

Final Internal Audit Report

Disabled Facilities Grants

September 2016

Distribution: Executive Director People (Final only)
 Director of Housing Need
 Head of Housing Renewal
 Staying Put Team Leader
 Senior Home Investment Officer

Assurance Level	Recommendations Made	
Limited Assurance	Priority 1	2
	Priority 2	4
	Priority 3	6

Confidentiality and Disclosure Clause

This report has been prepared on the basis of the limitations set out in Appendix 3.

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1. INTRODUCTION

- 1.1 Disabled facilities grants (DFGs) are mandatory grants provided by local authorities to help meet the cost for essential adaptations, with the aim of enabling people with disabilities to remain independent and continue living in their own home. The Council approved ninety six DFGs during 2015/16.
- 1.2 Applications are means tested and the average DFG grant is £6,500 with the maximum of £30,000.
- 1.3 From 1 April 2015 there was a significant change in the way that Central Government funding for the provision of DFGs, is paid to local authorities. Instead of making a specific payment to each local authority, this allocation is now paid through the Better Care Fund (BCF).
- 1.4 This audit was undertaken as part of the agreed Internal Audit Plan for 2016/17. The objectives, scope and approach are included in the Audit Terms of Reference at Appendix 1.

2. Key Issues

Priority 1 Recommendations

Although the works for each disabled facility grant is awarded through a mini-tender exercise, due to the value of the annual aggregated expenditure with some contractors, there is noncompliance with the Councils Tenders and Contracts regulations, **(Rec 3)**.

The Disabled Facilities Grants Statistics for 2015/16 highlighted that 4 of the 96 approved applications were approved after the statutory deadline of 6 months **(Rec 5.)**

Priority 2 Recommendations

Procedural guidance examined did not specify any timescales or target deadlines for the different elements of the disabled facilities grant process. Examination of the Major Adaptations Unit (MAU) waiting list identified 11 unprocessed applications older than six months **(Rec 1)**.

The 'Adult Application form for Disabled Facilities Grant' does not include a fair processing notice **(Rec 2)**.

Our sample testing identified that records of surveyor site visits are not always made **(Rec 4)**.

Evidence of regular and complete 'Housing renewal Service – Milestones Reports' being produced was not available **(Rec 6)**.

The Priority 3 recommendations are detailed under item 4 below.

3. Actions and Key Findings/Rationale

Area 1 – Application Administration			
Priority	Recommendation 1	Detailed Finding/Rational	
2	<p>The procedural guidance to be updated and clarity provided regarding timescales for handling enquiry/application across the various teams (i.e. Major Adaptation Unit, Occupational Therapists, Staying Put, etc.).</p> <p>The MAU waiting list should be regularly reviewed to ensure that cases are actioned in a timely manner. The cases on the MAU waiting list older than 6 months should be actioned as a matter of urgency.</p>	<p>Referrals to the Major Adaptation Unit (MAU) come from various sources including; hospital, GPs, social workers, housing officers or the Home Improvement Agency. Occupational Therapists (OT) within the MAU conduct initial assessments to establish whether the applications are necessary, appropriate, reasonable and practical.</p> <p>Examination of the MAU waiting list (dated 4 May 2016) confirmed that each case had been assigned a priority. However, it was identified that 11 cases (out of 117 priority 2 and 3 cases) had been on the MAU waiting list for over 6 months and OT's had not yet been assigned.</p> <p>Examination of the 'Procedure for processing DFGS's 2016' identified that this did not provide any timescales or target deadlines for the different elements of the disabled facilities grant process. However, discussions with the Major Adaptation Team Leader established that high priority cases (priority 1) should be assigned OTs within 2 weeks, while priority 2 and 3 cases should be assigned OTs within 6 months. The six month period for allocating priority 2 and 3 cases is considered too long as this does not enable the deadline in the Housing Grants, Construction and Regeneration Act 1996 to be met.</p> <p>Where timescales are not defined and adhered to, there is a risk that inefficient working practices might be adopted, which could result in the health conditions of clients deteriorating and reputational damage to the council. Furthermore, the timescales in the Housing Grants, Construction and Regeneration Act 1996 will not be met.</p>	
Management Response		Agreed/Disagreed	Responsible Officer
<p>Agreed that the timescales will be defined in our procedures and that the waiting list times are not acceptable. This has been raised on the councils risk register due to resource constraints from Croydon Health (who fund some of the OT posts) and a shortage of OT's. This is a local and national problem and despite 3 rounds of recruitment, no new OT's have been appointed. A fourth round is</p>		Agreed	Major Adaptations and Projects Manager
			Deadline
			End of October 2016

<p>currently underway for the 2 vacant posts. The MAU currently has 3 OT's instead of 5, which severely impacts the waiting list. As an interim measure, in July 2016 we have appointed an external OT agency to carry out 100 major adaptations assessments to reduce the waiting list and bring future waiting times down to an acceptable level.</p> <p>A 3 month time limit was set for the 100 assessments, so we are hopeful of achieving the October deadline.</p>			
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Priority	Recommendation 2	Detailed Finding/Rational		
2	<p>The 'Adult Application form for Disabled Facilities Grant' form should be amended to include:</p> <ul style="list-style-type: none"> • a fair processing notice, and • a fraud declaration on the first page. 	<p>The Data Protection Act 1998 states that, 'Personal data shall be processed fairly and lawfully and, in particular, shall not be processed unless – (a) at least one of the conditions in Schedule 2 is met, and (b) in the case of sensitive personal data, at least one of the conditions in Schedule 3 is also met.' In this regard the Council must be transparent in how it intends to use any data collected and any application forms in use should include a 'fair processing notice'. Furthermore, in order to be able to take appropriate action, should a false statement be made, any application forms in use should also include a fraud declaration.</p> <p>Examination of the 'Adult Application form for Disabled Facilities Grant' in use established that this did not include a fair processing notice and, while this included an appropriate fraud declaration, this was not displayed on the front page of the form. Where the fraud declaration is included on the first page of application form, this reduces the likelihood of clients making any false statements.</p> <p>Where a fair processing notice statement is not included on the 'Adult Application form for Disabled Facilities Grant' form, the Council is unable to use the data collected on the form for data mapping or matching exercises to help detect fraud. Consequently there is a risk that possible frauds may not be identified.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
Agreed as an appropriate course of action under the guidance given.		Agreed	Staying Put Team Leader	End of October 2016

Area 2		Detailed Finding/Rational		
Priority	Recommendation 3			
1	Liaise with the Head of Procurement to remedy the breach of the Tenders and Contracts Regulations relating to aggregated expenditure and regularise this going forward.	<p>The Council's Tenders and Contracts Regulations item 8 details the requirements for different levels of aggregated expenditure:</p> <ul style="list-style-type: none"> for aggregated expenditure between £25k to 100k - 'Formal Tendering via an e-sourcing portal or if justified then the invitation of quotations (as row above) can be adopted', and for aggregated expenditure above £100k - 'Formal Tendering via an e-sourcing portal depending upon value, tendering processes will be undertaken in accordance with the requirements of the Public Contract Regulations 2015.' <p>It was established that, for each disabled facilities grant, a mini tender / quote exercise would be conducted to select the contractor/s to perform the required works. A letter would then be used to award the works to the successful contractor. These works would typically range between £5k and £25k</p> <p>However, examination of the aggregated expenditure in a sample of five of the contractors used to deliver disabled facility grant works during 2015/2016 identified that for three of the contractors the aggregated expenditure exceeded £100,000 [REDACTED]. For the two remaining contractors, the value of the aggregated expenditure exceeded the £25k threshold ([REDACTED]). There was no evidence that a formal tendering exercise had been undertaken in line with the Councils Tenders and Contracts Regulations for any of the above contractors (or alternatively, of exemption having been sought.)</p> <p>Where tenders are not sought in line with the Council's Tenders and Contracts Regulations, there is a risk that value for money cannot be demonstrated and that appropriate forms of contract are not in place.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
An initial meeting has been held with a new category manager to discuss and implement a way forward that complies with the regulations. A previous request had been made of a category manager for advice on alternatives to the use of an approved list, however the issue of avoiding aggregated spend above these levels was not mentioned. Aggregated spend was also not raised by procurement during the recent general building works re-		Agreed	Head of Housing Renewal / Staying Put Team Leader	End of October 2016

<p>procurement (where we previously used the same contractors for identical works in council stock). We have concerns about maintaining the quality of work in this specialist area as we have found from experience that larger and new contractors, with no experience of adaptations, fail to deliver the quality/design we need. We hope to address this issue in our further meetings with procurement.</p> <p>We have also been meeting with legal for the past 6 months in relation to agreeing a form of contract for the works between the contractor and the property owner (private sector). This needs to link in with the agency agreement we have for the service we provide to the client. The advice is proving to be complex and is unfortunately proceeding very slowly.</p> <p>Please note that we are concerned that the issue of aggregated spend was not raised during the 2014/15 Disabled Facilities Grant audit. Had it been, we would have addressed it then.</p>			
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Area 3 – Work monitoring			
Priority	Recommendation 4	Detailed Finding/Rational	
2	Periodic site visits carried out by surveyors to be recorded in the respective client case notes.	<p>The Council's 'Procedure For Processing Disabled Facilities Grants' states that, 'Building Surveyors or External Building Surveyor carries out periodic site visits as required.'</p> <p>Examination of a sample of seven adaptation cases assigned to the internal surveyor identified five instances ([REDACTED]) where surveyor's site visits were not recorded.</p> <p>Discussions established that periodic site visits are carried out by the external building surveyor; however evidence of this is not maintained on file and, as a result, this could not be verified during the audit.</p> <p>Where site visits are not conducted by the surveyors, there is a risk that poor quality work may not be identified. Where site visits by the surveyors are not recorded, there is a risk that these are not conducted, or if conducted, there is a lack of record of what was agreed by the surveyor.</p>	

Management Response	Agreed/Disagreed	Responsible Officer	Deadline
<p>Periodic visits and final inspections are always carried out by the internal and external surveyors on their respective cases.</p> <p>Internal surveyor now notes all visits/outcomes/stage of work completed in case file notes. The cases mentioned were during the transition from using paper to SharePoint only case files. The surveyor was getting used to the new processes, where the making of a simple file note is much more time-consuming than a hand written one on a paper file.</p> <p>For external surveyors, we do not access their files notes, but on completion of adaptation works, they confirm practical completion in writing to us with the final account.</p> <p>Staff have been reminded of the need to maintain detailed case files notes following each visit.</p>	<p>Agreed</p>	<p>Staying Put Team Leader</p>	<p>September 2016</p>

Area 6 – Reporting		Detailed Finding/Rational
Priority	Recommendation 5	
<p>1</p>	<p>To ensure that disabled facility grants approval responses are provided within 6 months of receiving the application. (In addition, as recommended in recommendation 1: The 'Procedure for processing DFGS's 2016' should be amended to include timescales or target deadlines for the different elements of the disabled facilities grant process.)</p>	<p>The Housing Grants, Construction and Regeneration Act 1996, paragraph 34 (1) Decision and notification states that, <i>'A local housing authority shall by notice in writing notify an applicant for a grant as soon as reasonably practicable, and, in any event, not later than six months after the date of the application concerned, whether the application is approved or refused.'</i></p> <p>Examination of the 'Disabled Facility Grants Stats (using Uniform and HSG Reports)' identified that 4 of the 96 DFGs approved in 2015/16 were approved after 6 months. While this is an improvement on the 23 (out of a total of 130) approved after 6 months during 2014/15, further work is required to meet the statutory target.</p> <p>Examination of a sample of 10 cases from the monitoring spreadsheets also identified the following:</p> <ul style="list-style-type: none"> • Application dates were not captured for any of the 10 cases, and • In five cases, the dates of the OT visit were not recorded ([REDACTED])

		<p>Where DFG applications are not properly monitored, there is a risk that these are not processed in a timely manner and that statutory timescales are not complied with.</p>	
<p>Management Response</p> <p>There is a system in place for monitoring timescales on DFG cases, the Staying Put monitoring spreadsheet – this is used at the monthly monitoring meetings held with the external consultant surveyors to check progress on live cases. We appreciate the 6 month deadline and will look at ways in which this can be adapted to create a reminder system prior to the 6 month deadline to ensure we give a decision on the application within that deadline.</p> <p>The decision on approval of a DFG may be delayed for many reasons, client illness or failure to agree the proposal, contractor delays in providing quotations, planning requirements etc. so there may be valid reasons for the delay. Previously we have not provided an approval/refusal decision until all matters had been resolved but will now issue a refusal stating the reasons why we cannot approve the grant, in the event that any exceed the 6 month time limit without being approved.</p> <p>The procedures will be amended to reflect this and to include the timescales.</p>	<p>Agreed/Disagreed</p> <p>Agreed</p>	<p>Responsible Officer</p> <p>Senior Home Investment Officer/ Staying Put Team Leader</p>	<p>Deadline</p> <p>September 2016</p>

<p>Priority</p> <p>2</p>	<p>Recommendation 6</p> <p>Regular 'Housing renewal Service – Milestones Report' to be produced which should detail the performance of the 'Adaptions (disabled facilities grants)' operational objective.</p>	<p>Detailed Finding/Rational</p> <p>In order to appropriately monitor the performance of the function, regular performance reports should be produced to measure performance against appropriate targets. It was established that a 'Housing renewal Service – Milestones Report' is produced quarterly and a copy of the report for 'Quarter 2 (April to September 2015)' was provided. Examination of this confirmed that this included the operational objective 'Adaptions (disabled facilities grants)'. While an annual target was provided for this indicator, the performance against this (although green RAG rated) was not detailed. Reports were also not available for any of the other quarters of 2015/16.</p> <p>Where performance is not appropriately reported and monitored, there is a risk that poor performance is not identified and consequently that corrective actions are not taken in a timely manner.</p>
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Management Response	Agreed/Disagreed	Responsible Officer	Deadline
<p>All of the information that aggregates to form the milestones report is collected on a monthly basis. This is circulated and reviewed on a monthly basis.</p> <p>Due to the head of service involvement in the General Building Works re-procurement for much of the past year, there was a resource issue in compiling the actual milestones reports. End of year performance against targets was still recorded and noted and the provision of milestones reports will resume now that the GBW contract is post mobilisation.</p>	<p>Agreed</p>	<p>Head of Housing Renewal</p>	<p>By end September 2016</p>

4. Priority 3 Recommendations

Recommendation	Findings
<p>a) Owner/tenant certificates should be obtained and retained on file.</p>	<p>For all DFG applications, a visit and an assessment is conducted, at which time a signature is obtained from the owner on the 'DFG owners Certificate or DFG tenants Certificate'.</p> <p>A sample of 10 cases was examined to confirm that owner/tenant certificates had been submitted. An exception was identified in one case ([REDACTED]) where the tenant's certificate could not be identified on SharePoint.</p> <p>Response:</p> <p>This case is now showing on SharePoint case file dated 17/4/16.</p>
<p>b) Detailed specifications should be produced by surveyors and retained on file.</p>	<p>The 'Procedure for processing DFGS's 2016' item 7.3 states that, 'CW [Case Worker] informs BS [Building Surveyor] when drawings have been approved and instructs BS to prepare specification and tender documents and select contractors to tender.'</p> <p>Examination of a sample of 10 cases identified one case ([REDACTED]) where a copy of the specification was not found.</p> <p>Response:</p> <p>For this case internal building surveyor documents were previously stored in a known shared area on the L drive. New procedure in place to store them all in SharePoint case file. In addition, the storage of documents within the SharePoint case has been addressed so that they are stored in document sets according to the stage of the process e.g. approval and payment stages.</p>
<p>c) Tender documentation should be retained on file to demonstrate good VFM.</p>	<p>Examination of a sample of 10 cases established that, while quotes were obtained from contractors (which were all found to be on the list of approved contractors), one case was identified where the tender documentation was not retained to demonstrate that the contract award was value for money.</p> <p>Where contract documentation is not kept on file, there is a risk that Council may not be able to demonstrate VFM, resulting in reputational damage to the Council.</p> <p>Response:</p> <p>For this case internal building surveyor documents were previously stored in a known shared area on the L drive. New procedure in place to store them all in SharePoint case file. In addition, the storage of documents within the SharePoint case has been addressed so that they are stored in document sets according to the stage of the process e.g. approval and payment</p>

<p>d) Adaptation plans should be evidenced as reviewed by the OT to confirm that the planned adaptation will be suitable to meet the client's need. Completed adaptation works should be evidenced as agreed with the client and OT.</p>	<p>stages.</p> <p>The Council's Procedure For Processing Disabled Facilities Grants states that, 'Case workers shall send drawings to OT to obtain OT's advice for amendments (where applicable) and agreement. At completion, Care worker requests DFG6 (completion form) from OT.' Examination of the supporting documents for a sample of 10 disabled facilities grants found:</p> <ul style="list-style-type: none">• One case ([REDACTED]) where evidence could not be provided to demonstrate that adaptation plans had been reviewed by the OT to confirm the suitability of the plan in meeting the client's adaptation needs, and• Two cases ([REDACTED]) where evidence could not be provided to demonstrate that the completed adaptations were agreed with the relevant OT and client. <p>Where adaptation plans and completed works are not reviewed by the OT (and evidenced as such), there is a risk that adaptation work may not fully meet the client's need.</p> <p>Response:</p> <p>Review/confirmation by OT of plans – previously we used the DFG3 form. Procedure has now altered in line with the paperless office, to send the plans by email to the OT and receive an email response instead of the DFG3 back. Procedure to be amended to reflect this change and specify what the email is to be identified as when it is stored in SharePoint.</p> <p>Completed works evidenced as agreed by OT and client – DFG6 form is still used (this includes client approval). In addition to the notification of practical completion (with final account) received from the external consultant surveyor. These forms are now received sometimes in paper form and sometimes as a scanned email attachment from the OT.</p> <p>Case responses:</p> <p>[REDACTED] – accept that these were not saved to SharePoint case files, but in first case, there was a paper file and only certain documents were duplicated to SharePoint in the transition phase.</p> <p>Staff have been reminded to save emails to SharePoint case files and clearly denote what is contained in the email if document is not attached separately.</p> <p>Where the works are completed in stages (for example a level access shower first, followed by a stairlift), there may be multiple DFG6 or DFG7 forms from the OT. The DFG7 form is normally used on full and final completion of all the adaptation works at a given property.</p>
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<p>e) Approval checklist should be completed and authorised prior to grant being approved.</p>	<p>Procedure to be amended to reflect this change and specify what the email is to be identified as.</p> <p>The 'Procedure for processing DFGS's 2016' item 7.8 states that, 'HIO [Home Investment Officer] updates Uniform; completes grant approval checklist; prepares approval documents and passes to HRM [Housing Renewal Manager] for approval.'</p> <p>Examination of a sample of 10 cases identified two instances ([REDACTED]), where copies of the grant approval checklists were not retained on file.</p> <p>Response:</p> <p>Agreed - the above cases are not on file. Senior Home Investment Officer has reminded staff to scan at the same time as the approval documents.</p>
<p>f) Case workers and surveyors should update case files when a verbal approval of variation is given to contractors.</p>	<p>The 'Procedure for processing DFGS's 2016' item 8.7 states that, 'In the event of unforeseen works/new items of work BS [Building Surveyor] will inform CW/S [Case Worker/Surveyor]. S will determine if additional works are valid; give verbal go ahead to CW/BS for unforeseen works and prepare variation to grant approval and pass to HIO [Home Investment Officer].'</p> <p>Audit confirmed that verbal approval of variations is given by the building surveyor / case worker and upon completion of the works, a variation to grant approval is prepared, approved and checked. However, the verbal approval provided (prior to additional works being carried out), was not documented and thus there is a risk of error or omission.</p> <p>Response:</p> <p>All staff have been reminded of the need to update case file notes and store emails in SharePoint relating to additional works agreed on site or by telephone conversations/email with external consultants (who are monitoring works on site). We have introduced a draft variations form (to keep a running total of the costs/adds/omits on a case) and will monitor this for a 3 month period to see how this works.</p>

AUDIT TERMS OF REFERENCE

Disabled Facilities Grants

1. INTRODUCTION

- 1.1 Disabled facilities grants (DFGs) are mandatory grants provided by local authorities to help meet the cost for essential adaptations with the aim of enabling people with disabilities to remain independent and continue living in their own home.
- 1.2 Average DFG grant is £6,500 and maximum DFG grant that can be paid is £30,000 per application in England.
- 1.3 To ensure that the grant goes to the neediest households, a means test for adults (not children) is carried out to determine the amount of grant and will look at the income and capital of the disabled person and their spouse or partner, collectively.
- 1.4 Where the cost of the eligible works are more than the grant limit the Council may use discretionary powers under the Regulatory Reform (Housing Assistance) (England and Wales) Order 2002 (see Other relevant assistance, page 11) to bridge part or all of the gap between what it is required to pay and the full cost of the works.
- 1.5 From 1 April 2015 there was a significant change in the way that central government funding for provision of home adaptations grants for disabled people is paid to local authorities. Instead of making a specific payment to each local authority, this allocation is now paid through the Better Care Fund (BCF).
- 1.6 This audit is being undertaken as part of the agreed Internal Audit Plan for 2016/17.

2. OBJECTIVES AND METHODOLOGY

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

3. SCOPE

- 3.1 This audit will examine the Council's arrangements for the provision of disabled facility grants and will include the following areas:

	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Application Administration	0	2	1
Occupational Therapist Assessments	1	0	3





Disabled Facility Grants 2016/17

Work Monitoring	0	1	2
Equipment	0	0	0
Budget Monitoring	0	0	0
Reporting	1	1	0

DEFINITIONS FOR AUDIT OPINIONS AND RECOMENDATIONS

In order to assist management in using our reports:

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

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

Priorities assigned to recommendations are based on the following criteria:

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

STATEMENT OF RESPONSIBILITY

We take responsibility 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

September 2016

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