



London Borough of Croydon

Internal Audit Report for the period

1 April to 31 July 2015

This report has been prepared on the basis of the limitations set out on page 15.

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Internal Audit activity

1. During the first four months of the 2015/16 financial year the following work has been delivered:

- 25% of the 2015-16 planned audit days have been delivered
- 52 planned audits (excluding ad hoc and fraud work) commenced, either by setting up the files, attending scope meetings or by performing the audits. This was made up of:-
 - 39 system audits commenced and/or were completed;
 - 9 probity audits commenced and/or were completed; and,
 - 4 computer audits commenced and/or were completed.

In addition:

- 5 new ad hoc reviews or fraud investigations commenced and/or were completed.

Internal Audit Performance

2. To help ensure that the internal audit plan supported the Risk Management Framework and therefore the Council Assurance Framework, the 2015/16 internal audit plan was substantially informed by the risk registers. The 2015/16 internal audit plan was approved by the General Purposes and Audit Committee on 25 March 2015.
3. Work on the 2015/16 audit plan commenced in April 2015 and delivery is now well underway.
4. Table 1 details the performance for the 2015/16 audit plan against the Council's targets. At 31 July 2015 Internal Audit had delivered 25% of the planned audit days. While the year to date performance in terms of draft reports issued is slightly behind target, it should be recognised that this follows a similar pattern to previous years where 100% of the plan has been delivered in-year. Internal Audit is well placed to complete the Audit Plan by year end as required.

Table 1: Performance against targets

Performance Objective	Annual Target	Year to Date Target	Year to Date Performance	Performance
% of planned 2015-16 audit days delivered	100%	26%	25%	▼
Number of 2015/16 planned audit days delivered	1022	266	252	▼
% of 2015/16 planned draft reports issued	100%	17%	10%	▼
Number of 2015/16 planned draft reports issued	96	16	10	▼
% of draft reports issued within 2 weeks of exit meeting with the Client	85%	85%	100%	▲
2014/15 % of priority one recommendations implemented at the time of the follow up audit	90%	90%	40%	▼
2014/15 % of all recommendations implemented at the time of the follow up audit	80%	80%	77%	▼

Performance Objective	Annual Target	Year to Date Target	Year to Date Performance	Performance
2013/14 % of priority one recommendations implemented at the time of the follow up audit	90%	90%	98%	▲
2013/14 % of all recommendations implemented at the time of the follow up audit	80%	80%	86%	▲
2012/13 % of priority one recommendations implemented at the time of the follow up audit	90%	90%	100%	▲
2012/13 % of all recommendations implemented at the time of the follow up audit	80%	80%	92%	▲
% of qualified staff engaged on audit	40%	40%	32%	▼

Audit Assurance

5. Internal Audit provides four levels of assurance as follows:

Full	The systems of internal control are sound and achieve all systems objectives and that all controls are being consistently applied.
Satisfactory / Substantial*	The systems of internal control are basically sound, there are weaknesses that put some of the systems objectives at risk and/or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk. (*Note - Substantial assurance is provided on School audits.)
Limited	Weaknesses in the systems of internal control are such as to put the systems objectives at risk, and/or the level of non-compliance puts the system objectives at risk.
No	The system of internal control is generally weak leaving the system open to significant error or abuse and /or significant non-compliance with basic controls leaves the system open to error or abuse.

6. Table 2 lists 2014/15 audits for which reports were still in draft at the time of the annual Head of Internal Audit report and have subsequently been finalised. Details of the key issues arising from these reports are shown in Appendix 1.

Table 2: 2014/15 Final audit reports issued since the annual report in June to 31 July 2015

Audit Title	Risk Level	Assurance Level	Planned Year
Non-school audits			
Cashless Parking	High	Limited	2014/15
Third Sector Commissioning	High	Limited	2014/15
Agency Use and New Recruitment Drive	High	Satisfactory	2014/15
Better Care Fund	High	Satisfactory	2014/15
Debtors	High	Satisfactory	2014/15
Domestic Violence	High	Satisfactory	2014/15
Employee Mutual Octavo Partnership	High	Satisfactory	2014/15
Graffiti Removal	High	Satisfactory	2014/15

Audit Title	Risk Level	Assurance Level	Planned Year
Housing Development - Affordable Housing	High	Satisfactory	2014/15
ICT Asset Management	High	Satisfactory	2014/15
Vertical Contract Audit - Installation of Automatic Sprinklers	High	Satisfactory	2014/15

7. Table 3 lists the 2015/16 audits for which final reports were issued during the four months from 1 April to 31 July 2015. Details of the key issues arising from these reports are shown in Appendix 2.

Table 3: 2015/16 Final audit reports issued from 1 April to 31 July 2015

Audit Title	Risk Level	Assurance Level	Planned Year
Non-school audits			
No non-school audit reports have been finalised and issued to date			
School audits			
Elmwood Junior School	Medium	Substantial	2015/16
The Federation of St Joseph's Catholic Junior, Infant, Nursery and Junior Schools	Medium	Substantial	2015/16
Winterbourne Junior Girls' School	Medium	Substantial	2015/16

Follow-up audits – effective implementation of recommendations

8. During 2015/16, in response to the Council's follow-up requirements, Internal Audit has continued following-up the status of the implementation of the 2012/13, 2013/14 and 2014/15 audits.
9. Follow-up audits are undertaken to ensure that all the recommendations raised have been successfully implemented according to the action plans agreed with the service managers. The Council's target for audit recommendations implemented at the time of the follow-up audit is 80% for all priority 2 & 3 recommendations and 90% for priority 1 recommendations.

Performance Objective	Target	Performance (to date*)				
		2010/11	2011/12	2012/13	2013/14	2014/15
Percentage of priority one recommendation implemented at the time of the follow up audit	90%	100%	100%	100%	98%	40%
Percentage of all recommendations implemented at the time of the follow up audit	80%	88%	93%	92%	86%	77%

* The follow ups for 2010/11 and 2011/12 are now complete. The results of those 2012/13, 2013/14 and 2014/15 audits that have been followed up are included in Appendixes 2, 3, and 4 respectively. There are no 2015/16 follow up audits due to date.

10. Appendix 2 shows the follow-up audits of 2012/13 audits undertaken to date and the number of recommendations raised and implemented. 92% of the total recommendations were found to

have been implemented and 100% of the priority 1 recommendations which have been followed up have been implemented.

11. Appendix 3 shows the follow-up audits of 2013/14 audits undertaken to date and the number of recommendations raised and implemented. 86% of the total recommendations were found to have been implemented and 98% of the priority 1 recommendations which have been followed up have been implemented. The outstanding priority 1 recommendation is detailed below:

Audit Title	Executive Director Responsible	Risk Level	Assurance Level	Summary of priority 1 recommendations
Brokerage	Paul Greenhalgh	High	Limited	A recommendation was raised as the process of selecting service users to visit had not been formalised and a number of these visits were outstanding. While the follow up process has confirmed that outstanding visits have been conducted, the process of selection for future visits to conduct is still being resolved.

12. Appendix 4 shows the follow-up audits of 2014/15 audits undertaken to date and the number of recommendations raised and implemented. 77% of the total recommendations were found to have been implemented and 40% of the priority 1 recommendations which have been followed up have been implemented. The outstanding priority 1 recommendations are detailed below:

Audit Title	Executive Director Responsible	Risk Level	Assurance Level	Summary of priority 1 recommendations
Multi Agency Safeguarding Hub (MASH)	Paul Greenhalgh	High	Limited	A recommendation was raised due to examination of five MASH intelligence forms identifying that three had not been completed within the required 3 days, with the longest process time being eight working days. The response provided stated that, "The recent external MASH audit commissioned by the CSCB will evidence that the MASH processes are sound and that decision making is good. Additional management capacity introduced in August 2014 has made the decision making and timeliness more robust. Children are therefore being appropriately safeguarded. However electronic systems are not yet in place which will allow professionals to monitor the number of hours the enquiry has stayed in the MASH. The MASH module in CRS is in development and is due to become live in 2015".
Direct Payments	Paul Greenhalgh	High	Limited	A recommendation was raised as, although checks were undertaken on changes made to bank account details on Swift, these were made retrospectively and were thus not sufficient to prevent payments being made to inappropriate accounts. A recommendation was raised as there was a large back log of outstanding quarterly returns not returned by clients.
School Building Programme	Paul Greenhalgh	High	Limited	A recommendation was raised as regular and timely site condition surveys were not being undertaken to inform the Major Maintenance programme. A recommendation was raised as The Development Agreement for the new build on the Haling Road site had not been completed before works commenced. A further recommendation was raised as the February 2014 minutes of the Education Estate Operational Board indicated that two projects worth a total of £400,000 may have commenced without financial approvals being received; however, there was no evidence of follow-up in the subsequent

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Audit Title	Executive Director Responsible	Risk Level	Assurance Level	Summary of priority 1 recommendations
				Operational Board or Strategy Board minutes.
Monks Orchard School	Paul Greenhalgh	Medium	Limited	A recommendation was raised relating to tendering for building work. Although the follow up asserted that the Schools Finance Procedures had been updated to make this clear, this document has not yet been approved by the governors, or been seen by Internal Audit.
Park Hill Junior School	Paul Greenhalgh	Medium	Limited	A recommendation was raised as examination of a sample of 15 transactions identified seven instances where order forms had been raised following the receipt of the corresponding invoice. A further recommendation was raised as examination of a sample of 15 transactions identified eight instances where a goods receipt/delivery note has not been completed.
Regina Coeli Catholic Primary School	Paul Greenhalgh	Medium	Limited	A recommendation was raised as sample testing established that purchase orders were not consistently produced in advance of the corresponding invoice being received or evidenced as appropriately approved. A recommendation was raised as sample testing established that invoices are not always being authorised in accordance with the Finance Policy and Procedures Manual. The above issues were also identified and reported during the previous audit in July 2013 as Priority 1 recommendations but no action fully taken.
Smitham Primary School	Paul Greenhalgh	Medium	Limited	A recommendation was raised as goods/services received checks had not been conducted for the majority of the transactions sampled. A recommendation was raised as invoices were not consistently authorised in accordance with the School's Finance Policy and Procedures Manual. Similar issues were identified and reported from the previous audit of the School in 2010/11.
The Hayes Primary School	Paul Greenhalgh	Medium	Limited	A recommendation was raised as the majority of purchase orders examined were raised retrospectively of goods/services and invoices being received. A recommendation was raised as inadequate supporting evidence was retained of goods/services received checks being carried out, for the majority of transactions examined.

Appendix 1 - Key issues from 2014/15 audits finalised after the annual report only

Audit Title	Risk Level	Assurance Level & Number of Issues	Summary of key issues raised.
Non School Audits			
Cashless Parking	High	Limited (One Priority 1, four Priority 2 and two Priority 3 recommendation raised)	A priority 1 recommendation was raised due to reconciliations of the income received as per the Ringo system and the Council's financial system had not been conducted since April 2014.
Third Sector Commissioning	High	Limited (Two Priority 1, six Priority 2 and one Priority 3 recommendation raised)	A priority 1 recommendation was raised as sample testing identified that one organisation was paid prior to them signing their agreement and, none of the agreements tested had been signed by the Council prior to the release of the first payment. A priority 1 recommendation was also raised as there were two instances where payments had not been made in line with the Council's Scheme of Delegation.
Agency Use and New Recruitment Drive	High	Satisfactory (Three Priority 2 recommendations)	No priority 1 recommendations were raised.
Better Care Fund	High	Satisfactory (Two Priority 2 recommendations)	No priority 1 recommendations were raised.
Debtors	High	Satisfactory (Three Priority 2 and two Priority 3 recommendations)	No priority 1 recommendations were raised.
Domestic Violence	High	Satisfactory (Two Priority 2 and two Priority 3 recommendations)	No priority 1 recommendations were raised.
Employee Mutual Octavo Partnership	High	Satisfactory (One Priority 2 and one Priority 3 recommendations)	No priority 1 recommendations were raised.
Graffiti Removal	High	Satisfactory (Four Priority 2 recommendations)	No priority 1 recommendations were raised.
Housing Development - Affordable Housing	High	Satisfactory (One Priority 2 and three Priority 3 recommendations)	No priority 1 recommendations were raised.
ICT Asset Management	High	Satisfactory (Six Priority 2 recommendations)	No priority 1 recommendations were raised.
Vertical Contract Audit - Installation of Automatic Sprinklers	High	Satisfactory (Six Priority 2 and two Priority 3 recommendations)	No priority 1 recommendations were raised.

Appendix 2 - Key issues from 2015/16 finalised audits

Audit Title	Risk Level	Assurance Level & Number of Issues	Summary of key issues raised.
School Audits			
Elmwood Junior School	Medium	Substantial (One Priority 2 and one Priority 3 recommendation)	No priority 1 recommendations were raised
The Federation of St Joseph's Catholic, Junior, Infant and Nursery School	Medium	Substantial (Three Priority 2 recommendations)	No priority 1 recommendations were raised
Winterbourne Junior Girls' School	Medium	Limited (Two Priority 2 and one Priority 3 recommendation)	No priority 1 recommendations were raised

Appendix 3 - Follow-up of 2012/13 audits (with outstanding recommendations only)

Financial Year	Audit Followed-up	Executive Director Responsible	Risk Level	Assurance Level & Status	Total Raised	Implemented	
						Total	Percentage
Non School Audits							
2012/13	Building Control	Jo Negrini	High	Satisfactory (2 nd follow up in progress)	2	1	50%
2012/13	E-GENDA Application	Nathan Elvery	High	Satisfactory (4 th follow up in progress)	5	2	40%
2012/13	Contender Windows Operating System (computer audit)	Nathan Elvery	High	Satisfactory (5 th follow up in progress)	4	3	75%
Non School Audits Sub Total: Recommendations and implementation from audits that have had responses					240	226	93%
Non School Audits Sub Total: Priority 1 Recommendations from audits that have had responses					19	19	100%
School Audits Sub Total: Recommendations and implementation from audits that have had responses					314	287	91%
School Audits Sub Total: Priority 1 Recommendations from audits that have had responses					18	18	100%
Recommendations and implementation from audits that have had responses					554	510	92%
Priority 1 Recommendations from audits that have had responses					37	37	100%

Appendix 3 - Follow-up of 2013/14 audits (with outstanding recommendations only)

Financial Year	Audit Followed-up	Executive Director Responsible	Risk Level	Assurance Level & Status	Total Raised	Implemented	
						Total	Percentage
Non School Audits							
2013/14	Brokerage	Paul Greenhalgh	High	Limited (5 th follow up in progress)	8	7	91%
2013/14	Biking the Borough	Jo Negrini	High	Limited (3 rd follow up in progress)	4	2	50%
2013/14	Cohort	Nathan Elvery	High	Limited (1 st follow up in progress)	11	-	-
2013/14	IT Network	Nathan Elvery	High	Limited (1 st follow up in progress)	8	-	-
2013/14	Information Management	Nathan Elvery	High	Satisfactory (2 nd follow up in progress)	3	1	33%
2013/14	Programme and Project Management	Nathan Elvery	High	Satisfactory (4 th follow up in progress)	5	1	20%
2013/14	Recharging	Nathan Elvery	High	Satisfactory (1 st follow up in progress)	3	-	-
2013/14	Data Quality – DASHH - Social Care	Paul Greenhalgh	High	Satisfactory (2 nd follow up in progress)	7	2	28%
2013/14	Data Centre Migration	Nathan Elvery	High	Satisfactory (1 st follow up in progress)	1	-	-
2013/14	Mobile Field Flex	Nathan Elvery	High	Satisfactory (1 st follow up in progress)	11	-	-
2013/14	Procurement – Strategy, Governance and Communication	Nathan Elvery	High	Satisfactory (3 rd follow up in progress)	3	0	0%
Non School Audits Sub Total: Recommendations and implementation from audits that have had responses					178	151	85%
Non School Audits Sub Total: Priority 1 Recommendations from audits that have had responses					27	26	96%
School Audits Sub Total: Recommendations and implementation from audits that have had responses					359	318	89%
School Audits Sub Total: Priority 1 Recommendations from audits that have had responses					30	30	100%
Recommendations and implementation from audits that have had responses					543	468	86%
Priority 1 Recommendations from audits that have had responses					57	56	98%

Appendix 4 - Follow-up of 2014/15 audits

Financial Year	Audit Followed-up	Executive Director Responsible	Risk Level	Assurance Level & Status	Total Raised	Implemented	
						Total	Percentage
Non School Audits							
2014/15	43 Carmichael Road - Vertical	Nathan Elvery	High	No (1 st follow up in progress)	9	-	-
2014/15	Community Care Payments	Paul Greenhalgh	High	Limited (1 st follow up in progress)	7	-	-
2014/15	Parking Enforcement	Jo Negrini	High	Limited (1 st follow up in progress)	6	-	-
2014/15	Corporate and Departmental Asset Management	Nathan Elvery	High	Limited (1 st follow up in progress)	10	-	-
2014/15	Multi Agency Safeguarding Hub.	Paul Greenhalgh	High	Limited (2 nd follow up in progress)	11	7	64%
2014/15	Direct Payments	Paul Greenhalgh	High	Limited (2 nd follow up in progress)	5	1	20%
2014/15	Financial Management of Bed and Breakfast Accommodation	Paul Greenhalgh	High	Limited (1 st follow up in progress)	-	-	-
2014/15	Substance Misuse	Nathan Elvery	High	Limited (1 st follow up in progress)	7	-	-
2014/15	Cemeteries and Crematorium	Jo Negrini	High	Limited (No further follow up planned)	5	5	100%
2014/15	School Building Programme	Paul Greenhalgh	High	Limited (1 st follow up in progress)	8	-	-
2014/15	Waste Contract Management	Paul Greenhalgh	High	Limited (1 st follow up in progress)	7	-	-
2014/15	Main Accounting System	Nathan Elvery	High	Satisfactory (1 st follow up in progress)	8	-	-
2014/15	Housing Benefits	Paul Greenhalgh	High	Satisfactory (1 st follow up in progress)	1	-	-
2014/15	NNDR	Nathan Elvery	High	Satisfactory (1 st follow up in progress)	4	-	-
2014/15	Payments to Schools	Nathan Elvery	High	Satisfactory (2 nd follow up in progress)	3	2	33%
2014/15	HMRC Compliance	Nathan Elvery	High	Satisfactory (1 st follow up in progress)	3	-	-

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Financial Year	Audit Followed-up	Executive Director Responsible	Risk Level	Assurance Level & Status	Total Raised	Implemented	
						Total	Percentage
2014/15	Programme and Projects Management – New Addington Phase 2	Jo Negrini	High	Satisfactory (1st follow up in progress)	2	-	-
2014/15	Programme and Projects Management – West Croydon Interchange	Jo Negrini	High	Satisfactory (2nd follow up in progress)	2	1	50%
2014/15	Programme and Projects Management – Fairfield Halls Refurbishment	Nathan Elvery	High	Satisfactory (1st follow up in progress)	4	-	-
2014/15	Business Support Integration	Nathan Elvery	High	Satisfactory (1st follow up in progress)	5	-	-
2014/15	Disabled Facilities Grant	Paul Greenhalgh	High	Satisfactory (1st follow up in progress)	15	-	-
2014/15	School Recruitment	Nathan Elvery	High	Satisfactory (2nd follow up in progress)	7	2	29%
2014/15	Abandoned Vehicles	Jo Negrini	High	Satisfactory (No further follow up planned)	2	2	100%
2014/15	Contract Management Framework	Nathan Elvery	High	Satisfactory (1st follow up in progress)	7	-	-
2014/15	Express Electoral Registration	Nathan Elvery	High	Satisfactory (1st follow up in progress)	5	-	-
2014/15	Si Dem Parking Application	Jo Negrini	High	Satisfactory (1st follow up in progress)	9	-	-
2014/15	Liquid Logic Application	Paul Greenhalgh	High	Satisfactory (1st follow up in progress)	9	-	-
2014/15	One Oracle (Local Arrangements)	Nathan Elvery	High	Satisfactory (2nd follow up in progress)	6	2	33%
Non-School Audits Sub Total: Recommendations and implementation from audits that have had responses					41	22	54%
Non-School Audits Sub Total: Priority 1 Recommendations from audits that have had responses					9	3	33%
School Audits							
2014/15	Kensington Avenue Primary	Paul Greenhalgh	Medium	Limited (1st follow up in progress)	24	-	-
2014/15	Monks Orchard	Paul Greenhalgh	Medium	Limited (3rd follow up in progress)	11	8	73%
2014/15	Park Hill Junior	Paul Greenhalgh	Medium	Limited (3rd follow up in progress)	9	7	78%
2014/15	Ridgeway Primary	Paul Greenhalgh	Medium	Limited (1st follow up in progress)	15	-	-

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Financial Year	Audit Followed-up	Executive Director Responsible	Risk Level	Assurance Level & Status	Total Raised	Implemented	
						Total	Percentage
2014/15	Regina Coeli Catholic Primary	Paul Greenhalgh	Medium	Limited (2 nd follow up in progress)	20	15	75%
2014/15	Smitham Primary	Paul Greenhalgh	Medium	Limited (2 nd follow up in progress)	12	10	84%
2014/15	Thomas More Catholic School	Paul Greenhalgh	Medium	Limited (No further follow ups planned)	25	22	88%
2014/15	The Hayes Primary School	Paul Greenhalgh	Medium	Limited (2 nd follow up in progress)	15	11	74%
2014/15	Thornton Heath Nursery	Paul Greenhalgh	Medium	Limited (1 st follow up in progress)	16	-	-
2014/15	Coloma Convent Girls' School	Paul Greenhalgh	Medium	Limited (1 st follow up in progress)	12	-	-
2014/15	Coningsby Pru	Paul Greenhalgh	Medium	Limited (No further follow ups planned)	12	12	100%
2014/15	Cotelands	Paul Greenhalgh	Medium	Limited (No further follow ups planned)	10	10	100%
2014/15	Moving On Pru	Paul Greenhalgh	Medium	Limited (No further follow ups planned)	13	12	93%
2014/15	Phil Edwards Pru	Paul Greenhalgh	Medium	Limited (1 st follow up in progress)	11	-	-
2014/15	Davidson Primary School	Paul Greenhalgh	Medium	Substantial (1 st follow up in progress)	12	-	-
2014/15	Heavers Farm	Paul Greenhalgh	Medium	Substantial (1 st follow up in progress)	7	-	-
2014/15	Virgo Fidelis	Paul Greenhalgh	Medium	Substantial (1 st follow up in progress)	17	-	-
2014/15	Edenham High School	Paul Greenhalgh	Medium	Substantial (1 st follow up in progress)	11	-	-
2014/15	St Mary's Catholic High	Paul Greenhalgh	Medium	Substantial (1 st follow up in progress)	20	-	-
2014/15	Priory School	Paul Greenhalgh	Medium	Substantial (1 st follow up in progress)	18	-	-
School Audits Sub Total: Recommendations and implementation from audits that have had responses					127	107	84%
School Audits Sub Total: Priority 1 Recommendations from audits that have had responses					16	7	44%

Financial Year	Audit Followed-up	Executive Director Responsible	Risk Level	Assurance Level & Status	Total Raised	Implemented	
						Total	Percentage
Recommendations and implementation from audits that have had responses					168	129	77%
Priority 1 Recommendations from audits that have had responses					25	10	40%

Statement of Responsibility

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

The matters raised in this report are only those which came to our attention during the course of our 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. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by us should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Our procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our work and to ensure the authenticity of such material. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Mazars Public Sector Internal Audit Limited

London

August 2015

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