

Final Internal Audit Report

Norbury Manor Primary School

January 2020

Distribution: Head Teacher
Chair of Governors
School Business Manager
Executive Director, Children, Families and Education (Final Only)
Director of Finance, Investment and Risk (Final Only)
Director of Education and Youth Engagement (Final Only)

Assurance Level	Recommendations Made	
Limited Assurance	Priority 1	3
	Priority 2	8
	Priority 3	2

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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Please refer to the Statement of Responsibility in Appendix 3 of this report for further information about responsibilities, limitations and confidentiality.

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1. Introduction

Norbury Manor Primary School is a Community School and at the time of audit there were 412 pupils attending. It has an expenditure budget of approximately £2.23M for 2019/20.

The audit was undertaken as part of the agreed Internal Audit Plan for 2019/20 based on a risk assessment. The objectives, approach and scope are contained in the Audit Terms of Reference at Appendix 1.

2. Key Issues

Priority 1 Recommendations

For one new starter, only one reference was obtained and for another (who was an apprentice) no references had been obtained. **(Recommendation 4)**

Right to work checks had not been properly evidenced for any of the sample of the three starters tested. **(Recommendation 5)**

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. **(Recommendation 9)**

Priority 2 Recommendations

The School's Financial Policy, which includes the scheme of financial delegation, was not evidenced as annually reviewed by the full Governing Body as required. **(Recommendation 1)**

Signed pecuniary interest forms were not held for two of the governors. **(Recommendation 2)**

The Whistleblowing Policy was not evidenced as approved by the Governing Body as required. **(Recommendation 3)**

Medical checks had not been completed for two of the sample of new starters tested. **(Recommendation 6)**

The Pay Policy had not been reviewed and approved by the Governing Body in the last 12 months as required. **(Recommendation 7)**

There were no purchase orders for two of the sample of 15 purchases tested. **(Recommendation 8)**

For five of the sample of 15 purchases tested, appropriate good / services received checks were not evidenced. **(Recommendation 10)**

Hirer's public liability insurance was not evidenced for two the lets sampled and one let was not evidenced as authorised by the Head Teacher. The Lettings Policy had not been evidenced as reviewed and approved in the last 12 months. **(Recommendation 11)**

Priority 3 recommendations are included under item 4 below.

Acknowledgement

We would like to thank the following members of staff for their time and contribution to this audit:

- Head Teacher
- Finance and Personnel Officer
- School Business Manager

3. Actions and Key Findings/Rationale

Audit Area: Governance and Leadership

Priority	Recommendation 1	Detailed Finding/Rationale		
2	<p>The Financial Policy and Procedures Manual should be amended to detail what the pre-determined limit for quotes and for tenders is and to detail the procedures for the procurement card.</p> <p>The revised Financial Policy and Procedures Manual should be approved by the Governing Body and then annually thereafter.</p>	<p>Expected Control</p> <p>The School Governance (Roles, Procedures and Allowances) (England) Regulations 2013 paragraph 18 (3) details that, '<i>The governing body must review the exercise of functions they have delegated, annually.</i>'</p> <p>Issue/Finding</p> <p>The School's Financial Policy and Procedures Manual, which includes the Scheme of Financial delegation, was last reviewed and approved by the Governing Body in October 2017</p> <p>Examination of the manual found that it detailed that both quotes and tenders be sought above a pre-determined limit, but that the manual did not detail what that pre-determined limit was. Furthermore, although the School has a procurement card, the manual did not detail the procedures for the monthly check and reconciliation of the procurement card expenditure.</p> <p>Risk</p> <p>Where the School's Financial Policy and Procedures Manual, which includes the Scheme of Financial Delegation, has not been approved in the last 12 months, the School is in breach of the School Governance (Roles, Procedures and Allowances) (England) Regulations 2013 and there is a risk that this may not be in line with the Governing Body expectations.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
<p>Actions Taken</p> <p>Agree</p>		Agree	Head Teacher	January 2020

<p>Update the Financial Policy and Procedures Manual to ensure the School is following the Croydon process</p> <p>Share the updated policy with the administration team who are part of the process</p> <p>Review the policy with the FGB</p> <p>Ensure the policy is added to the yearly review cycle.</p> <p>Please note that the School has had some recent governor changes, which have impacted on the Governing Body conducting its business.</p>			
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Priority	Recommendation 2	Detailed Finding/Rationale		
2	The School should ensure that the two identified governors sign the pecuniary interest forms (if their membership continues).	<p>Expected Control</p> <p>The 'Croydon Scheme for Financing Schools' paragraph 2.9 details that, '<i>Governing bodies shall maintain a register which lists for each member of the governing body, the head teacher and budget holders, any business interests they or any member of their immediate family have; details of any other educational establishments that they govern and any relationships between school staff and members of the governing body. The register is to be kept up to date with changes being made as they occur and by means of an annual review of entries. The register must be available for inspection by governors, staff, parents and the LA and the register should be published, for example on a publicly accessible website.</i>'</p> <p>Issue/Finding</p> <p>Signed pecuniary interest forms were not available for two of the governors. The Head Teacher explained that the two Governors had not been in attendance at Governing Body meetings for some time and that therefore the governors have not been able to sign these. It was also explained that the membership of these Governors was being reviewed.</p> <p>Risk</p> <p>Where not all governors have signed declarations of pecuniary interests, the School is in breach of the Croydon Scheme for Financing Schools. Furthermore, there is a risk that conflicts of interest may not be detected and that the School may be unable to demonstrate openness and transparency.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
Both members of the governing body who have not signed the pecuniary have not attended any recent meetings. One member may be converting to an Associate member role. The COG has been in contact with the relevant members, but the situation is ongoing. Actions Taken		Agree	Chair of Governors / Head Teacher	January 2020

<p>Confirm with Chair whether the two members of the FGB have stepped down</p> <p>Update FGB list on relevant websites and paperwork</p> <p>Send a copy of the pecuniary interest form via email to the members of the FGB who have not signed it.</p>			
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Priority	Recommendation 3	Detailed Finding/Rationale		
2	The Whistleblowing Policy should be approved by the Governing Body.	<p>Expected Control</p> <p>In line with the requirements of the Public Interest Disclosure Act 1998 the School is required to have a Whistleblowing Policy. In line with other school policies, the Whistleblowing Policy should be approved by the Governing Body, or delegated Committee.</p> <p>Issue/Finding</p> <p>It was confirmed that the School has a Whistleblowing Policy in place, dated 2019/20; however, there was no evidence of this being approved by the Governing Body as required.</p> <p>Risk</p> <p>Where the Whistleblowing Policy has not been approved by the Governing Body, there is a risk that the policy is not in line with the Governing Body expectations.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
<p>Actions Taken</p> <p>Review the policy with the FGB</p> <p>Ensure the policy is added to the yearly review cycle.</p>		Agree	Head Teacher	January 2020

Audit Area: Payroll

Priority	Recommendation 4	Detailed Finding/Rationale		
1	<p>The missing references should be obtained.</p> <p>The School should ensure that two references are obtained before appointment of roles for future new starters, (ideally prior to interviews being conducted).</p>	<p>Expected Control</p> <p>The 'Keeping children safe in education - Statutory guidance for schools and colleges' dated September 2019, requires that two written references are obtained for all new starters, preferably prior to being interviewed. The references should ideally be from the individual's last employment. However, where individuals have not been employees, i.e. it is their first role, then two character references should be obtained from their college or school.</p> <p>Issue/Finding</p> <p>Sample testing of the documentation retained for a sample of three new starters found that:</p> <ul style="list-style-type: none"> • Only one reference had been obtained for one of the new starters. Furthermore, this was obtained after the starter commenced employment. • No references had been obtained for the apprentice engaged from a local college. <p>Risk</p> <p>Where the 'Keeping children safe in education - Statutory guidance for schools and colleges' is not complied with and appropriate references obtained, there is a risk that the School may hire based upon false pretences and that inappropriate individuals could be appointed.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
<p>Actions Taken</p> <p>Update the recruitment policy to ensure the School is following the Croydon process</p> <p>Share the updated policy with all SLT and administration team who are part of the recruitment process</p>		Agree	Head Teacher	January 2020

Review the policy with the FGB			
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Priority	Recommendation 5	Detailed Finding/Rationale		
1	The School must retain appropriate documentation (in line with that detailed on the GOV.UK website) to demonstrate that appropriate right to work checks have been undertaken.	<p>Expected Control</p> <p>The GOV.UK website details that, when checking a job applicant's right to work, the following must be done:</p> <ul style="list-style-type: none"> You must see the applicant's original documents. You must check that the documents are valid with the applicant present. You must make and keep copies of the documents and record the date you made the check. <p>Issue/Finding</p> <p>Sample testing of the documentation retained for a sample of three new starters could not find any form of identity documentation to demonstrate the required right to work checks had been completed.</p> <p>Risk</p> <p>Where the School is unable to demonstrate that the required right to work checks have been conducted, there is a risk that these checks have not actually been conducted. Furthermore, should any of these employees not have the right to work in the UK, the School will not have any defence and will be fined by the UK Border Agency.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
<p>Share the updated policy with all SLT and administration team who are part of the recruitment process</p> <p>Review the policy with the FGB</p> <p>Collect missing documentation from staff members and add to the SCR and staff file</p>		Agree	Finance & HR Manager	January 2020

Priority	Recommendation 6	Detailed Finding/Rationale		
2	A record of satisfactory medical checks should be obtained for the identified two staff (and any future staff employed.)	<p>Expected Control</p> <p>The Education (Health Standards) (England) Regulations 2003 paragraph 6(1) details that, 'A relevant activity may only be carried out by a person if, having regard to any duty of his employer under Part II of the Disability Discrimination Act 1995(1), he has the health and physical capacity to carry out that activity.' In this regard, medical checks are required to be conducted for school staff appointments.</p> <p>Issue/Finding</p> <p>Examination of the documentation held for a sample of three new starters established that a record of satisfactory medical checks was not held for two of the staff. It should be noted that the School had, upon being notified of this omission at the time of audit, immediately requested the two members of staff to complete the required medical forms.</p> <p>Risk</p> <p>Where satisfactory medical checks are not obtained for new starters, the School is in breach of the Education (Health Standards) (England) Regulations 2003 and there is a risk that these individuals may not have the required health and physical capacity for their roles.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
<p>Action Taken</p> <p>Complete and send APL documentation to register new staff with APL and start the medical check process</p> <p>Relevant staff members complete the APL process</p> <p>Additional risk assessment/paperwork completed, and all documents added to relevant staff files</p>		Agree	Finance & HR Manager	January 2020

Relevant staff informed of any adaptations required for a member of staff and equipment purchased if appropriate			
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Priority	Recommendation 7	Detailed Finding/Rationale		
2	The School's Pay Policy should be reviewed and approved by the Governing Body and then annually thereafter.	<p>Expected Control</p> <p>The Teachers' Pay and Conditions document details that, 'All relevant bodies – both governing bodies and LAs where they are the relevant body, including for all unattached teachers – must have a pay policy. This should be linked to the appraisal policy. Pay and appraisal policies should be reviewed annually and kept up to date to take account of any uplift to the national framework and any legal changes or changes in the staffing structure which have an impact on discretionary pay decisions.'</p> <p>Issue/Finding</p> <p>Examination of the Governing Body minutes for the last 12 months could not locate any evidence of the Pay Policy being reviewed as required. The last approval noted was in March 2018.</p> <p>Risk</p> <p>Where the Pay Policy has not been annually approved as required, the School is not compliant with the Teachers' Pay and Conditions document and there is an increased risk that the Policy is out of date.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
<p>Action Taken</p> <p>Updated the pay policy to ensure the School is following the Croydon process</p> <p>Review the policy with the FGB</p> <p>Add the policy to the yearly review cycle</p>		Agree	Head Teacher	January 2020

Audit Area: Procurement

Priority	Recommendation 8	Detailed Finding/Rationale		
2	<p>Where costs relating to transactions can be identified in advance, management should ensure that details of the financial commitments are entered onto SIMS by creating purchase orders prior to initiating the purchases.</p> <p>All transactions should be evidenced as being appropriately authorised prior to being initiated.</p>	<p>Expected Control</p> <p>The Schools Financial Policy and Procedures Manual, part 'D8: Use of written pre-numbered order forms' details that, 'Official, pre-numbered orders from the FMS system must be used for all goods and services except utilities, rents, rates and petty cash payments. Where urgency requires an oral order these must be confirmed by a written order and applicable level of approval added.'</p> <p>Issue/Finding</p> <p>Testing of a sample of 15 purchases found that for two of these there was no purchase order, as follows:</p> <ul style="list-style-type: none"> • A £330 – This was for a football coach who charges for lessons and matches at the end of each term. The amount the football coach charges will vary depending on availability and weather. • B £294 – This was for an annual subscription for a company to host the School website. <p>Risk</p> <p>Where official orders are not raised and authorised prior to purchases being made, there is a risk that the authorisation and commitment processes are by-passed which could result in inappropriate purchases and poor budgetary control.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
<p>Action Taken</p> <p>Review the process alongside the Financial Policy and Procedures Manual</p> <p>Monitor the process as part of the SLT Monitoring Cycle</p>		Agree	<p>Head Teacher</p> <p>Finance and HR Manager will lead the monitoring process</p>	Add to the yearly monitoring cycle

Priority	Recommendation 9	Detailed Finding/Rationale		
1	The HMRC 'view' of the employment status of the individuals should be obtained by using the Employment Status Indicator (ESI) tool, and NI and PAYE deductions, where appropriate, should be made from payments.	<p>Expected Control</p> <p>The guidance on the HMRC website details that, 'A worker's employment status, that is whether they are employed or self-employed, is not a matter of choice. Whether someone is employed or self-employed depends upon the terms and conditions of the relevant engagement.' The Employment Status Indicator (ESI) tool < https://www.tax.service.gov.uk/check-employment-status-for-tax/setup > on the HMRC website can be used to determine the employment status of individuals. Where someone is determined to be employed, PAYE and NI deductions must be made at source.</p> <p>Issue/Finding</p> <p>Examination of documentation available for a sample of fifteen transactions identified that one of the transactions was for a payment to an individual. There was no evidence that the HMRC Employment Status Service tool had been used or that any other check of self-employment had been conducted.</p> <p>Risk</p> <p>Where payments are made to individuals and the employment status of these individuals is not confirmed, there is a risk that these individuals may be defined as employees by HMRC and the School fined and held liable for the NI and PAYE deductions plus interest charges.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
<p>Action Taken</p> <p>Identify all members of staff who require HMRC Employment Status using the Service tool process.</p> <p>Complete the process and add documents to the relevant file.</p>		Agree	Finance and HR Manager	January 2020

Priority	Recommendation 10	Detailed Finding/Rationale		
2	An appropriate goods received check should be evidenced for all transactions prior to these being paid. This should not be conducted by the person who signed the order or who approves the invoice for payment.	<p>Expected Control</p> <p>The Schools Financial Policy and Procedures Manual, part 'D13: Check goods and services on receipt' details that, <i>'The Finance Officer, Premises and Office team must check goods and services upon receipt and match the order which should be annotated accordingly. This should not undertaken by the person who signed the order unless in the case of staff absence (in this event the person should not then be a cheque signatory to ensure process is validated. Where a GRN is not provided with the delivery, the original order request should be cross checked with the delivery.'</i></p> <p>Part 'D15 Approved staff should certify invoices for payment' details that, <i>'A member of staff, who did not sign the order or check receipt of goods, approved by the Governing Body should certify invoices for payment.'</i></p> <p>Issue/Finding</p> <p>Testing of a sample of 15 transactions identified:</p> <ul style="list-style-type: none"> • One transaction where there was no goods received check evidenced. The Finance and Personnel Officer explained that the original invoice, which had been signed to evidence the goods received check was lost and a copy of the original invoice was obtained. This copy of the original invoice had not been signed to evidence the goods received check. • Four transactions where it was explained that the goods received check and authorisation of the invoice were conducted by the same person, who evidenced these by signing the generic purchase order. <p>Risk</p> <p>Where appropriate evidence of goods or services received checks is not retained for each purchase made by the School, there is a risk that payments are made for goods and services that are not received.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
This is the first time this issue has been raised as part of this process. The process reviewed was		Agree	Finance and HR Manager / Head Teacher	January 2020

the same process in place during the last academic year's audit and it was not raised as an issue. Another layer of checks has been added using a stamp			
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Audit Area: Income

Priority	Recommendation 11	Detailed Finding/Rationale		
2	<p>The School should either retain a copy of the hirer's public liability insurance before the letting is agreed, or the School should charge for the insurance.</p> <p>All lettings of school facilities should be evidenced as appropriately checked.</p> <p>The Governing Body should review and approve the Lettings Policy.</p>	<p>Expected Control</p> <p>When school facilities are let to those outside of the school, a booking form is filled out and the hirer signs to confirm that they have public liability insurance. An up to date copy of the hirer's public liability insurance should be obtained as evidence before the school authorises the use of school facilities. The lettings should also be authorised by the Head Teacher or Full Governing body.</p> <p>The schools letting policy should be reviewed and approved annually.</p> <p>Issue/Finding</p> <p>Testing of the documentation for a sample of 3 lettings found that:</p> <ul style="list-style-type: none"> • Copies of the hirer's public liability insurance were not held. • One letting had not been evidenced as authorised by the Head Teacher <p>In addition, the School's Lettings Policy was last reviewed and approved by the full Governing Body in April 2018 and therefore had not been reviewed and approved in the last 12 months.</p> <p>Risk</p> <p>Where the public liability insurance of hirers is not confirmed, there is a risk that School facilities are let to users that do not have appropriate insurance and, if there were any damage caused to people, property or facilities, this could result in large financial costs to the School. Where the lettings policy has not been reviewed and approved by the Full Governing Body, there is an increased risk that the out of date procedures are followed or that inappropriate prices are levied.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
<p>Action Taken</p> <p>Update the letting policy and include a reference to the public liability insurance</p>		Agree	Head Teacher / Finance and HR Manager	January 2020

<p>Update the letting application form to include a reference to the public liability insurance</p> <p>Share the updated policy with the administration team who are part of the process</p> <p>Review the policy with the FGB</p> <p>Share the outcome of the meeting with HT before confirming that it has been agreed.</p> <p>Monitor the files as part of the SLT monitoring cycle</p> <p>Obtain copies of all letting Public Liability Insurance and add to relevant files</p>			
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4. Priority 3 Recommendations

Recommendation	Findings
<p>1) The governors induction pack should be amended to include the following documents:</p> <ul style="list-style-type: none"> • The current year budget; • Scheme for Financing Schools; • Schools delegation of authorisation Levels, and • Governors guide to School Governance 	<p>The School's governors' induction pack did not include the following documents:</p> <ul style="list-style-type: none"> • The current year budget • Scheme for Financing Schools • Schools delegation of authorisation Levels • Governors guide to School Governance <p>Where the governors' induction pack is incomplete, there is a risk that the Governors will not be aware of important aspects of the School and its governance.</p>
<p>2) The Head Teacher should acknowledge any resignations in writing.</p>	<p>Examination of the documents held for the sample of three staff leavers, established that in one instance, although a letter of resignation was received by the School from the leaver, there was no acknowledgement of the leaving date by the Head Teacher.</p> <p>Where resignations are not acknowledged in writing and the final day of service confirmed, there is an increased risk that the final leaving date may be disputed.</p>

AUDIT TERMS OF REFERENCE

Norbury Manor Primary School – 2019/20

1. INTRODUCTION & BACKGROUND

- 1.1 This audit is being undertaken as part of the Internal Audit Plan for 2019/20, as agreed by the Council's Audit Committee.

2. AUDIT OBJECTIVES AND METHODOLOGY

- 2.1 To provide an independent and objective opinion on the degree to which the Council's internal control environment supports and promotes the achievement of the Council's objectives. The internal control environment comprises the policies, procedures and operations in place to:
- establish, and monitor the achievement of the service's objectives;
 - identify, assess and manage the risks to achieving the services objectives;
 - facilitate policy and decision making;
 - ensure the economical, effective and efficient use of resources;
 - ensure compliance with established policies (including behavioural and ethical expectations), procedures, laws and regulations;
 - safeguard the service's assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption; and
 - ensure the integrity and reliability of information, accounts and data, including internal and external reporting and accountability processes.
- 2.2 To confirm that management have controls in place to detect and vigorously, pursue, fraud, corruption, other irregularities, errors and poor value for money.
- 2.3 To confirm that appropriate management action has been taken to implement recommendations for change leading to improvement in performance and/ or control.

3. SCOPE





3.1 The audit included the following areas (and number of recommendations made):

Audit Area	Recommendations Made		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Governance and Leadership	0	3	1
Budgetary Control & Monitoring	0	0	0
Payroll	2	2	1
Safeguarding	0	0	0
Procurement	1	2	0
Bank Accounts	0	0	0
Information Governance	0	0	0
Health and Safety	0	0	0
Income	0	1	0
Totals	3	8	2

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 constantly 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 of the controls which may put this achievement at risk.
	Limited Assurance	There are significant weaknesses in key areas of system controls and non-compliance that puts achieving the system objectives at risk,
	No Assurance	Controls are non-existent or extremely weak, leaving the system open to the high risk of error, abuse and reputational damage.

Priorities assigned to recommendations are based on the following criteria:

Priority 1 (High)	Fundamental control weaknesses that require immediate attention by management to action and mitigate significant exposure to risk.
Priority 2 (Medium)	Control weakness that still represent an exposure to risk and need to be addressed within a reasonable period.
Priority 3 (Low)	Although control weaknesses are considered to be relatively minor and low risk, still provides an opportunity for improvement. May also apply to areas considered to be of best practice that can improve for example the value for money of the review area.

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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