

## Final Internal Audit Report

# Asbestos Management: Beyond the Corporate Campus

March 2019

**Distribution:** Executive Director of Place (Final only)  
 Executive Director of Resources and Monitoring Officer (Final only)  
 Director of District Centres and Regeneration  
 Director of Facilities Management and Support Services  
 Asbestos Surveyor  
 Head of Responsive Repairs and Maintenance

Assurance Level	Recommendations Made	
<b>Limited Assurance</b>	Priority 1	3
	Priority 2	6
	Priority 3	3

### Confidentiality and Disclosure Clause

This report ("Report") was prepared by Mazars LLP at the request of London Borough of Croydon and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

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## Executive Summary

### 1. Introduction

- 1.1 There are predominantly six types of asbestos fibres that have been used in the production of various materials in the UK with these falling into two separate groups:
  - Serpentine Group – consisting of Chrysotile (white asbestos); and
  - Amphibole Group – consisting of Tremolite, Actinolite, Anthophyllite, Crocidolite (blue asbestos) and Amosite (brown asbestos).
- 1.2 Asbestos was used in the construction of buildings and the three most common types employed were Crocidolite (blue), Amosite (brown) and Chrysotile (white). The use of Crocidolite and Amosite was banned in 1985, while the use of Chrysotile was banned in 1999. Consequently, these are still found in numerous materials / products throughout the built environment.
- 1.3 The Council in recognition of its duties under the Health and Safety at Work etc. Act 1974 towards its employees, tenants, visitors, service users, contractors and members of the public, undertakes to manage responsibly all asbestos containing material within its control.
- 1.4 A Management of Asbestos Policy was produced by the Council in November 2017. It applies to the management of asbestos and applies to all buildings owned or occupied by Croydon Council, including residential and non-domestic lettings. It covers activities where inadvertent exposure to asbestos may occur (e.g. maintenance work), but does not cover in depth the management of activities where it is clearly known that exposure will occur e.g. the removal of asbestos. It also covers debris which may contain asbestos.
- 1.5 The Council aims to prevent the exposure to asbestos of anyone who may be affected by the Council's activities. Where this is not reasonably practicable, the Council will reduce exposure to the lowest level reasonably practicable, by measures other than the use of personal protective equipment. The Council will also reduce the numbers of people exposed as low as reasonably practicable.
- 1.6 This audit was undertaken as part of the agreed Internal Audit Plan for 2018/19 and the objectives, methodology and scope are contained in the Audit Terms of Reference at Appendix 1.

### 2. Key Issues

#### Priority 1 Issues

Examination of a copy of the Council's Asset Register as at July 2017 identified there were 793 corporate assets recorded; however, examination of the Corporate Asbestos Management Plan (CAMP) identified there were only 117 assets, **(Issue 1)**.

Examination of the Apex asset database identifies some 12,965 out of 22,207 housing assets marked as 'to be determined' if notifiable to the Health Safety Executive (HSE). Discussion established that information on notifying the HSE

was not provided in Asbestos Management Survey Reports and, therefore, this field defaulted to 'to be determined'. **(Issue 4).**

There are some 7,762 housing assets, assets for which there was no identifier of whether asbestos was either identified, strongly presumed, presumed or was not found. Discussion established that this number included assets such as roads; however, examination of the listing noted that there were also general rent dwellings, service tenancies and garages included. **(Issue 5).**

### Priority 2 Issues

Discussion with the Head of Schools – Place, Planning & Admissions established that there was no Asbestos Management Plan for Community Schools, though this was in development and planned to be place by January 2019, **(Issue 2).**

While an Asbestos Management Plan was developed by the Capital Delivery for Homes and Schools Service of the Place Department, this was in September 2015. A list of compliance actions was also developed. Discussion established that the responsibility for asbestos management in housing had transferred to the Repairs Service and that a new compliance team was in the process of being developed, **(Issue 3).**

It was confirmed that asbestos management surveys had been completed for community schools over the past year and issued to Schools' Client and Commissioning Services. We were informed Schools were advised of any asbestos containing materials present, its location and issued a copy of the asbestos management survey, but that no site asbestos management plans were produced **(Issue 6).**

For one of a sample of six community schools tested, (Bensham Manor Special School) a quote was obtained for £24,360. The contractor's mark-up should have been £1,948.80 (8%) but was in fact £2,436 (10%) resulting in the estimate and subsequent purchase order being over stated by £487.20, **(Issue 7).**

While the Place Department Asbestos Management Plan does include a Section 3, which identifies all positions and roles with regard to asbestos management, individual named officers, their phone numbers and email addresses are not stated, **(Issue 8).**

We were informed progress on the Corporate Asbestos Management Plan is reported through Corporate Health & Safety, but this does not cover Community Schools and Housing, **(Issue 9).**

The Priority 3 issues are included under item 4.

3. **Actions and Key Findings/Rationale**

<b>Control Area 1: Operational, Management and Legislative Requirements</b>	
<b>Priority</b>	<b>Action Proposed by Management</b>
1	<p>On further investigation the incorrect asset list was provided to IA for the initial review, however, an internal review has been conducted and 13 sites have been confirmed as needing to add to the CAMP and all leases have been checked to confirm the responsibility for ACMs within each property. Therefore the asset review has confirmed the following:</p> <ul style="list-style-type: none"> <li>• 1 council car park has been added to the CAMP. All others are 'surface' car parks and have no buildings considered as a structure or premises so are outside the Regulations</li> <li>• All libraries have been added to the CAMP</li> <li>• GLL have full responsibility for 4 leisure centres which includes the management of asbestos.</li> <li>• Community schools will form part of the CAMP. See issue 2.</li> <li>• The relevant leases for Community centres have been reviewed and</li> </ul>
	<p><b>Detailed Finding/Rationale – Issue 1</b></p> <p>The appropriate identification of responsibility for the management of Council properties will help to ensure that all properties which contain asbestos are satisfactorily managed.</p> <p>Examination of the Council's Asset Register provided, as at July 2018, identified there were 793 corporate assets recorded; however, examination of the Corporate Asbestos Management Plan (CAMP) identified there were only 117 assets. Some of the reasons for different assets not being included on the CAMP were identified as:</p> <ul style="list-style-type: none"> <li>• 23 Council Car Parks, which we were informed by Estates Service were either under the management of a tenant or, where these were Council managed, were surface car parks, and thus would not have any structures containing asbestos;</li> <li>• 14 libraries omitted from the CAMP, as these were under the management of Carillion. These came back to Facilities Management following Carillion's failure in February 2018, and need to be included in the plan;</li> <li>• Four leisure centres which are now managed under a 25 year contract by GLL, who assumed full responsibility for these properties (the other two leisure centres, namely New Addington Swimming Pools and Purley Leisure Centre, were excluded due to their age and the costs of maintaining the buildings, and are both included in the CAMP);</li> <li>• 112 Schools which are not part of the Corporate Campus, and where these are Local Authority maintained schools are the responsibility of Schools &amp; Client</li> </ul>

<p>included where appropriate within the CAMP.</p> <ul style="list-style-type: none"> <li>• Croydon College is not a Council Property and therefore not included in the CAMP. Buffer Bear nursery is to be demolished and excluded. The 3 Children's centres are now included with the CAMP</li> <li>• The lease review has identified responsibilities for each asset and either included or excluded from the CAMP as appropriate.</li> </ul> <p>This review and response to Issue One provides clarity for the responsibility for the management of asbestos in individual properties and is now clearly assigned and included within the CAMP.</p>	<p>Commissioning Services, or the relevant Academy Trust where these have become an Academy.</p> <ul style="list-style-type: none"> <li>• 11 Community Centres, of which six were not included on the CAMP;</li> <li>• Three Children Centres, Croydon College and Buffer Bear Nursery, which were not included on CAMP; and</li> <li>• We were informed many of the assets identified on the Asset Register would be leased under leases which would require the lease-holder to take full responsibility for the property.</li> </ul> <p>There is a risk that responsibility for the management of asbestos in individual properties is not clearly assigned, and hence all required actions may not be undertaken, exposing staff and third parties to possible hazard.</p>
<p><b>Responsible officer</b></p> <p>Asbestos Surveyor</p>	<p><b>Deadline</b></p> <p>Complete</p>

<b>Control Area 1: Operational, Management and Legislative Requirements</b>		
<b>Priority</b>	<b>Action Proposed by Management</b>	<b>Detailed Finding/Rationale – Issue 2</b>
2	<p>All community schools have had a Management Survey carried out in accordance with Regulation 4 and it is proposed that the CAMP will reference this to ensure clarity around roles and responsibilities in Schools.</p> <p>An example copy of a SAMP has been issued to the Schools Client team in December 2018. A follow up meeting is scheduled for 3rd April 2019 which will confirm a proposal for a SAMP to be created as appropriate for all community schools and to agree how this is implemented and delivered.</p> <p>As a trial, the SLA school of Red Gates will be used, putting in place a SAMP.</p>	<p>The development of an asbestos management plan, which includes a statement of roles and responsibilities, key named officers, means by which named officers can be contacted, the process by which Asbestos Containing Materials (ACM) are labelled will help to ensure all required actions are identified and responsibilities assigned to relevant officers.</p> <p>Discussion with the Head of Schools – Place, Planning &amp; Admissions established that there was no Asbestos Management Plan for Community Schools, though this was in development and planned to be in place by January 2019.</p> <p>There is a risk that asbestos present in schools, is not appropriately managed, exposing staff, students and third persons to the hazard.</p>
<b>Responsible officer</b>		<b>Deadline</b>
Asbestos Surveyor & School Dept.		June 2019

<b>Control Area 1: Operational, Management and Legislative Requirements</b>	
<b>Priority</b>	<b>Action Proposed by Management</b>
2	<p>A meeting is scheduled with all relevant teams on 9th April 2018 to set out and agree the processes and procedures for each team who are responsible for maintenance and repair or capital works under the definitions set out in Regulation 4.</p> <p>It is proposed that the CAMP will be the 'umbrella' document with each area/team having clear roles and responsibilities feeding into the CAMP ensuring compliance.</p>
	<p><b>Detailed Finding/Rationale – Issue 3</b></p> <p>The development of a plan by which asbestos is managed within each service will help to ensure all required actions are identified and responsibilities assigned to relevant officers.</p> <p>While an Asbestos Management Plan was developed by the Capital Delivery for Homes and Schools Service of the Place Department, this was in September 2015. A list of compliance actions was also developed. Discussion established that the responsibility for asbestos management in housing had transferred to Repairs Service and that a new Compliance Team was in the process of being developed.</p> <p>There is a risk that asbestos present in housing establishments is managed in an inappropriate manner, exposing staff, tenants and third persons to hazard.</p>
<b>Responsible officer</b>	<b>Deadline</b>
Asbestos Surveyor & Place Dept. Officers	June 2019



<b>Control Area 2: Property Records</b>		<b>Detailed Finding/Rationale – Issue 4</b>				
<b>Priority</b>	<b>Action Proposed by Management</b>					
1	A review of the works procedures, Apex (system) and the notification requirements to the HSE as set out in CoAR will be carried out and form part of the CAMP as described in Issue 3.	<p>The Place Department maintains an asset database (Apex) to record and help monitor the housing properties for which the Council is responsible. It includes for each asset a field which identifies whether asbestos is notifiable or not notifiable to the Health &amp; Safety Executive (HSE) in the event of any proposed works.</p> <p>Examination of Apex identified some 12,965 out of 22,207 housing assets marked as 'to be determined' if notifiable to the HSE. Discussions established that information on notifying the HSE was not provided in Asbestos Management Survey Reports and, therefore, this field defaulted to 'to be determined'.</p> <p>Where it is not identified whether the HSE are to be notified, there is a risk works may be undertaken on notifiable asbestos without proper notice being given to the HSE, which will place the Council in breach of legislation, and exposure of staff, tenants and third parties to possible harm.</p>				
	<table border="1"> <thead> <tr> <th><b>Responsible officer</b></th> <th><b>Deadline</b></th> </tr> </thead> <tbody> <tr> <td>Head of Responsive Repairs and Maintenance</td> <td>July 2019</td> </tr> </tbody> </table>	<b>Responsible officer</b>	<b>Deadline</b>	Head of Responsive Repairs and Maintenance	July 2019	
<b>Responsible officer</b>	<b>Deadline</b>					
Head of Responsive Repairs and Maintenance	July 2019					

<b>Control Area 2: Property Records</b>		<b>Detailed Finding/Rationale – Issue 5</b>
<b>Priority</b>	<b>Action Proposed by Management</b>	
1	<p>No evidence given for building assets that had no identifier, although one reason for this could be due to the properties being of an age where their construction was after 2000 or the property is a domestic dwelling and therefore outside the requirement and duties of Regulation 4.</p> <p>It is common practice to use data from one property to assume presence of ACMs in a property not surveyed that is identical. It is also recognised by the HSE that it's not reasonably practicable to survey every domestic property.</p> <p>However, as part of Issue 3 the Service area responsible for these properties will determine an agreed process for contractor programmes of works.</p>	<p>The Place Department maintains an asset database (Apex) to record and help monitor the housing properties for which the Council is responsible. It records for each asset whether asbestos has been identified, is presumed or strongly presumed to exist or has not been found in the asset.</p> <p>Examination of the Apex records identified that there were some 7,762 assets for which there was no identifier of whether asbestos was either identified, strongly presumed, presumed or was not found. We were informed that many of these assets would have no asbestos as these were assets such as roads; however, general rent dwellings, service tenancies and garages were noted to be included within the 7,762 assets.</p> <p>For 14 of the sample of 20 housing properties examined, there was no Asbestos Management Survey. The asbestos recorded on Apex for these 14 properties was migrated from records on the housing management system. It was explained that these had been taken from asbestos surveys undertaken on a sample basis and the results used to populate property records for similar types of property.</p> <p>Where it is not identified whether asbestos is present, there is a risk that works may be undertaken where asbestos is present and exposing staff, tenants and third parties to possible harm.</p>
<b>Responsible officer</b>		
Head of Responsive Repairs and Maintenance		
<b>Deadline</b>		
June 2019		

<b>Control Area 3: Building Inspections</b>		<b>Detailed Finding/Rationale – Issue 6</b>
<b>Priority</b>	<b>Action Proposed by Management</b>	
2	See Issue 2 and 3.	<p>The production of a Site Asbestos Management Plan (SAMP) for each property where asbestos has been identified helps assist in the safe management of such asbestos. The SAMP will specify roles and responsibilities, named officers to contact with contact details, will include the Asbestos Register and a log for completion by contractors whenever they undertake works.</p> <p>It was confirmed that Asbestos Management Surveys had been completed for Community Schools over the past year and issued to Schools' Client and Commissioning Services. Discussion established that Schools were advised of any asbestos containing materials present, their location and issued a copy of the Asbestos Management Survey, but that no SAMPs were produced.</p> <p>Confirmation of SAMPs being produced for housing properties was requested, but a response has not been received.</p> <p>Where a SAMP is not produced, staff may not be aware of who to contact in any emergency, which may place individuals at risk of harm. Furthermore, contractors may not be aware of the location of any asbestos when they undertake works.</p>
<b>Responsible officer</b>	<b>Deadline</b>	
Asbestos Surveyor and Place Dept. Officers	June 2019	

<b><u>Control Area 5: Engagement of Contractors</u></b>		<b>Detailed Finding/Rationale – Issue 7</b>
<b>Priority</b>	<b>Action Proposed by Management</b>	<p>Quotes are obtained by the Facilities Management asbestos contractor to address any asbestos works required. Where these are completed, the contractor completes a Cost Estimate Sheet, specifying the quotes received and adding 8% mark-up for their own overhead and profit.</p> <p>For one of the sample of six Community Schools (Bensham Manor Special School) tested, a quote was obtained from Westland Environmental for £24,360. The contractor's mark-up should have been £1,948.80 (8%) but was in fact £2,436 (10%) resulting in the estimate and subsequent Purchase Order being over stated by £487.20.</p> <p>Where cost estimates and purchase orders are over stated, there is a risk excessive payments are incurred with an adverse impact on the Council's budget.</p>
2	<p>This example was acknowledged as an error and all ACM related works through the relevant partner contractors where quotation are submitted are verified by the Asbestos Surveyor before any orders are placed in the oracle system.</p>	
<b>Responsible officer</b>	<b>Deadline</b>	
Asbestos Surveyor	Completed November 2018 & ongoing	

<b>Control Area 6: Communications</b>					
<b>Priority</b>	<b>Action Proposed by Management</b>	<b>Detailed Finding/Rationale – Issue 8</b>			
2	See Issue 3.	<p>The identification within the Asbestos Management Plan of all those who are responsible for asbestos management, with contact details will help to ensure that, in event of any asbestos related issue, the correct person is contacted and in a timely manner.</p> <p>While the Place Department Asbestos Management Plan does include a Section 3, which identifies all positions and roles with regard to asbestos management, individual named officers, their phone numbers and email addresses are not stated.</p> <p>There is a risk in the event of any asbestos related incident, the correct officers are not made aware and correct remedial action may not be taken, or taken in a prompt manner.</p>			
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<b>Responsible officer</b>	<b>Deadline</b>				
Asbestos Surveyor and Place Dept. Officers	June 2019				

<b>Control Area 6: Communications</b>		<b>Detailed Finding/Rationale – Issue 9</b>
<b>Priority</b>	<b>Action Proposed by Management</b>	
2	<p>The CAMP is approved through the Councils formal H&amp;S Governance route and is tabled as an agenda item every year or sooner if a technical amendment is required, for example, a change in legislation.</p> <p>The matters arising from Issue 2 &amp; 3 will amend the CAMP and this will then be tabled for formal approval and signed off at the CHSG.</p>	<p>The periodic reporting on progress and any issues encountered in the implementation of Asbestos Management Plans, will help ensure key issues are reported to and resolved by senior management in a timely manner.</p> <p>We were informed progress on the Corporate Asbestos Management Plan is reported through Corporate Health &amp; Safety, but this does not cover Community Schools and Housing.</p> <p>There is a risk key issues and problems exist, which are not addressed.</p>
<b>Responsible officer</b>	<b>Deadline</b>	
Asbestos Surveyor	Ongoing	

4. Priority 3 Issues

Action Proposed by Management	Findings
<p>1) An existing training matrix within the Resources Dept identified those staff who need relevant training and this approach will be developed with the teams in the Place Dept and Children's Dept.</p>	<p>The provision of training for staff on the correct process for the management of asbestos will help individual employees to identify and safely manage asbestos where it is located in Council premises.</p> <p>An e-learning course has been developed for employees of the Council to complete. As at August 2018, it was identified only 39 staff had completed the course (although it is acknowledged that these staff were from a number of different services across the Council).</p> <p>There is a risk that not all employees are aware of the current requirements with regard to the management of asbestos and hence may place themselves and third persons in positions of potential hazard.</p>
<p>2) Re inspection procedures will be captured as part of the Issue 3 review.</p>	<p>The periodic re-inspection of those areas where asbestos contaminated materials (ACM) have been identified and deemed to be safe to leave in position will help to ensure any deterioration of their condition will be identified to enable corrective action to be undertaken.</p> <p>In three of six properties examined the Asbestos Management Survey identified ACM with a requirement for an inspection one year later. We were informed inspections of properties are not undertaken, apart from review of ACM in communal areas during routine housing officer inspections.</p> <p>There is a risk the condition of ACM deteriorates which exposes tenants to possible harm.</p>
<p>3) The Asbestos Surveyor will ensure that the Property Information Officer uploads the document to TF Cloud promptly and will monitor this ongoing.</p>	<p>Remedial works for asbestos in schools are instructed by means of an Oracle purchase order. This is where asbestos has been identified from an asbestos management survey. The survey proposes what action needs to be taken, either to manage and monitor or to remove the asbestos. The asbestos management survey is retained on the corporate database (TF Cloud).</p>

We confirmed that asbestos remedial works were completed in six community schools over the past year, with each being instructed on an official purchase order. However we could only identify an asbestos management survey on TF Cloud for five of the schools. This was raised with the Asbestos Surveyor who confirmed that an asbestos management survey had been completed and that this was now uploaded onto TF Cloud.

Where an asbestos management survey is not promptly uploaded onto TF Cloud, there is a risk it may be mislaid and hence, it may not be possible to justify the reason for the works being completed.



## TERMS OF REFERENCE

### Asbestos Management: Beyond the Corporate Campus

#### 1. INTRODUCTION

- 1.1 The management of asbestos for employers is governed by the Control of Asbestos Regulations 2012 which made some limited changes in regard to non-license asbestos work. The requirements that remained the same are as follows:
- If existing asbestos containing materials are in good condition and are not likely to be damaged, they may be left in place; their condition monitored and managed to ensure they are not disturbed;
  - If responsible for maintenance of non-domestic premises, there is a duty to manage the asbestos in them, to protect anyone using or working in the premises from the risks to health that exposure to asbestos causes;
  - For any building or maintenance work in premises, or on plant or equipment that might contain asbestos, it is needed to identify where it is and its type and condition; assess the risks, and manage and control these risks.
  - The requirements for licensed work remain the same: in the majority of cases, work with asbestos needs to be done by a licensed contractor. This work includes most asbestos removal, all work with sprayed asbestos coatings and asbestos lagging and most work with asbestos insulation and asbestos insulating board (AIB).
  - If carrying out non-licensed asbestos work, this still requires effective controls.
  - The control limit for asbestos is 0.1 asbestos fibres per cubic centimetre of air (0.1 f/cm<sup>3</sup>). The control limit is not a 'safe' level and exposure from work activities involving asbestos must be reduced to as far below the control limit as possible.
  - Training is mandatory for anyone liable to be exposed to asbestos fibres at work. This includes maintenance workers and others who may come into contact with or disturb asbestos (e.g. cable installers), as well as those involved in asbestos removal work.
- 1.2 This audit is being undertaken as part of the agreed Internal Audit Plan for 2018/19.

#### 2. OBJECTIVES AND METHOD

- 2.1 The overall audit objective is to provide an objective independent opinion on the adequacy and effectiveness of controls / processes.
- 2.2 The audit will for each controls / process being considered:
- Walkthrough the processes to consider the key controls;
  - Conduct sample testing of the identified key controls; and
  - Report on these accordingly.

#### 3. SCOPE

- 3.1 The audit included the following areas:





Asbestos Management: Beyond the Corporate Campus 2018/19

Control Areas/Risks	Issues Identified		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Organisational, management and legislative requirements	1	2	1
Property records	2	0	0
Building asbestos inspections	0	1	1
Asbestos risk assessments and action plans	0	0	0
Engagement of contractors	0	1	1
Communications	0	2	0
<b>TOTAL</b>	<b>3</b>	<b>6</b>	<b>3</b>

## DEFINITIONS FOR AUDIT OPINIONS AND RECOMMENDATIONS

In order to assist management in using our reports:

We categorise our **audit assurance opinion** according to our overall assessment of the risk management system, effectiveness of the controls in place and the level of compliance with these controls and the action being taken to remedy significant findings or weaknesses.

	Full Assurance	There is a sound system of control designed to achieve the system objectives and the controls are consistently applied.
	Substantial Assurance	While there is basically a sound system of control to achieve the system objectives, there are weaknesses in the design or level of non-compliance which may put this achievement at risk.
	Limited Assurance	There are significant weaknesses in key areas of system controls and/or non-compliance that puts achieving the system objectives at risk.
	No Assurance	Controls are non-existent or weak and/or there are high levels of non-compliance, leaving the system open to the high risk of error or abuse which could result in financial loss and/or reputational damage.

Priorities assigned to recommendations are based on the following criteria:

<b>Priority 1 (High)</b>	Fundamental control weaknesses that require the immediate attention of management to mitigate significant exposure to risk.
<b>Priority 2 (Medium)</b>	Control weakness that represent an exposure to risk and require timely action.
<b>Priority 3 (Low)</b>	Although control weaknesses are considered to be relatively minor and low risk, action to address still provides an opportunity for improvement. May also apply to areas considered to be of best practice.

## STATEMENT OF RESPONSIBILITY

We take responsibility to the London Borough of Croydon for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our 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 our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

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