person/title</b>
Sean Newton, Strategic Manager - Commercial Services Mark Downer, Parking Operations Manager
<b>Target date</b>
June 2019
<b>Reference number</b>
18-19-15 - 03

## Current year findings (4 of 5)

### Cliff Lift

#### Operating Effectiveness

# 4

Low

#### Finding and root cause

At the Cliff Lift, tickets issued to cash collected reconciliations are performed by the attendant after every shift. These are documented on a reconciliation sheet and signed/dated by the attendant. Where overs/unders are noted in the reconciliation, an explanation is given as to the reason. Internal Audit tested 25 shifts, and noted four instances of overs/unders with the largest £4.50. There is also a refund mode that was used four times with a maximum value of £4.50 however; no explanations are given for these (verbally internal audit were told this is usually used to correct an error by the attendant). The Duty Manager collects the reconciliation sheets twice a week but does not annotate his review of any anomalies or misuse of the refund mode. This process would be strengthened if the Duty Manager annotated the reconciliation sheet to evidence review of any explanations for overs / unders or use of the refund mode prior to being processed for the E-Return.

#### Implications

If reconciliations are not reviewed and annotated then erroneous or fraudulent activity may not be identified. If the safe code is not changed then unauthorised access to cash could occur. If refunds are not reviewed then there will be an increased opportunity for fraud/theft.

#### Action plan

- Duty Manager to annotate review of reconciliation sheets.

#### Responsible person/title

Stuart Babington, Facility Manager (Cliff Lift)  
Toby Hazelgrove, Duty Manager (Cliff Lift)

#### Target date

June 2019

#### Reference number

18-19-15 - 04

## Current year findings (5 of 5)

<b>Crematorium</b>
<b>Control design</b>
<b>5</b>
<b>Low</b>

### **Finding and root cause**

Volumes of cash and cheque transactions are low. However, cash storage could be further enhanced. Sample testing of burial, crematorium and memorial sales and income noted no issues.

### **Implications**

If cash and cheques are not held securely then the risk of theft or loss is increased.

### **Action plan**

- Enhance cash storage arrangements at the Crematorium.

#### **Responsible person/title**

Iain Donald, Bereavement Services Manager (Crematorium)

#### **Target date**

June 2019

#### **Reference number**

18-19-15-05

## Appendix A: Basis of our classifications

Effect on Service	Embarrassment/ reputation	Personal Safety	Personal privacy infringement	Failure to provide statutory duties/meet legal obligations	Financial	Effect on Project Objectives/ Schedule Deadlines
<p>A finding that could result in a:</p> <ul style="list-style-type: none"> <li>Major loss of service, including several important areas of service and /or protracted period. Service Disruption 5+ Days</li> </ul>	<p>A finding that could result in:</p> <ul style="list-style-type: none"> <li>Adverse and persistent national media coverage</li> <li>Adverse central government response, involving (threat of) removal of delegated powers</li> <li>Officer(s) and/or Members forced to resign</li> </ul>	<p>A finding that could result in:</p> <ul style="list-style-type: none"> <li>Death of an individual or several people</li> </ul>	<p>A finding that could result in:</p> <p>All personal details compromised/ revealed</p>	<p>A finding that could result in:</p> <ul style="list-style-type: none"> <li>Litigation/claims/ fines from Department £250k +</li> <li>Corporate £500k +</li> </ul>	<p>A finding that could result in:</p> <ul style="list-style-type: none"> <li>Costs over £500,000</li> </ul>	<p>A finding that could result in:</p> <ul style="list-style-type: none"> <li>Complete failure of project/ extreme delay – 3 months or more</li> </ul>
<b>Critical</b>						
<p>A finding that could result in a:</p> <ul style="list-style-type: none"> <li>Complete loss of an important service area for a short period</li> <li>Major effect to services in one or more areas for a period of weeks Service Disruption 3-5 Days</li> </ul>	<p>A finding that could result in:</p> <ul style="list-style-type: none"> <li>Adverse publicity in professional/municipal press, affecting perception/standing in professional/local government community</li> <li>Adverse local publicity of a major and persistent nature</li> </ul>	<p>A finding that could result in:</p> <ul style="list-style-type: none"> <li>Major injury to an individual or several people</li> </ul>	<p>A finding that could result in:</p> <p>Many individual personal details compromised/ revealed</p>	<p>A finding that could result in:</p> <ul style="list-style-type: none"> <li>Litigation/claims/fin es from Department£50k to £125k</li> <li>Corporate £100k to £250k</li> </ul>	<p>A finding that could result in:</p> <ul style="list-style-type: none"> <li>Costs between £50,000 and £500,000</li> </ul>	<p>A finding that could result in:</p> <ul style="list-style-type: none"> <li>Significant impact on project or most of expected benefits fail/ major delay – 2-3 months</li> </ul>
<b>High</b>						
<p>A finding that could result in a:</p> <ul style="list-style-type: none"> <li>Major effect to an important service area for a short period</li> </ul>	<p>A finding that could result in:</p> <ul style="list-style-type: none"> <li>Adverse local publicity /local public opinion</li> </ul>	<p>A finding that could result in:</p> <ul style="list-style-type: none"> <li>Severe injury to an individual or</li> </ul>	<p>A finding that could result in:</p> <ul style="list-style-type: none"> <li>Some individual personal details</li> </ul>	<p>A finding that could result in:</p> <ul style="list-style-type: none"> <li>Litigation/claims/fin es from Department</li> </ul>	<p>A finding that could result in:</p> <ul style="list-style-type: none"> <li>Costs between £5,000 and</li> </ul>	<p>A finding that could result in:</p> <ul style="list-style-type: none"> <li>Adverse effect on project/ significant</li> </ul>

<i>Effect on Service</i>	<i>Embarrassment/ reputation</i>	<i>Personal Safety</i>	<i>Personal privacy infringement</i>	<i>Failure to provide statutory duties/meet legal obligations</i>	<i>Financial</i>	<i>Effect on Project Objectives/ Schedule Deadlines</i>
<ul style="list-style-type: none"> <li>Adverse effect to services in one or more areas for a period of weeks Service Disruption 2-3 Days</li> </ul>	<ul style="list-style-type: none"> <li>aware</li> <li>Statutory prosecution of a non-serious nature</li> </ul>	several people	compromised/ revealed	<ul style="list-style-type: none"> <li>£25k to £50k</li> <li>Corporate £50k to £100k</li> </ul>	£50,000	slippage – 3 weeks–2 months
<ul style="list-style-type: none"> <li>A finding that could result in a: <ul style="list-style-type: none"> <li>Brief disruption of important service area</li> <li>Significant effect to non-crucial service area Service Disruption 1 Day</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>A finding that could result in: <ul style="list-style-type: none"> <li>Contained within section/Unit or Directorate</li> <li>Complaint from individual/small group, of arguable merit</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>A finding that could result in: <ul style="list-style-type: none"> <li>Minor injury or discomfort to an individual or several people</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>A finding that could result in: <ul style="list-style-type: none"> <li>Isolated individual personal detail compromised/ revealed</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>A finding that could result in: <ul style="list-style-type: none"> <li>Litigation/claims/fin es from Department £12k to £25k</li> <li>Corporate £25k to £50k</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>A finding that could result in: <ul style="list-style-type: none"> <li>Costs less than £5,000</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>A finding that could result in: <ul style="list-style-type: none"> <li>Minimal impact to project/ slight delay less than 2 weeks</li> </ul> </li> </ul>

**Medium**

**Low**

**Advisory**

A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.

## Report classifications





The report classification is determined by allocating points to each of the findings included in the report.

**Findings rating**

**Points**

**Report classification**

**Points**

<b>Critical</b>	40 points per finding		<b>Low</b>	6 points or less
<b>High</b>	10 points per finding		<b>Medium</b>	7– 15 points
<b>Medium</b>	3 points per finding		<b>High</b>	16– 39 points
<b>Low</b>	1 point per finding		<b>Critical</b>	40 points and over

## Appendix B: Terms of reference

#	Control objective	Potential risks	Summary of Fieldwork
1	<p><b>Framework</b></p> <p>Core processes as below are documented and include specific controls to prevent and detect fraud:</p> <ul style="list-style-type: none"> <li>• Ticket issuing, payment processing, for all payment methods, as relevant.</li> <li>• Taking and recording bookings.</li> <li>• Sale processing.</li> <li>• Physical security arrangements for monies collected.</li> <li>• Cash collection and banking.</li> <li>• Cancellation/refunds/authorisation.</li> </ul> <p>Process notes are:</p> <ul style="list-style-type: none"> <li>• Regularly reviewed.</li> <li>• In line with corporate expectations.</li> <li>• Easily available to relevant staff, either/or as physical copies or on shared drives.</li> <li>• Supported by training, as necessary.</li> </ul>	<p>If processes are not appropriately documented then processing will be more likely to be inconsistent.</p> <p>If processes are not regularly reviewed and in line with corporate expectations then it will be more likely that they will not adequately safeguard/maximise income and, for example, may not incorporate appropriate management checks.</p>	<p>Internal Audit will review processing notes/documentation for ticketing, bookings, sales, security, cash collection and cancellation/refunds/authorisation to confirm this:</p> <ul style="list-style-type: none"> <li>• Includes controls to prevent and detect fraud.</li> <li>• Is in line with corporate expectations.</li> <li>• Is easily available to relevant staff.</li> <li>• Has been reviewed in the last 12 months.</li> <li>• Has been supported by training as necessary.</li> </ul>
2	<p><b>Delivery</b></p> <ul style="list-style-type: none"> <li>• Charges are in line with published/advertised fees; these are published on the Council's website and at sites, as appropriate.</li> <li>• Where discounts are offered for specific groups, for example for children, these are applied appropriately.</li> <li>• Tickets issued (Coves Bridge and Shanklin Lift) are regularly reconciled to payments received and to bank statements.</li> <li>• Bookings/sales at the crematorium are regularly reconciled to cash and card payments received.</li> <li>• Records of use, for example number of 'lift' passengers are reconciled to tickets issued.</li> <li>• Coinage from all sites is collected regularly, with appropriate physical security, counting and banking arrangements in place.</li> <li>• Cancelled tickets (Coves Bridge and Shanklin Lift) are appropriately authorised.</li> <li>• Cancelled bookings at the crematorium are appropriately authorised.</li> </ul>	<p>If charges are not in line with published fees these may not be defensible if challenged, the Council may be vulnerable to reputational damage and there may be a lack of clarity regarding expected levels of income.</p> <p>If charges are not levied correctly then the Council may be missing/failing to maximise income.</p> <p>If tickets/bookings/sales are not correctly issued and reconciled to income received then there will be an increased opportunity for undetected fraud.</p> <p>If coinage/cash is not secured, collected and banked regularly then there will be an increased opportunity for fraud/theft.</p> <p>If cancellations are not authorised then there will be an increased opportunity for fraud/theft.</p>	<p>Internal Audit will:</p> <ul style="list-style-type: none"> <li>• Controls to prevent and detect fraud are operating correctly.</li> <li>• Confirm that charges levied are in line with published charges for all sites, including applying discounted rates appropriately.</li> <li>• Sample test reports reconciling tickets issued/bookings against income, including of discounted rates, through to bank statements.</li> <li>• Sample test records of 'use', for example lift passengers carried, to tickets issued.</li> <li>• Review arrangements for the physical security of cash held at sites.</li> <li>• Sample test collection and banking of cash arrangements.</li> <li>• Sample test cancellations/refunds, to confirm these have been authorised.</li> </ul>
3	<p><b>Oversight</b></p>		



#	Control objective	Potential risks	Summary of Fieldwork
	<ul style="list-style-type: none"> <li>• A regime of regular management meetings take place.</li> <li>• A suitable mechanism in place to capture matters arising, actions and decisions.</li> <li>• Management meetings are supported as necessary by corporate finance.</li> <li>• Regular reports of income are produced, profiling income against prior year income and any income collection targets which have been set.</li> <li>• Income reports are reviewed by management, with any issues/anomalies investigated and escalated at necessary to senior management.</li> <li>• Summary income reports are escalated to and considered by senior management.</li> </ul>	<p>If regular management meetings do not take place then performance is less likely to be maximised and/or any issues less likely to be identified and addressed at the earliest opportunity.</p> <p>If a suitable mechanism is not in place to capture matters arising, actions and decisions then a record will not be available for future inspection to understand how the current position has been arrived at and actions may 'drop off the radar' and/or will be less likely to be addressed in a timely manner.</p> <p>If a robust framework is not in place to oversee income then this will be less likely to be maximised, targets will be more likely to be missed and any issues/anomalies less likely to be identified and addressed at the earliest opportunity.</p>	<p>Internal Audit will:</p> <ul style="list-style-type: none"> <li>• Review minutes/records of the last three sets of management meetings (team, mini service and service board as applicable), confirming that these: <ul style="list-style-type: none"> <li>○ Have appropriate attendance.</li> <li>○ Show that actions are carried through.</li> <li>○ Show that reports are considered.</li> <li>○ Show that issues/summary information is escalated.</li> </ul> </li> <li>• Internal Audit will confirm with line management that income reports are reviewed, with issues investigated/escalated, including potential fraud, at necessary.</li> </ul>

## Appendix C: Limitations and responsibilities

<p><b>Limitations inherent to the internal auditor's work</b></p> <p>We have undertaken this review subject to the limitations outlined below</p>	
<p><b>Internal control</b></p> <p>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.</p>	<p><b>Future periods</b></p> <p>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:</p> <ul style="list-style-type: none"> <li>• The design of controls may become inadequate because of changes in operating environment, law, regulation or other changes; or</li> <li>• The degree of compliance with policies and procedures may deteriorate.</li> </ul>

### **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 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.