

London Borough of Croydon Internal Audit Annual Report for the year ended 31 March 2020

Confidentiality and Disclosure Clause

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Please refer to the Statement of Responsibility in Appendix 8 of this report for further information about responsibilities, limitations and confidentiality.

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Executive Summary

Introduction

The purpose of this report is to contribute to the Head of Internal Audit annual reporting requirements set out in the Public Sector Internal Audit Standards. The standards advise that the report must:

- a) include an opinion on the overall adequacy and effectiveness of the organisation's governance, risk management and control;
- b) disclose any qualifications to that opinion, together with the reasons for the qualification;
- c) present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies;
- d) draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Annual Governance Statement;
- e) compare the work actually undertaken with the work that was planned and summarise the performance of the internal audit function against its performance measures and targets, and
- f) comment on compliance with these standards and communicate the results of the internal audit quality assurance programme.

Head of Internal Audit Opinion on the Effectiveness of Internal Control

This opinion statement is provided for the use of London Borough of Croydon in support of its Annual Governance Statement 2020 that is published with the statement of accounts for the year ended 31 March 2020.

Scope of Responsibility

The Council is responsible for ensuring its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. London Borough of Croydon also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, London Borough of Croydon is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Authority's functions and which includes arrangements for the management of risk.

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Croydon's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

Review of Effectiveness

The London Borough of Croydon has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the external auditors, who during the year analysed the Council's adherence to CIPFA guidelines regarding the Annual Governance Statement and found no major issues. Effectiveness of the system is also conveyed by executive managers within the authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates in the annual audit letter and other reports.

Head of Internal Audit Annual Opinion Statement

Our opinion is derived from work carried out by Internal Audit during the year as part of the agreed internal audit plan for 2019/20, including our assessment of the London Borough of Croydon corporate governance and risk management processes and information technology governance.

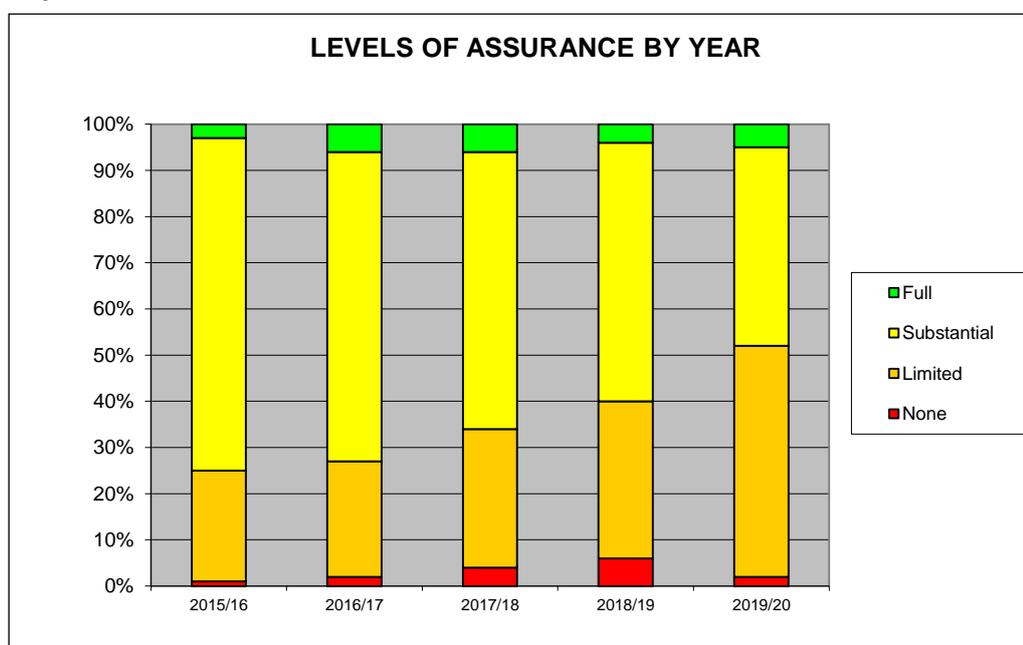
The internal audit plan for 2019/20 was developed to primarily provide management with independent assurance on the adequacy and effectiveness of the systems of internal control.

Basis of Assurance

We have conducted our audits both in accordance with the mandatory standards and good practice contained within the Public Sector Internal Audit Standards and additionally from our own internal quality assurance systems.

Our opinion is limited to the work carried out by Internal Audit during the year on the effectiveness of the management of those principal risks, identified within the organisations Assurance Framework, that are covered by Internal Audit's programme.

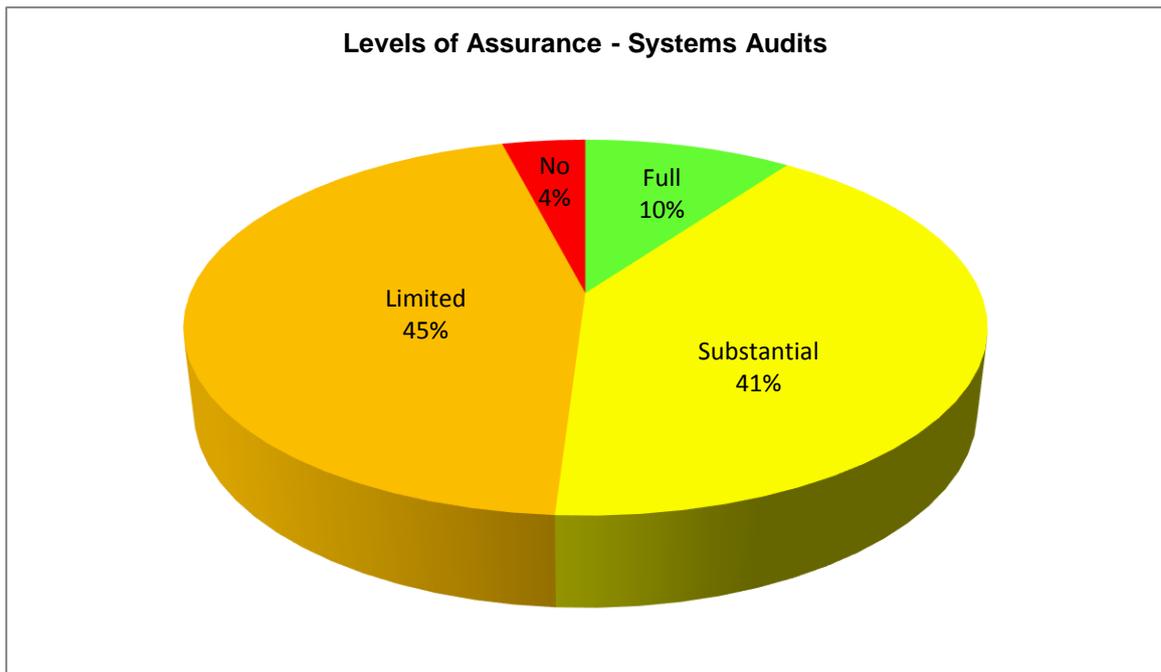
Graph 1 – Assurance Levels



	2015/16	2016/17	2017/18	2018/19	2019/20
Full Assurance	3%	6%	6%	4%	5%
Substantial Assurance	72%	67%	60%	56%	43%
Limited Assurance	24%	25%	30%	34%	50%
No Assurance	1%	2%	4%	6%	2%

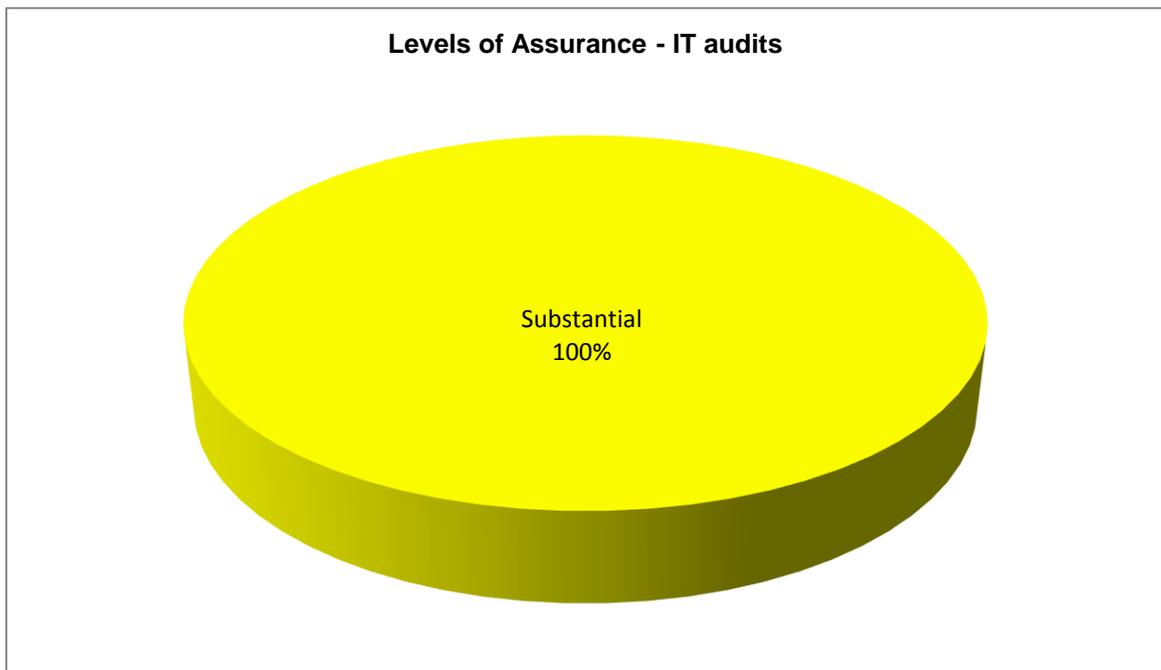
Graph 1 shows the percentage of final audit reports issued per level of assurance over the past five years. As can be seen there has been year on year increase in the number of limited and no assurance audits since 2016/17, with the number of limited and no assurance reports in 2019/20 (52%) being significantly more than those issued in 2016/17 (27%).

Graph 2 – Levels of Assurance – Systems Audits



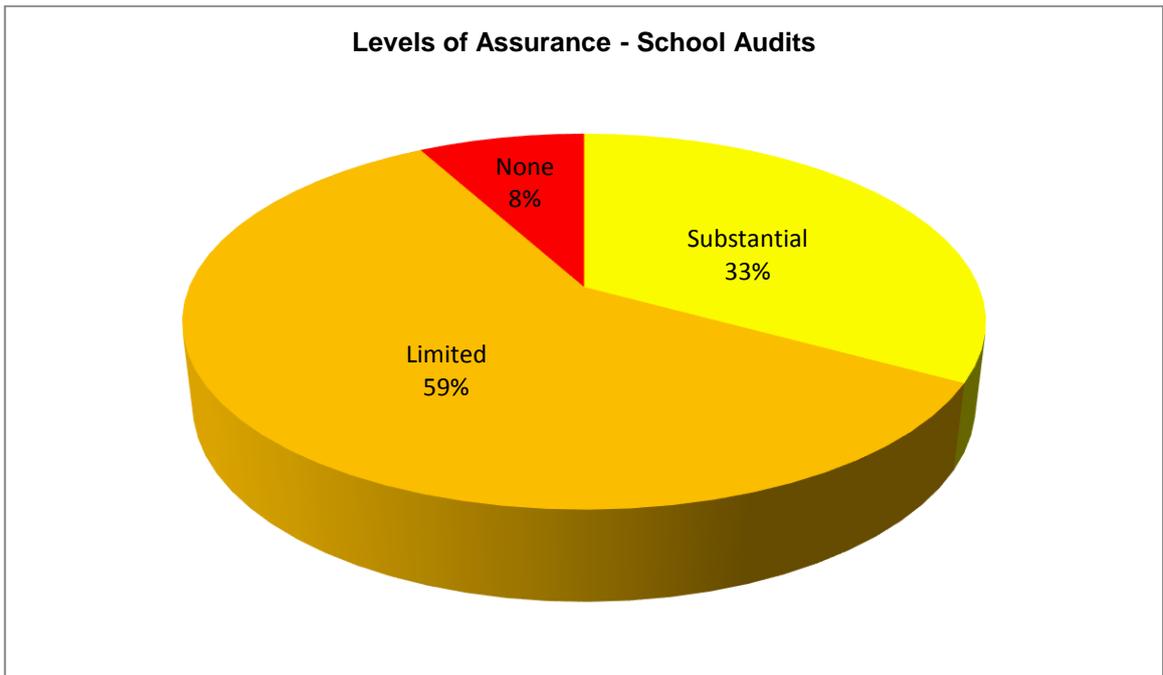
Graph 2 shows the percentage of final reports issued per level of assurance achieved on all the full systems audited. This shows that only 51% of the systems audited, including the core Council financial systems, achieved an assurance level of Substantial or Full. This is significantly worse than the performance of 2018/19 which was 61%.

Graph 3 – Levels of Assurance – IT Audits

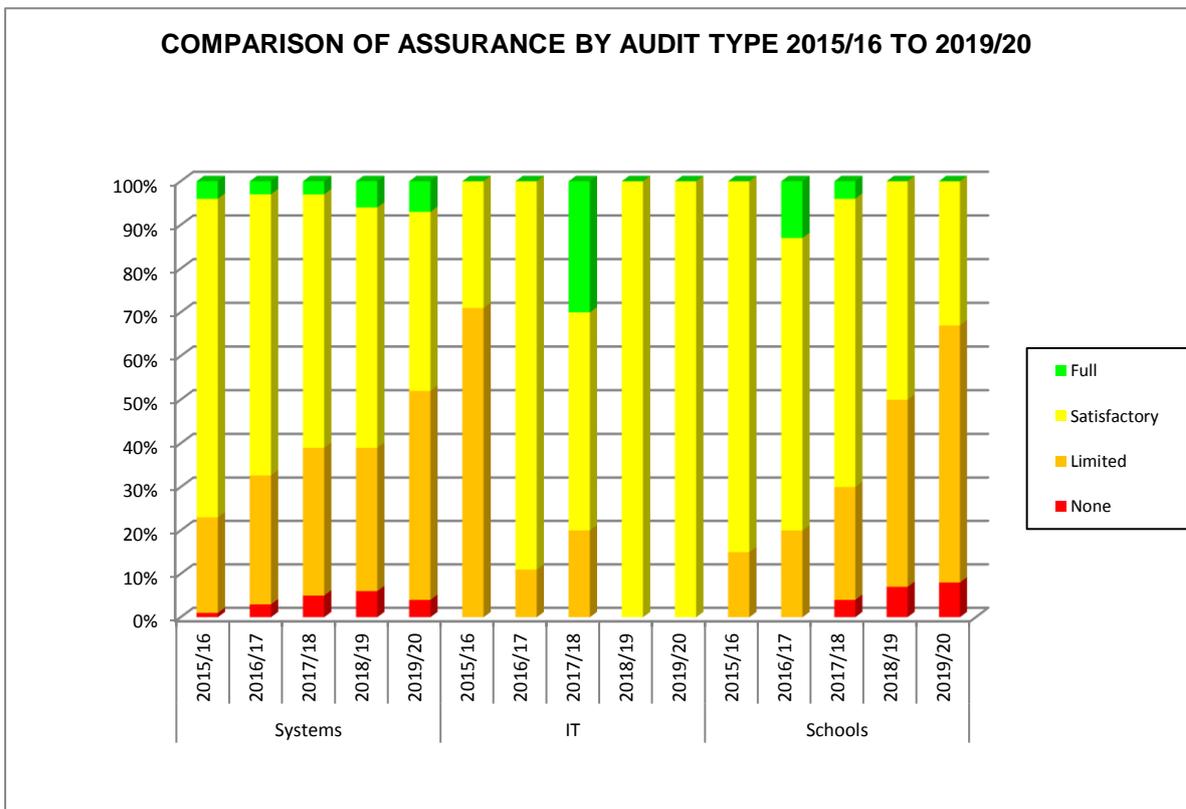


Graph 3 shows the percentage of final audit reports issued per level of assurance for the computer audit programme of work. This shows that 100% of the computer audits achieved an assurance level of Full or Substantial. This is in line with the performance of 2018/19 which was also 100%.

Graph 4 – Levels of Assurance – School Audits



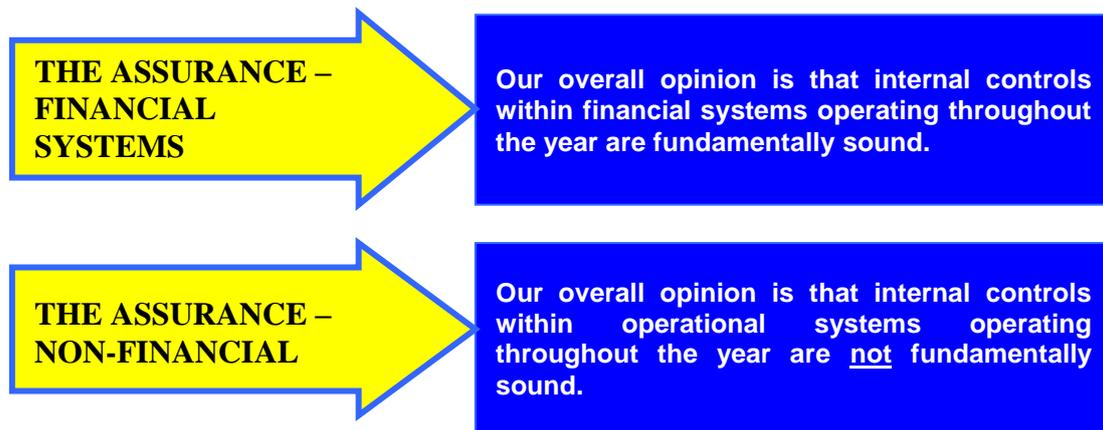
Graph 4 shows the results of the schools audit programme. A total of 67% of all locations visited resulted in a Limited or No Assurance. This is significantly behind the performance in 2018/19 which was 50% (and 2017/18, which was 30%).



2019/20 Year Opinion

Internal Control

From the Internal Audit work undertaken in 2019/20, it is our opinion that we can provide **Limited Assurance** that the system of internal control that has been in place at London Borough of Croydon for the year ended 31 March 2020 accords with proper practice. Details of significant internal control issues are documented in the detailed report. The assurance can be further broken down between financial and non-financial systems, as follows:



In reaching this opinion, the following factors were taken into particular consideration:

- The results of the audit work performed during the year, where only 13% of the financial systems audits undertaken were 'Limited' or 'No' assurance, but 60% of the operational systems audits undertaken were 'Limited' or 'No' assurance.
- 'The Annual Audit Letter' and supplementary 'Report on the Value for Money Conclusion' by Grant Thornton for its 2018/19 Audit which issued:
 - an unqualified opinion on the accounts which give a true and fair view of the Council's financial position and of the income and expenditure recorded by the Council, and
 - their VfM (Value for Money) conclusion, where 'On the basis of the significance of the matters we identified with your levels of reserves and the matters relating to Children's Services raised by OFSTED, we are not satisfied that the Council has made proper arrangements to secure economy, efficiency and effectiveness in your use of resources. We therefore propose to give a qualified 'adverse' conclusion.'
- The Director of Finance, Investment & Risk (Section 151 Officer)'s review of the effectiveness of the internal audit function submitted to the General Purposes and Audit Committee on 11 July 2019.
- A peer review by another London Borough's Head of Internal Audit which was conducted during the course of 2015/16 to assess the extent to which the Council's internal audit service complied with the Public Sector Internal Audit Standards. This showed that the Council's Internal Audit service 'Generally Conforms to the standards'.

Corporate Governance

In our opinion the corporate governance framework complies with the best practice guidance on corporate governance issued by CIPFA/SOLACE. This opinion is based on:

- 'The Annual Audit Letter', by Grant Thornton for its 2018/19 Audit, where based on their review of the Council's Annual Governance Statement, they stated that, 'We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement, Narrative Report and Pension Fund Financial Statements), is materially

inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. We identified a couple of areas where management has agreed to include additional narrative to enhance the transparency of the disclosures. We plan to issue an unmodified opinion in this respect.'

- The Audit Findings for the London Borough of Croydon', by Grant Thornton for its 2018/19 Audit, where no significant control weaknesses in the Council's internal control arrangements were identified.
- Our annual audit plan of work, which included governance related audits.

Risk Management

In our opinion, based on:

- Our 2019/20 audit of the Risk Management process, for which a Substantial assurance was provided, and
- Our on-going audits of the departmental risk registers.

We consider the risk management processes are effective and provide regular information on key risks and issues to the Council's Management and Executive Teams and through to Members. The assessment, evaluation and documentation of risks and controls were continued during the year so that risk registers are revised and updated for all Departments.

Information Technology

In our opinion the information technology of the Council supports the organisation's strategies and objectives. This opinion is based on our ongoing programme of computer audits, as well as other departmental and corporate audits, which did not identify any material weaknesses with information technology governance.

We would like to take this opportunity to formally record our thanks for the cooperation and support we have received from the management and staff during the year, and we look forward to this continuing over the coming years.

HEAD OF INTERNAL AUDIT

Simon Maddocks **(Head of Internal Audit, London Borough of Croydon)**
Graeme Clarke **(Director, Mazars LLP)**

July 2020

DETAILED REPORT

Introduction

This section is a report from Internal Audit detailing:

- any significant control failures or risk issues that have arisen and been addressed through the work of Internal Audit;
- any qualifications to the Head of Audit opinion on the Authority's system of internal control, with the reasons for each qualification;
- the identification of work undertaken by other assurance bodies upon which Internal Audit has placed an assurance to help formulate its opinion;
- the management processes adopted to deliver risk management and governance requirements;
- comparison of the work undertaken during the 2019/20 year against the original Internal Audit plans, and
- a brief summary of the audit service performance against agreed performance measures.

Significant Control Weaknesses

Internal Audit is required to form an opinion on the quality of the internal control environment, which includes consideration of any significant risk or governance issues and control failures which arise. During the financial year 2019/20 key issues in six areas were identified.

- Although there continues to be improvements, during the course of internal audit work during the year, a number of issues were identified with contract letting, monitoring and management.
- Internal audit work during the year identified a number of issues relating to financial management within the adult and children's social care teams.
- An internal audit conducted during 2018/19 of energy recharges identified some significant weaknesses resulting in circa £4M of recharges being outstanding, a significant part of which related to organisations outside of the council. This resulted in a 'No Assurance' audit report being issued. These significant weaknesses were not yet resolved during 2019/20.
- Internal audit continues to identify a number of instances where privacy notices relating to the collection of personal data were missing or were no longer fit for purpose. Also noted that agreements with 3rd parties did not always address this issue adequately
- There are a number of schools in deficit and several instances of weaknesses in financial control.
- An internal audit of staff expenses identified a number of control weaknesses. This resulted in a 'No Assurance' audit report being issued.

The Council has action plans to address these issues and Internal Audit will be involved in further audits of these areas.

Qualifications to the opinion

Internal Audit had unfettered access to all areas and systems across the authority and received appropriate co-operation from officers and Members. Our Internal Audit plans were based on an assessment of risk, including using the Council's risk register and were supported by the members of the Executive and Corporate Leadership Teams individually for their departments and divisions. We have delivered the most of the agreed Internal Audit annual plan and based on the work we have undertaken plus our knowledge of the Council, we have no qualifications to raise as a result of our work programme.

Other assurance bodies

In formulating the overall opinion on internal control, the Head of Internal Audit also took into account the work conducted by Ofsted and the external auditor.

Governance Processes

The key features of the framework for Corporate Governance within London Borough of Croydon are outlined below:

- Challenge and review by the General Purposes & Audit Committee (GPAC);
- Corporate objectives and targets have been established and are monitored;
- Implemented structures and processes that reflect good practice guidance, are well documented and are flexible to accommodate change;
- Standards of conduct and a Code of Conduct are in place for Members and officers;
- The Constitution, which was adopted by the Council on 21 May 2012 and subsequently amended in July and October 2012, January and July 2014, May 2015, January, May and September 2016 January, June and September 2017, May, July, November and December 2018, June and August 2019 and January, March, April and June 2020.
- The Council's Tenders and Contract Regulations, which form part 4.1 of the Constitution of the London Borough of Croydon and were adopted by Full Council on 15 July 2019, and
- Financial Regulations are reviewed and revised on an annual basis under delegated authority (by the S151 Officer in consultation with the Chief Executive and the Executive Director of Resources). The current version of the Financial Regulations was issued during June 2020. Day to day guidance is provided via the Financial Procedures maintained by the Governance Team. Training on the Financial Regulations and Procedures forms part of the governance training currently available to managers and staff under the banner of 'Doing the Right Thing'.

Risk Management Process

The principal features of the risk management process are described below:

Members: The Council has a Member risk champion. The GPAC receives regular reports on risk issues and 'Red rated' Strategic, Governance and Operational Risks are formally reviewed on a quarterly basis by GPAC. All Cabinet members are briefed on risks in relation to their portfolio via their Executive Director. All major risks are aligned to the corporate priorities as well as Croydon Vision Theme and Strategy.

Departmental Leadership Team: All risks appear on DLT (Departmental Leadership Team) meeting agendas on a quarterly basis facilitated by a member of the Risk & Corporate Programme Office (CPO) team.

Head of Risk & Corporate Programme Office: Responsibility for developing, introducing and maintaining an appropriate Risk Management Framework rests with the Head of Risk & Corporate Programme Office. The Head of Risk & CPO leads on developing and embedding an appropriate Risk Management Framework (RMF) through activities such as introducing risk registers, defining processes, application of effective documentation and standards, and ensuring there is resource to provide the guidance for the RMF implementation across the organisation. The RMF is supported by the JCAD Risk Management System which is a applications based recording repository that is a recognised risk recording computer based system.

The Risk & CPO function delivers the RMF through activities such as:

- Quarterly risk challenge through Divisional and Departmental LTs,
- The delivery of risk workshops by agreement with a number of Project Boards, Project Managers and at Departmental Team Meetings to ensure there is a robust Programme & Project Management Framework compliance process.
- Ongoing support of an appropriate risk management framework 'theme' as defined by the Prince2 methodology at both a programme and project level together with the on-going monitoring of the corporate expectation for the consistent activation of risk logs for major programmes & projects.
- A comprehensive Risk Management toolkit is provided as a mechanism to support the corporate Risk Management Framework.

Audit Plan

The Audit Plan for 2019/20 was compiled using the Council's Risk Registers as the key drivers in developing audit coverage, as well as detailed discussions with CLT members and departmental management teams. The 2019/20 audit plan was presented to the General Purposes and Audit Committee on 4 April 2019.

Due to covid-19 and the concomitant disruption to services, our work for the year to 31 March 2020 was not fully completed in line with the operational plan, with some 2019/20 audits being incomplete and deferred until after the lockdown period. The results of these deferred audits, where not completed on time for this Internal Annual Report will be included with those in the 2020/21 audit plan. There was also an impact in finalising some draft reports.

The 2019/20 Internal Audit plan is provided in Appendix 1 for information. The schedule shows the number of recommendations raised in each audit during 2019/20 where a final report has been issued, as well as those audits delayed due to covid-19.

Internal Audit Performance

Table 1 below sets out the pre-agreed performance criteria for the Internal Audit service. The table shows the actual performance achieved against any targets that were set.

Table 1

Performance Measure	Target	Actual
Percentage of the Internal Audit Plan completed	100%	81%
Percentage of staff with full qualifications used to deliver the service	40%	41%
% of draft reports issued within 2 weeks of exit meeting with the Client	85%	89%
Number of draft reports	93	65

The Council's internal and external auditors co-operate and liaise where possible to aid greater harmonisation of internal and external audit work, with a view to external audit placing reliance on the work of internal audit.

Council's Performance with respect to Internal Audit

Under the internal audit follow-up protocol, follow-up audits are undertaken to establish whether the issues identified have been successfully resolved according to the action plans agreed with the service managers. The Council's minimum target for audit issues resolved at the time of the follow-up audit is 80% for all priority 2 & 3 issues and 90% for priority 1 issues.

Table 2 sets out the performance for the Council's response to Internal Audits. The table shows the actual performance achieved against any targets that were set in advance.

Table 2

Performance Objective	Target	Performance 2015/16 (to date)	Performance 2016/17 (to date*)	Performance 2017-18 (to date*)	Performance 2018/19 (to date*)	Performance 2019/20 (to date*)
Percentage of priority one issues resolved at the time of the follow up audit	90%	100%	93%	98%	77%	63%
Percentage of all issues resolved at the time of the follow up audit	80%	94%	91%	90%	82%	80%

* (The results of those 2015/16, 2016/17, 2017/18, 2018/19 and 2019/20 audits that have been followed up are included in Appendixes 3, 4, 5, 6 and 7 respectively).

Quality and Compliance with the Public Sector Internal Audit Standards

Internal Audit has comprehensive quality control and assurance processes in place and operates in accordance with the Public Sector Internal Audit Standards. This provides an independent assurance of the performance, quality and effectiveness at both the individual audit level and the internal audit service as a whole.

The statement of compliance with the Public Sector Internal Audit Standards is detailed in a separate report by the Head of Internal Audit.

Appendix 1 – Work against audit plan

2019/20 Audit Plan	Department	Assurance	Issues			Total Raised
			Priority			
			1	2	3	

KEY FINANCIAL REVIEWS						
Business Rates (including 100% Business Rate Pilot)	Resources	Substantial	0	1	0	1
Banking	Resources	Report still in draft				
Community Care Payments	Health, Wellbeing and Adults	Report still in draft				
Creditors (inc P2P)	Resources	Internal Audit In Progress				
Debtors (Accounts Receivable)	Resources	Report still in draft				
Housing Benefits	Resources	Substantial	0	1	1	2
Housing Rents & Accounting (Reduced Scope)	Health, Wellbeing and Adults	Limited	1	2	1	4
Housing Repairs	Place	Internal Audit In Progress				
Main Accounting System (Reduced Scope)	Resources	Report still in draft				
Pay and Display Meter Maintenance and Income Collection	Place	Substantial	0	3	1	4
Payments to Schools	Resources	Substantial	0	1	1	2
Payroll	Resources	Internal Audit In Progress				
Pensions	Resources	Substantial	0	1	1	2
Council Tax (Reduced Scope)	Resources	Full	0	0	0	0
Treasury Management (Reduced Scope)	Resources	Full	0	0	0	0
Total Key Financials Audits			1	9	5	15

DEPARTMENTAL RISK REGISTER AUDITS						
Age Assessment Judicial Reviews	Children, Families and Education	Report still in draft				
Alternative School Provisioning	Children, Families and Education	Limited	2	4	0	6
Forecasting and Financial Planning – Children's	Children, Families and Education	Internal Audit In Progress				
Partnership Governance	Children, Families and Education	Limited	0	4	1	5
Placements - Looked After Children	Children, Families and Education	Internal Audit In Progress				
Section 17 Payments	Children, Families and Education	Substantial	0	3	2	5
Special Education Needs and Disability (SEND)	Children, Families and Education	Report still in draft				
Financial Assessments - Charging Policy	Health, Wellbeing and Adults	Report still in draft				
Gateway Budget and Impact on Other Services	Health, Wellbeing and Adults	Internal Audit In Progress				
Letting Allocations and Assessments	Health, Wellbeing and Adults	Limited	2	1	0	3
North Croydon Gateway Locality Pilot	Health, Wellbeing and Adults	Internal Audit In Progress				
Placements in Housing Private Accommodation	Health, Wellbeing and Adults	Limited	1	2	1	4
Adult Social Care Waiting List	Health, Wellbeing and Adults	Limited	2	2	0	4
Brokerage and Placements	Health, Wellbeing and Adults	Internal Audit In Progress				

Care Market Failure	Resources	Limited	2	7	1	10
Forecasting and Financial Planning –Adults *	Health, Wellbeing and Adults	Limited	1	3	2	6
One Croydon Alliance - Benefits and Integration	Health, Wellbeing and Adults	Internal Audit In Progress				
Public Health - Accounting for expenditure outside of the Public Health Division	Health, Wellbeing and Adults	Internal Audit In Progress				
Occupational Therapy (supersedes S75 Agreements)	Health, Wellbeing and Adults	Limited	3	1	0	4
Sheltered Accommodation	Health, Wellbeing and Adults	Substantial	0	3	0	3
Transition from Children's Services to Adults	Children, Families and Education	Internal Audit In Progress				
Bringing Services In-house – Parks Service	Place	Limited	1	6	1	8
External Funding Team	Place	Limited	1	2	0	3
Fire Safety – Housing Stock	Place	Substantial	0	1	0	1
Food Safety – Data Quality	Place	Limited	1	3	1	5
Growth Zone – Performance Management and Benefits Realisation	Place	Substantial	0	4	0	4
Highways Contract Management	Place	Substantial	0	4	0	4
Highways Inspections	Place	Full	0	0	1	1
Parks Health and Safety	Place	Report still in draft				
SLWP / Vioila	Place	Internal Audit In Progress				
Trees Management	Place	Report still in draft				
Agency Staff – Tenure and Monitoring	Resources	Substantial	0	1	0	1
Arms Length Companies	Resources	Internal Audit In Progress				
Community Equipment Service (Wheelchair Service)	Resources	Limited	1	2	0	3
Debt Recovery– In-house	Resources	Report still in draft				
Enforcement Agents	Resources	Report still in draft				
Expense and Overtime Payments to Staff	Resources	No	5	3	0	8
Fairfield Hall Delivery (BxB Management)	Place	Report still in draft				
Freedom of Information Requests and Subject Access Requests	Resources	Report still in draft				
Investment Property Acquisitions	Resources	Internal Audit In Progress				
Land and Buildings – Asset Strategy	Resources	Internal Audit In Progress				
MTFS	Resources	Internal Audit In Progress				
My Resources – Business Change	Resources	Internal Audit In Progress				
Risk Management	Resources	Substantial	0	2	2	4
Staff Code of Conduct	Resources	Report still in draft				
Staff Debt	Resources	Report still in draft				
Total Departmental Risk Register Audits			21	51	10	82

COMPUTER AUDITS						
IT Policies & Compliance with Technical Code of Practice & Computer Misuse Act	Resources	Report still in draft				
Uniform Application	Resources	Substantial	0	3	1	4
Northgate iWorld Application	Resources	Substantial	0	1	0	1
Azure Backup Application	Resources	Report still in draft				
Northgate Operating System	Resources	Internal Audit In Progress				
Microsoft Direct Access Operating System	Resources	Internal Audit In Progress				
ITAL Governance	Resources	Internal Audit In Progress				

People's IT Application Phase One 'Programme Governance'	Resources	Internal Audit In Progress			
Total Departmental Risk Register Audits		0	4	1	5

CONTRACT AUDITS

Major Capital Programme Commissioning & Management	Place	Internal Audit In Progress			
Mullally Contract Management	Place	Internal Audit In Progress			
Sprinklers Programme	Place	Internal Audit In Progress			
GBW Contact Management	Place	Internal Audit In Progress			
Regeneration Project Management	Place	Internal Audit In Progress			
GLL Leisure Contract Management	Place	Internal Audit In Progress			
Enforcement Agents - Procurement	Resources	Report still in draft			
Contract Management FM - Hard Services - Building Maintenance	Place	Internal Audit In Progress			
Contract Management Street Lighting PFI	Place	Report still in draft			
Supply and Install of Modular Building at Stubbs Mead Depot (from 18/19)	Place	Report still in draft			
Contract Management - Work and Health Programme	Place	Internal Audit In Progress			
Total Departmental Contract Audits		0	0	0	0

SCHOOLS AUDITS

Crosfield Nursery School and Children's Centre	Children, Families and Education	Substantial	0	4	4	8
Beulah Junior School	Children, Families and Education	Limited	5	3	6	14
All Saints C of E Primary School	Children, Families and Education	Substantial	0	7	5	12
Elmwood Infant School	Children, Families and Education	Substantial	0	4	2	6
Heavers Farm School	Children, Families and Education	Substantial	0	9	4	13
Kenley Primary	Children, Families and Education	Limited	1	6	4	11
Margaret Roper Catholic Primary	Children, Families and Education	Limited	3	5	3	11
The Minster Infant School	Children, Families and Education	Limited	2	11	3	16
Norbury Manor Primary School	Children, Families and Education	Limited	3	8	2	13
Selsdon Primary School	Children, Families and Education	Internal Audit In Progress				
St Joseph's Federation	Children, Families and Education	Limited	5	7	2	14
Winterbourne Nursery and Infants	Children, Families and Education	No	8	10	4	22
Virgo Fidelis Convent Senior School	Children, Families and Education	Limited	4	10	4	18
Total School Audits			31	84	43	158
Total Recommendations			53	148	59	260

Appendix 2 – Summary of Priority One Recommendations

Audit Title	Assurance Level & Number of Issues	Summary of key issues raised.
Non- School Audits		
Housing Rents and Accounting (Reduced Scope)	Limited (One priority 1, two priority 3 and one priority 3 issue)	A priority 1 issue has been raised as appropriate signed agreements were not held for deductions from staff salaries for rent payments.
Alternative School Provisioning	Limited (Two priority 1, and four priority 2 issues)	A priority 1 issue was identified as the 'notification of exclusion forms' in use did not include a privacy notice in line with the requirements of the General Data Protection Regulation (GDPR) and the Data Protection Act (DPA) 2018. Another priority 1 issue was identified as pupils' personalised plans and objectives were not set out in writing in accordance with statutory guidance.
Lettings, Allocations and Assessments	Limited (Two priority 1 and one priority 2 issue)	A priority 1 issue has been raised as the Housing Allocation policy had not been updated since October 2016 and was out of date. A priority 1 issue has been raised as the application forms (on line and in hardcopy) in use were not compliant with the Data Protection Act 2018 or the General Data Protection Regulation.
Placements in Housing Private Accommodation	Limited (One priority 1, two priority 3 and one priority 3 issue)	A priority 1 issue has been raised as comparison of the amounts paid for a sample of 30 properties (being 10 each of Croylease, GPS and PLA) to the amounts detailed in the contracts found that in five instances agreed contracts were not in place and in ten instances the amounts differed.
Adult Social Care Waiting List	Limited (Two priority 1 and 2 priority 2 issues)	A priority 1 issue has been raised as the Front Door call statistics for up to the week commencing 12 August 2019 identified that 1 in 5 calls (21%) are lost and that the average call wait time was 4.05 minutes. A priority 1 issue has been raised as the 'All Team Waiting List' dated 18 August 2019 detailed that there were 609 cases (with 221 of these relating to prior years), whereas the 'ASC Front Door and Localities Review Q2' report detailed that as at 19 August 2019 the wait list was 505.
Care Market Failure	Limited (Two priority 1, seven priority 2 and 1 priority 3 issue)	A priority 1 issue has been raised as formal contracts were not available for care home providers, although it was explained that a Dynamic Purchasing System was being established, which is anticipated will start from April 2020, A priority 1 issue has been raised as the spreadsheet used to monitor quality monitoring visits showed that about 70 out of 134 care homes were overdue a monitoring visit.
Occupational Therapy	Limited (Three priority 1, and one priority 2 issue)	A priority 1 issue has been raised as a contract was not in place with Croydon Health Services (CHS) for 2019-20. A priority 1 issue has been raised as the apportionment of costs, including any over or underspends, for the Adult Community Occupational Therapy Service between the Croydon Clinical Commissioning Group and the Council was not formally agreed. A priority 1 issue has been raised as the 'Waiting List Report' as at 18 September 2019 detailed that there were 197 waiting clients, 180 of whom had been on the waiting list more than 3 months.
Bringing Services In-house – Parks Services	Limited (One priority 1, six priority 2 and one priority 3 issue)	A priority 1 issue was raised as there was no budget set for the Grounds Maintenance service and thus budget (and expenditure) monitoring was not occurring
External Funding Team	Limited (One priority 1 and two priority 2 issues)	A priority 1 issue was raised as a service plan and strategy and/or policies and procedures to provide a framework of how the External Funding Team operates was not in place
Food Safety – Data Quality	Limited (One priority 1, three priority 2 and one priority 3 issue)	A priority 1 issue was raised as the reports of inspections due generated from the UNIFORM system were not accurate.
Community Equipment Service (Wheelchair Service)	Limited (One Priority 1 and two priority 2 issues)	A priority 1 issue was raised as the follow up of the recommendations raised in the 2017 ad hoc report identified that the recommendation relating to the BACs files being open to amendment had still not been implemented, meaning that any of the BACs payments during the last 2 years may have been manipulated. As about £1m of payments is made per month, this is a significant issue.

Audit Title	Assurance Level & Number of Issues	Summary of key issues raised.
Expense and Overtime Payments to Staff	No (Five Priority 1 and three priority 2 issues)	<p>Priority 1 issues was raised as</p> <ul style="list-style-type: none"> • Testing of a sample of 20 approved expenses established five instances where the expenses were incorrectly categorised and, in some instances, should not have been claimed. Examination of a report of all expenses claimed 1 April to 18 October 2019 confirmed that the above were not isolated examples. This despite users being required, prior to submitting expenses claims, to acknowledge that they have read and understood the Council's Expenses Management Policy. • Sample testing identified expense claims that were being authorised outside of the 90 day eligibility timeframe as defined in the Expenses Management Policy. Examination of a report of all expenses claimed 1 April to 18 October 2019 confirmed that the above were not isolated examples. • Examination of a report of all expenses claimed 1 April to 18 October 2019 identified two instances where payments to an individual had been claimed as expenses by a staff employee. In both these instances it is held that HMRC would deem the individual to be an employee; however, no NI or PAYE deductions had been made. Furthermore, in line with the Council's Expenses Management Policy, these should not have been claimed as expenses. • Examination of a sample of expense claims from a report of all expenses claimed 1 April to 18 October 2019 identified that these had not been properly recorded and therefore there was a lack of record to demonstrate that these expenses were actually incurred for business purposes. • Examination of the documentation held for a sample of 15 staff on the car allowance scheme identified that corresponding Compulsory Car Allowance User forms were not available for 10 of these staff.
Audit title (School audits)	Assurance Level & Number of Issues	Summary of key recommendations raised
Winterbourne Nursery and Infant School	No (Eight priority 1, ten priority 2 and four priority 3 recommendations)	<p>Priority 1 recommendations were raised as:</p> <ul style="list-style-type: none"> • at the end of quarter 1 the School had forecast a year end deficit budget of -£202k but at the time of audit had not yet agreed a formal budget deficit recovery plan with the local authority. • for one of the sample of three new starter records examined, two references were not held, no panel notes were retained and there was no evidence that the role was advertised. • an appraisal of the Head Teacher had not been completed by the deadline of 31 December 2018. This was due to the fact that he was not at the School for an extended period of time due to illness; however, the appraisal had still not been carried out at the time of audit in October 2019. • evidence of a DBS (Disclosure Barring Service) check was not held for one governor and the DBS checks for another governor and two staff members were overdue renewal. • sample testing identified payments to two separate individuals, where NI and PAYE deductions were not made and HMRC Employment Status Service tool checks had not been conducted. • goods received checks were not evidenced for eight of the sample of 11 transactions where documentation was available. • seven of the invoices from the sample of eleven transactions where documentation was available were not evidenced as appropriately authorized. • a number of gaps in the School's information governance arrangements were found.
Beulah Junior School	Limited (Five priority 1, three priority 2 and six priority 3 recommendations)	<p>Priority 1 recommendations were raised as:</p> <ul style="list-style-type: none"> • the School's 2018-19 SFVS (School Financial Value Standard) self-assessment was not evidenced as discussed or agreed by the Governing Body as required. • sample testing of the documentation held for three new starters could not locate any references for two of the starters and only one reference for the third starter. • appropriate approval for five high value expenditure items, in line with the School's 'Financial Policies and Procedures Manual', was not evidenced. • Quotation and tender limits were not specified out in the School's 'Financial Policies and Procedures Manual'.

Audit Title	Assurance Level & Number of Issues	Summary of key issues raised.
		<ul style="list-style-type: none"> the School's bank mandate still included a former member of staff as an authorised signatory.
Kenley Primary School	Limited (One priority 1, six priority 2 and four priority 3 recommendations)	A priority 1 recommendation was raised as transactions were identified where payments were made to an individual for services and there was no evidence of their employment status for tax purposes being checked.
Margaret Roper Catholic Primary School	Limited (Three priority 1, five priority 2 and three priority 3 recommendations)	<p>A priority 1 recommendation was raised as sample testing identified payments to an individual, where NI and PAYE deductions had not been made and the HMRC Employment Status Service tool check had not been conducted</p> <p>A priority 1 recommendation was raised as for one purchase in our sample testing, the transaction was authorised after the date of the invoice. It was also found that there were six transactions where there is no evidence of authorisation or date of when the purchase was made. It was found that three transactions were authorised by inappropriate members of staff</p> <p>A priority 1 recommendation was raised as there were no goods or services received checks evidenced for eight of the 15 transactions selected for testing, and one check was carried out by a member of staff not delegated this responsibility in the School's Finance Policy and Procedures Manual.</p>
The Minster Infant School	Limited (Two priority 1, eleven priority 2 and three priority 3 recommendations)	<p>A priority 1 recommendation was raised as an individual was being paid directly without the required NI and PAYE deductions being made.</p> <p>A priority 1 recommendation was raised as testing of a sample of 15 transactions found that in 13 instances the internal requisition forms were not evidenced as appropriate in advance of the transactions</p>
Norbury Manor Primary School	Limited (Three priority 1, eight priority 2 and two priority 3 recommendations)	<p>A priority 1 recommendation was raised as for one new starter, only one reference was obtained and for another (who was an apprentice) no references had been obtained</p> <p>A priority 1 recommendation was raised as right to work checks had not been properly evidenced for any of the sample of the three starters tested</p> <p>A priority 1 recommendation was raised as the HMRC Employment Status Service tool had not been used to check the status of an individual that payments (without NI or PAYE deductions) were being made to.</p>
St Joseph's Federation	Limited (Five priority 1, seven priority 2 and 2 priority 3 recommendations)	<p>Priority 1 recommendations were raised as:</p> <ul style="list-style-type: none"> Sample testing identified payments to an individual, where NI and PAYE deductions had not been made and the HMRC Employment Status Service tool check had not been conducted. Testing of a sample of 15 transactions identified eight where the purchase orders were authorised after the date of the corresponding invoices. There were no goods or services received checks evidenced for any of the 15 transactions selected for testing. A number of control weaknesses in the management of the petty cash fund were found, some of which were significant. A number of gaps in the control framework of the School's information governance arrangements, including the lack of an information asset register, were found.
Virgo Fidelis Convent Senior School	Limited (Four priority 1, ten priority 2 and four priority 3 recommendations)	<p>Priority 1 recommendations were raised as:</p> <ul style="list-style-type: none"> Sample testing identified payments to two separate individuals, where NI and PAYE deductions had not been made and HMRC Employment Status Service tool checks had not been conducted A number of control weaknesses in the management of the petty cash fund were found A number of gaps in the control framework of the School's information governance arrangements were found The School had not registered as a Data Controller with the Information Commissioners Office since February 2019; although it is acknowledged this was immediately rectified on site at the time of audit.

Appendix 3 - Follow-up of 2015/16 audits (Incomplete only)

Financial Year	Audit Followed-up	Risk Level	Assurance Level & Status	Total Raised	Implemented	
					Total	Percentage
2015/16	Waste Recycling	High	Substantial (5 th follow up in progress)	3	2	66%
Recommendations and implementation from audits that have had responses				270	254	94%
Priority 1 Recommendations from audits that have had responses				22	22	100%

Appendix 4 - Follow-up of 2016/17 audits (Incomplete only)

Financial Year	Audit Followed-up	Risk Level	Assurance Level & Status	Total Raised	Implemented	
					Total	Percentage
2016/17	Clinical Governance	High	Substantial (5 th follow up in progress)	3	1	33%
2016/17	Contract Monitoring and Management (Streets Division)	High	Limited (2 nd follow up in progress)	6	0	0
2016/17	Anti-social Behaviour	High	Substantial (6 th follow up in progress)	9	6	67%
Recommendations and implementation from audits that have had responses				424	386	91%
Priority 1 Recommendations from audits that have had responses				45	42	93%

Appendix 5 - Follow-up of 2017-18 audits (Incomplete only)

Financial Year	Audit Followed-up	Executive Director Responsible	Risk Level	Assurance Level & Status	Total Raised	Implemented	
						Total	Percentage
2017/18	Gifts and Hospitality (Officers)	Jaqueline Harris-Baker	High	Substantial (4 th follow up in progress)	4	3	75%
2017/18	Admitted Bodies	Jaqueline Harris-Baker	High	Substantial (2 nd follow up in progress)	4	1	25%
2017/18	GIS Application	Jaqueline Harris-Baker	High	Substantial (2 nd follow up in progress)	5	2	40%
2017/18	Unaccompanied Asylum Seeking Children	Robert Henderson	High	Limited (2 nd follow up in progress)	2	1	50%
2017/18	Development Management	Shifa Mustafa	High	Substantial (1 st follow up in progress)	5	-	0%
2017/18	Abandoned Vehicles	Shifa Mustafa	High	No (7 th follow up in progress)	10	9	90%
Recommendations and implementation from audits that have had responses					426	382	90%
Priority 1 Recommendations from audits that have had responses					46	45	98%

Appendix 6 - Follow-up of 2018/19 audits

Financial Year	Audit Followed-up	Executive Director Responsible	Assurance Level & Status	Total Raised	Implemented	
					Total	Percentage
Non School Audits						
2018/19	Voluntary Sector Commissioning Adult Social Care	Jaqueline Harris-Baker	No Assurance (3 rd follow up in progress)	8	6	75%
2018/19	Housing Repairs	Hazel Simmonds	Limited (No further follow up)	2	2	100%
2018/19	Pensions Administration	Jaqueline Harris-Baker	Limited (No further follow up)	5	4	80%
2018/19	Children and Families System Support Team (ControCC)	Robert Henderson	Limited (3 rd follow up in progress)	13	10	77%
2018/19	Payments to In House Foster Carers	Robert Henderson	Limited (No further follow up)	4	4	100%
2018/19	Payments Against Orders	Robert Henderson	Limited (2 nd follow up in progress)	10	3	30%
2018/19	SEN to include Ombudsman upheld complaints	Robert Henderson	Limited (3 rd follow up in progress)	5	2	40%
2018/19	GDPR in Schools	Robert Henderson	Limited (No further follow up)	8	8	100%
2018/19	Health and Safety in Schools	Robert Henderson	Limited (3 rd follow up in progress)	6	3	50%
2018/19	Voluntary Sector Commissioning Adult Social Care	Jaqueline Harris-Baker	No (4 th follow up in progress)	8	7	87%
2018/19	Air Quality Strategy, Implementation and Review	Shifa Mustafa	Limited (1 st follow up in progress)	8	-	-
2018/19	Allotments	Shifa Mustafa	Limited (No further follow up)	5	4	80%
2018/19	Live Well – Active Lifestyle Team	Shifa Mustafa	Limited (No further follow up)	7	7	100%
2018/19	No Recourse to Public Funds (NRPF)	Guy Van Dichele	Limited (No further follow up)	4	4	100%
2018/19	Croylease (Landlord letting Scheme)	Guy Van Dichele	Limited (No further follow up)	8	8	100%
2018/19	Libraries Income Collection	Shifa Mustafa	Limited (No further follow up)	5	5	100%
2018/19	Election Accounts and Claims	Jaqueline Harris-Baker	Limited (No further follow up)	7	6	86%
2018/19	Temporary Employment	Jaqueline Harris-Baker	Limited (3 rd follow up in progress)	16	5	31%
2018/19	Asbestos Management (Beyond the Corporate Campus)	Shifa Mustafa	Limited (4 th follow up in progress)	12	9	75%
2018/19	PMI General Building Works Service	Shifa Mustafa	Limited (2 nd follow up in progress)	6	2	33%
2018/19	Parking Enforcement and Tickets	Shifa Mustafa	Substantial (No further follow up)	5	4	80%
2018/19	Payments to Schools	Jaqueline Harris-Baker	Substantial	2	1	50%

Financial Year	Audit Followed-up	Executive Director Responsible	Assurance Level & Status	Total Raised	Implemented	
					Total	Percentage
			(2 nd follow up in progress)			
2018/19	School Deficits and Surpluses (Conversion to Academy)	Robert Henderson	Substantial (2 nd follow up in progress)	4	3	75%
2018/19	Leisure Contract Management	Shifa Mustafa	Substantial (2 nd follow up in progress)	2	1	50%
2018/19	South West London Partnership (SWLP) Governance	Shifa Mustafa	Substantial (1 st follow up in progress)	3	-	-
2018/19	Highways Statutory Defence	Shifa Mustafa	Substantial (No further follow up)	4	4	100%
2018/19	Discretionary Housing Payments	Guy Van Dichele	Substantial (No further follow up)	3	3	100%
2018/19	Leasehold Service Charges	Guy Van Dichele	Substantial (No further follow up)	2	2	100%
2018/19	Public Events	Shifa Mustafa	Substantial (3 rd follow up in progress)	7	5	71%
2018/19	South London Work and Health Partnership(SLWHP)	Shifa Mustafa	Substantial (No further follow up)	3	3	100%
2018/19	Parking CCTV	Shifa Mustafa	Substantial (No further follow up)	1	1	100%
2018/19	Mortuary	Jaqueline Harris-Baker	Substantial (2 nd follow up in progress)	4	2	50%
2018/19	Growth Zone – High Level Review	Shifa Mustafa	Substantial (No further follow up)	3	3	100%
2018/19	Cashiers (Cash Handling)	Jaqueline Harris-Baker	Full (No further follow up)	1	1	100%
2018/19	GDPR	Jaqueline Harris-Baker	Substantial (2 nd follow up in progress)	2	0	0
2018/19	New Legal Services Model	Jaqueline Harris-Baker	Substantial (1 st follow up in progress)	7	4	57%
2018/19	Council Investment and Operational Properties – Income Maximisation	Jaqueline Harris-Baker	Substantial (2 nd follow up in progress)	4	2	50%
2018/19	Access to IT Server	Jaqueline Harris-Baker	Substantial (3 rd follow up in progress)	3	1	33%
2018/19	Capita Event Management	Jaqueline Harris-Baker	Substantial (No further follow up)	3	3	100%
2018/19	Third Party – Service Delivery	Jaqueline Harris-Baker	Substantial (1 st follow up in progress)	1	-	-
2018/19	Cashiers (Cash Handling)	Jaqueline Harris-Baker	Full (No further follow up)	1	1	100%
Non-School Audits Sub Total: Recommendations and implementation from audits that have had responses				200	143	72%
Non-School Audits Sub Total: Priority 1 Recommendations from audits that have had responses				29	18	62%
School Audits						
2018/19	Virgo Fidelis Convent School	Robert Henderson	No (No further follow up)	27	27	100%
2018/19	Coulsdon C of E Primary School	Robert Henderson	Limited (No further follow up)	8	7	88%

Financial Year	Audit Followed-up	Executive Director Responsible	Assurance Level & Status	Total Raised	Implemented	
					Total	Percentage
2018/19	The Mister Junior School	Robert Henderson	Limited (No further follow up)	11	9	82%
2018/19	Winterbourne Junior Girls School	Robert Henderson	Limited (No further follow up)	12	12	100%
2018/19	Regina Coeli Catholic Primary School	Robert Henderson	Limited (No further follow up)	10	10	100%
2018/19	St Andrews C of E VA High School	Robert Henderson	Limited (No further follow up)	5	5	100%
2018/19	Thomas More Catholic School	Robert Henderson	Limited (No further follow up)	18	17	94%
2018/19	Christchurch CofE Primary School	Robert Henderson	Substantial (No further follow up)	10	10	100%
2018/19	Orchard Way Primary School	Robert Henderson	Substantial (No further follow up)	8	8	100%
2018/19	Park Hill Infant School	Robert Henderson	Substantial (No further follow up)	6	6	100%
2018/19	Ridgeway Primary School	Robert Henderson	Substantial (No further follow up)	7	6	86%
2018/19	The Hayes Primary School	Robert Henderson	Substantial (No further follow up)	7	7	100%
2018/19	St Mary's Catholic High School	Robert Henderson	Substantial (No further follow up))	12	11	91%
2018/19	Bensham Manor School	Robert Henderson	Substantial (No further follow up)	9	8	89%
School Audits Sub Total: Recommendations and implementation from audits that have had responses				150	143	95%
School Audits Sub Total: Priority 1 Recommendations from audits that have had responses				19	19	100%
Recommendations and implementation from audits that have had responses				350	286	82%
Priority 1 Recommendations from audits that have had responses				48	37	77%

Appendix 7 - Follow-up of 2019/20 audits

Financial Year	Audit Followed-up	Executive Director Responsible	Assurance Level & Status	Total Raised	Implemented	
					Total	Percentage
Non School Audits						
2019/20	Alternative School Provisioning	Robert Henderson	Limited (No further follow up)	6	6	100%
2019/20	Lettings Allocations and Assessments	Guy Van Dichele	Limited (1 st follow up in progress)	3	-	-
2019/20	Adult Social Care (ASC) Waiting List	Guy Van Dichele	Limited (2 nd follow up in progress)	4	3	75%
2019/20	Care Market Failure	Jacqueline Harris-Baker	Limited (3 rd follow up in progress)	10	5	50%
2019/20	Bringing Services In-House – Parks Service	Shifa Mustafa	Limited (1 st follow up in progress)	8	-	-
2019/20	Food Safety – Data Quality	Shifa Mustafa	Limited (3 rd follow up in progress)	5	3	60%
2019/20	Community Equipment Service (Wheelchair Service)	Jacqueline Harris-Baker	Limited (2 nd follow up in progress)	3	2	33%
2019/20	Expenses & overtime Payments to Staff	Jacqueline Harris-Baker	No (2 nd follow up in progress)	8	0	0
2019/20	Pay and Display Meter Maintenance and Income	Shifa Mustafa	Substantial (No further follow up)	4	4	100%
2019/20	Section 17 Payments	Robert Henderson	Substantial (No further follow up)	5	5	100%
2019/20	Growth Zone – Performance Management	Shifa Mustafa	Substantial (1 st follow up in progress)	4	-	-
2019/20	Highways Contract Management	Shifa Mustafa	Substantial (1 st follow up in progress)	4	-	-
2019/20	Risk Management	Jacqueline Harris-Baker	Substantial (No further follow up)	4	4	100%
2019/20	Uniform IT Application	Jacqueline Harris-Baker	Substantial (1 st follow up in progress)	4	-	-
2019/20	Northgate iWorld Application	Jacqueline Harris-Baker	Substantial (No further follow up)	1	1	100%
Non-School Audits Sub Total: Recommendations and implementation from audits that have had responses				50	33	66%
Non-School Audits Sub Total: Priority 1 Recommendations from audits that have had responses				13	4	31%
School Audits						
2019/20	Winterbourne Nursery and Infants		No 4 th follow up in progress)	22	20	90%
2019/20	Beulah Junior School		Limited (No further follow up)	14	13	92%
2019/20	Kenley Primary School		Limited (No further follow up)	11	10	91%
2019/20	Margaret Roper Catholic Primary School		Limited	11	-	-

Financial Year	Audit Followed-up	Executive Director Responsible	Assurance Level & Status	Total Raised	Implemented	
					Total	Percentage
			(1 st follow up in progress)			
2019/20	Minster Infant School		Limited (1 st follow up in progress)	16	-	-
2019/20	Norbury Manor Primary School		Limited (2 nd follow up in progress)	13	9	70%
2019/20	St Joseph's Federation		Limited (1 st follow up in progress)	14	-	-
2019/20	Virgo Fidelis Convent Senior School		Limited (1 st follow up in progress)	20	-	-
2019/20	Crosfield Nursery and Selhurst Early Years		Substantial (1 st follow up in progress)	8	-	-
2019/20	All Saints C of E Primary School		Substantial (No further follow up)	12	12	100%
2019/20	Elmwood Infant School		Substantial (No further follow up)	6	6	100%
2019/20	Heavers Farm School		Substantial (1 st follow up in progress)	13	-	-
School Audits Sub Total: Recommendations and implementation from audits that have had responses				78	70	90%
School Audits Sub Total: Priority 1 recommendations from audits that have had responses				17	15	88%
Recommendations and implementation from audits that have had responses				128	103	80%
Priority 1 Recommendations from audits that have had responses				30	19	63%

Appendix 8 - 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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