

**Norfolk Internal
Audit Consortium**

**Internal Audit Report 2013 / 14
Breckland Council**

**Anglia Revenues Partnership Governance
Arrangements
BRK1408**

Distribution	<ul style="list-style-type: none">• Paul Corney, Head of Anglia Revenues Partnership• Maxine O'Mahony, Director of Commissioning• Rob Walker, Assistant Director of Commissioning• Mark Finch, Assistant Director of Finance and s.151 Officer• Alison Chubbock, Accountancy Manager • Emma Hodds, Internal Audit Consortium Manager• Simon Craven, Senior Internal Auditor • Fiona Dodimead, Senior Manager, Mazars • Alison Riglar External Audit, Ernst and Young
---------------------	--

Draft report issued: 19th March 2014

Final report issued: 3rd April 2014

Contents

	Page No.
1 Introduction	3 - 4
2 Executive Summary	5 - 8
3 Action Plan	9 - 12
Appendix A – Activist Recommendations	13 - 14
Appendix B – Definition of Audit Opinions, Direction of Travel, Adequacy and Effectiveness Assessment, and Recommendation Priorities	15 - 16
Appendix C – Audit Team and Staff Consulted	17
Appendix D – Audit Timetable	18
Appendix E – Statement of Responsibility	19

This report and the work connected therewith are subject to the Terms and Conditions of the Contract dated 1 October 2007 between South Norfolk District Council and Mazars Public Sector Internal Audit Limited¹. The report is produced solely for the use of the above named Participating Council. This report must not be disclosed to any third party or reproduced in whole or in part without our prior written consent. To the fullest extent permitted by law, we accept no responsibility or liability to any third party who purports to use or rely, for any reason whatsoever, on this report, its contents or conclusions.

¹ As from 1 February 2014, Mazars LLP purchased the shares of Deloitte & Touché Public Sector Internal Audit Limited from Deloitte LLP. The company will be known as Mazars Public Sector Internal Audit Limited.

1 Introduction, including audit objective and scope

1.1 Introduction

- 1.1.1 We have completed an audit of Anglia Revenues Partnership's Governance Arrangements for Breckland District Council (Breckland DC). The audit was completed as part of the 2013 / 14 audit plan, approved by the Audit Committee on 21st March 2013.
- 1.1.2 This audit is required to assist Breckland's Internal Audit Consortium Manager, to sign off the Small Bodies Annual Return on behalf of the ARP. It also helps to provide assurances to Breckland Council in respect of the operating arrangements of the ARP, including recharges between ARP and ARP Trading Ltd. Moreover, the outcomes of the work will also be shared with External Audit.
- 1.1.3 The ARP is a group of four Local Authorities working together to provide a shared service to the residents of Breckland DC, East Cambridgeshire District Council, Forest Heath District Council and St Edmundsbury Borough Council. Since its creation in 2003 the Partnership has provided significant improvements in service delivery and annual financial savings in excess of £2,000,000 per annum.
- 1.1.4 At the ARP Joint Committee meeting held on 3rd October 2013, a business case for a shared management team and bailiff service with Waveney District Council (WDC) and Suffolk Coastal District Council (SCDC) was considered and approved. Breckland DC's Cabinet resolved to accept the decision of the ARP Joint Committee at its meeting on 29th October 2013.
- 1.1.5 The WDC and SCDC Academy databases have been moved into the ARP infrastructure as part of the partnership working arrangements. WDC and SCDC are also sharing the cost of ARP training officers. The key outcomes of the Joint Committee review supporting the business case are shared staff financial savings per annum, net income saving from year three in bailiff fees along with potential growth of the bailiff function with the additional partners. Other benefits supporting the business case are staff savings from sharing support services, single set of procedures and training, increased resilience through capacity to share assessment resource, potential to grow a resource sharing platform and add resilience and opportunities for additional savings through shared procurement.
- 1.1.6 Breckland DC has been in the process of replacing its current systems for managing performance information and risk management, which are used for administering performance and risks relating to the ARP.

1.1.7 Prior to our previous audit of ARP Governance (BRK13/15 – final report issued 25th April 2013), the ARP had commissioned Activist to perform a strategic review to help chart its future development, with a view to building on its strengths and successes in the context of the Government's welfare reform programme, which threatened part of the ARP's core business, whilst potentially creating new opportunities to provide valuable support to its service users. The report produced by Activist included 10 recommendations and was considered by the Joint Committee at its meeting on 13th September 2012, with the approval of a detailed improvement plan at its meeting on 14th March 2013.

1.1.8 Where issues had been identified through the scope of our audit cross-over with findings from the Activist review, we placed assurance on the work of Activist rather than raising additional actions relating to the same weaknesses. As part of this current audit, we checked the progress made against all 10 recommendations either through overlap with existing controls or seeking confirmation against specific recommendations.

1.1.9 This report sets out our findings and raises recommendations to address the areas of weakness and / or non-compliance with existing controls, as set out in the action plan. The Executive Summary contained within this report will be provided to the Audit Committee as part of the regular update reports by the Internal Audit Consortium Manager.

1.2 Objective

1.2.1 The objective of the audit was to review the systems and controls in place in respect of ARP Governance to assess whether these are operating adequately, effectively and efficiently.

1.3 Previous audit and follow up

1.3.1 The previous report on the Anglia Revenues and Benefits Partnership – Governance Arrangements (BRK13/15) was awarded Adequate assurance, having raised two medium priority recommendations; both of which remained outstanding at the start of this audit.

1.4 Acknowledgement

1.4.1 We would like to take the opportunity to thank management and staff of Breckland DC and ARP for their time and co-operation during the course of the audit. All staff consulted are included at Appendix B.

2 Executive Summary

2.1 Audit scope

2.1.1 The objective of the audit is to review the systems and controls in place within Anglia Revenues and Benefits Partnership – Governance Arrangements to help confirm that these are operating adequately, effectively and efficiently.

2.1.2 The audit covered, in respect of Breckland DC only;

- The strategic vision of ARP to assess the extent to which it is responsive to changing operational requirements, resulting from the implementation of new schemes/requirements introduced at a national and local level;
- Current governance arrangements and any enhancements designed to permit further expansion of the partnership, together with the processes developed for absorbing/admitting new partners, including those relating to the new shared management arrangements with WDC and SCDC;
- Delivery of Joint Committee and Operational Improvement Board Terms of Reference;
- Financial reporting provisions;
- Systems of Risk Management in use; and
- Confirming status of progress on recommendations made by Activist either through linkage to existing controls or through reference to specific recommendations on areas not specifically included in the overarching scope of this review.

2.2 Assurance Opinion – Limited assurance

Unsatisfactory Assurance	Limited Assurance	Adequate Assurance	Good Assurance
		←	

(See appendix A for definitions)

2.3 Rationale supporting the award of the opinion

2.3.1 The work undertaken by Internal Audit has identified that the control environment assessed within the scope of the audit brief is limited assurance, due to the high priority recommendation around risk management. This is further supported with two medium priority recommendations around existing governance arrangements for the development of a service plan and reporting to the Joint Committee. The assurance opinion takes account of two medium priority recommendations that remain outstanding from our previous audit.

2.3.2 The ARP has taken positive steps towards agreeing its new strategic direction, with two business cases having been developed for two distinct models of service delivery, in line with Recommendation 10 from the Activist review. Both business cases are on hold, as due diligence processes undertaken have identified a potential issue with pensions liabilities that could have a significant financial impact on Breckland DC and the other partners, should either of the business models be pursued. A third party actuary has been commissioned to fully investigate these impacts with discussions having been held in December 2013 and further work required on the associated costs of transferring staff into the pension scheme and its feasibility.

2.3.3 As part of implementation of the Strategic Review, the Joint Committee has been kept up to date with progress regarding some (but not all) of the recommendations raised through the Activist Review. (Refer to the final report for BRK13/15 for a listing of all Activist recommendations). Of the 10 recommendations, we were able to identify clear evidence that five were progressing (including Recommendation 10 as noted above):

- ARP has reviewed the scope for shared services and developed business cases for shared management and bailiff services with two further partnering authorities (WDC and SCDC), which have been approved by Joint Committee. (Activist Recommendation 3)
- ARP has recruited the Head of ARP in response to Activist Recommendation 9.
- A 'Balanced Scorecard' performance management framework has been developed in response to Activist Recommendation 7:
- ARP has joined a CIPFA Benchmarking Group to enable benchmarking of performance with other authorities and help quantify the strategic benefits of the partnership. (Activist Recommendation 8).

2.3.4 For the other five recommendations, we were unable to confirm progress, either through discussion with the Head of ARP or through inspection of Joint Committee papers and minutes. The Head of ARP explained that he did not consider it feasible to action the remaining recommendations until the outcome of the pension issue was known.

2.3.5 There is a requirement for the pension issue and progress towards resolution to be clearly communicated to the Joint Committee, with updates provided as to the status of those recommendations that have not been progressed, along with revised timeframes.

2.3.6 The ARP risk register has not been subject to review and update for 2013/14. A recommendation remains outstanding from our previous audit (BRK13/15) in relation to the need to review the risk register regularly. It was however identified that risk had been considered as

part of the business cases for new partner take-on. Further to Recommendation 2 from BRK13/15, we have recommended that a mechanism for routine reporting of ARP's risks to member authorities, including Breckland DC is developed.

2.4 Positive Findings

2.4.1 It is acknowledged there are areas where sound controls are in place and operating consistently:

- Positive steps have been taken towards implementation of the recommendations from the Activist review, with development of two business cases (currently on hold pending the pension issue).
- Financial provisions are adequate, including the setting and monitoring of ARPs budget, the management of assets and the handling of petty cash.

2.5 Control weaknesses to be addressed

2.5.1 During our work we have identified the following key area(s) where we believe that the processes / arrangements within ARP governance arrangements would benefit from being strengthened, and as a result of these findings the following high priority recommendation has been made.

- The absence of a formal mechanism through which ARP risks are routinely reported to member authorities, including Breckland DC, means the member authorities may be unaware of developing risks that could impact on the delivery of their objectives.

2.5.2 During our work we have identified the following areas where we believe that the processes / arrangements within ARP Governance would benefit from being strengthened, and as a result of these findings medium priority recommendations have been made:

- The absence of overarching progress reports in regards to the Implementation Plan has meant that it has been difficult to assess the progress with some of the recommendations from the Activist review. Whilst updates have been provided to Joint Committee on specific elements of implementation, an overarching progress report would provide a more transparent approach to communicating ARP's intentions to key stakeholders.
- The absence of a formal Service Plan for 2013/14 meant that there was no documented rationale setting out how performance targets had been set for 2013/14. Whilst we acknowledge that the strategic review was the main driving force behind ARP's

direction for 2013/14, a Service Plan should be developed for 2014/15, including the remaining steps for implementation of the strategic direction, along with clear time frames, resource requirements and assessment of risks.

2.6 Summary of the adequacy and effectiveness of controls

	Area of Scope	Adequacy of Controls	Effectiveness of Controls	Recommendations Raised			
				High	Medium	Low	
Adequacy and Effectiveness Assessments	Strategic Direction of ARP	Amber*	Amber*	-	1	-	
	Governance Provisions	Amber*	Amber*	-	1	-	
	Delivery of Joint Committee and Operational Improvement Board	Amber*	Amber*	-	-	-	
	Finance Provisions	Green	Green	-	-	-	
	Systems of Risk Management	Green	Amber*	1	-	-	
	Ongoing development of Governance Provisions	Amber*	Amber*	-	-	-	
	Total				1	2	0

* Takes account of recommendations from BRK13/15.

3 Action Plan

Strategic Vision of ARP

Recommendation 1 – Progress Report on Implementation of Strategy to Joint Committee

Finding and Risk	Recommendation and Rationale	Priority	Management response and action	Deadline and responsibility
<p>Finding – An Implementation Plan was developed in March 2013, setting out the steps to be taken in delivery of the Activist recommendations and timeframes for their completion. Whilst we were able to obtain evidence of updates being provided to the Joint Committee in regarding five of the recommendations, there were five where there was no evidence of progress having been made. The Head of ARP explained that the remaining recommendations were all likely to need to be deferred until the strategic direction has been determined and that their implementation would form part of the enactment of the chosen strategy (e.g. review of Joint Committee and Operational Improvement Board terms of reference, harmonisation of partner’s constitutions etc.) No overarching progress report has been issued to Joint Committee setting out progress with each of the Activist recommendations or any</p>	<p>Recommendation – Overarching progress reports should be submitted to the Joint Committee summarising progress made with implementation of the new strategic direction, including the remaining recommendations from Activist.</p> <p>Rationale – An overarching progress report will help to keep members of the Joint Committee informed of ARPs plans for delivery of the new strategy. This will help to inform decision making.</p>	<p>Medium</p>	<p>Each of the five recommendations that we had been unable to confirm progress for were discussed with the Head of ARP at the debrief. The Head of ARP felt that the remaining actions, such as review of Joint Committee Terms of Reference, and investigation of harmonisation of partnering authorities constitutions would need to be deferred until the outcome of the strategic review is fully confirmed, as the actions will be dependent on which option is eventually chosen, if any. He agreed that it would be useful to update the Joint Committee on the plans for implementation of the remaining recommendations, since the approach discussed was a departure from what was originally planned. He further explained that he would set out the remaining steps to be taken in the 2014/15 Service Plan.</p>	<p>Breckland DC Assistant Director of Finance (through the OIB)</p> <p>30/09/14</p>

Finding and Risk	Recommendation and Rationale	Priority	Management response and action	Deadline and responsibility
<p>departure from the original implementation dates agreed.</p> <p>Risk – In the absence of an overarching progress report, periodically reported to Joint Committee, there is an increased risk that members are not kept informed of progress and this in turn could lead to a failure identify and remedy slippage from the planned timeframes on key actions.</p>				

Governance Provisions

Recommendation 2 - Service Plan for 2014/15

Finding and Risk	Recommendation and Rationale	Priority	Management response and action	Deadline and responsibility
<p>Finding – No formal Service Plan was documented for 2013/14. The reason cited by the Head of ARP was that the implementation of the Strategic Review superseded the previous Service Planning process. The Head of ARP explained that the remaining actions would form part of service planning for 2014/15. We were also unable to identify a documented rationale for the performance targets set for 2013/14.</p>	<p>Recommendation – A Service Plan for 2014/15 should be developed including, but not limited to, the following elements:</p> <ul style="list-style-type: none"> • Long-term objectives of ARP • Remaining steps needed for implementation of the new strategy and supporting governance structure, including the remaining Activist recommendations. • Timeframes/prioritisation for the 	Medium	<p>The Head of ARP agreed at the debrief that the Service Plan for 2014/15 would be a good way of collating the remaining actions from the Activist review and setting revised timeframes for the actions as well as underlining the priorities for ARP for the coming year.</p>	<p>Head of ARP 30/09/14</p>

Finding and Risk	Recommendation and Rationale	Priority	Management response and action	Deadline and responsibility
<p>Risk - In the absence of service plan for 2014/15 there is an increased risk that the annual priorities for existing governance arrangements and the new strategy lacks direction and that key actions are not progressed. This could compromise the effectiveness of the governance structures in place for ARP and impact on the effectiveness of service delivery.</p>	<p>above.</p> <ul style="list-style-type: none"> • Resource implications and associated risks. • Performance targets for 2014/15 and rationale for targets set, including taking account of benchmarking data where appropriate. • Risk assessment of strategic options. <p>Rationale – A documented service plan will help to set out a clear set of objectives for ARP to work towards in terms of strategic development and service delivery.</p>			

Systems of Risk Management

Recommendation 3 – Reporting of ARP Risks to Member Authorities

Finding and Risk	Recommendation and Rationale	Priority	Management response and action	Deadline and responsibility
<p>Finding – Recommendation 2 from BRK13/15 recommended that a full review be undertaken of the ARP risk register following implementation of the chosen strategic direction. This remains outstanding due to the fact that the strategy has not yet been agreed. It was also recommended that risks are reviewed more</p>	<p>Recommendation – A mechanism for the reporting of ARP's risks to the member authorities, including Breckland Council should be developed.</p> <p>Rationale – A formal mechanism for the reporting of ARP's risks to the Council will help to keep the Council</p>	High	Agreed in principle by the Head of ARP at the debrief.	Head of ARP 30/06/14

Finding and Risk	Recommendation and Rationale	Priority	Management response and action	Deadline and responsibility
<p>frequently than once a year as part of the Service Plan process and there was no evidence of this having been implemented for 2013/14. Further to the findings from BRK1315, there is also no formal means through which Breckland Council are kept informed of ARP risks since the removal of ARP risks for the Breckland Council performance management system at the end of 2010/11. The Governance and Performance Accountant who oversees Breckland Council's risk management process advised he had not received any risk information from ARP during the current financial year.</p> <p>Risk – Where ARP's risks are not routinely reported to member authorities, including Breckland Council, there is an increased risk that the Council is not aware of the risks facing ARP that could impact on its service delivery. This could impair decision making.</p>	<p>informed of any risks that could impact on the services provided, and therefore on the achievement of the Council's objectives.</p>			

Appendix A – Activist Recommendations

Activist Recommendation	Agreed action	Timeframe	Current Status
1. That a review is undertaken to determine the precise allocation of responsibilities to support policy-making between the partners' in-house teams and ARP.	Update terms of reference including scheme of delegation.	June 2013	A review will be undertaken of the Scheme of Delegation and update to Committee Terms of Reference.
2. That the design of the relationship between ARP's and partners' customer service provision be reviewed in order to identify the potential benefits and dis-benefits of standardising ARP's interface with partners' customer service operation.	OIB finalising Terms of Reference for the review of current practices and proposals to implement this recommendation	September 2013 (October 2013)	A final report was not presented to the October 2013 Joint Committee.
3. That ARP's requirements for support services are deferred and the most suitable provider sourced in order to improve confidence and aid transparency.	Assess scope of works for shared services through Joint Committee.	June 2013	An update was presented to the Joint Committee in October 2013.
4. That a Medium Term Service Improvement Programme be established, supported by estimates of resource requirements, milestones and benefits in order to assist in prioritising and in monitoring progress.	Head of service recommendations to be produced on service improvements.	December 2013	Not included on the December 2013 agenda.
5. That the differences between the partners in business processes and delegations be identified and reviewed with a view to standardisation.	Update terms of reference including scheme of delegation. Partner authorities' constitutional reforms.	June 2013	Scheduled for the December meeting, but not included on the agenda.
6. That the governance framework for ARP is reviewed in order to reduce duplication	Update terms of reference including scheme of	June 2013	No evidence recorded of this being completed.

of activities and to speed decision-making and improve the ability to focus on ARP's strategic agenda and management.	delegation. Partner authorities' constitutional reforms.		
7. That ARP's Performance Management Framework is enhanced by defining the long term outcomes that ARP is seeking to achieve, supported by a balanced scorecard of indicators measuring the organisation's overall success and health.	Development of recommendations for Balanced Scorecard areas/indicators with engagement from Activist.	June 2013	Partially addressed, with the development of a balanced scorecard, which is aligned with long term objectives.
8. That ARP commences partnership in benchmarking its performance and costs in order to provide information on comparative performance and costs, drive improvement and demonstrate its success to potential partners.	CIPFA Corporate Services benchmarking data submitted.	Completed March 2013	This is progressing via a report presented to the Joint Committee.
9. That ARP conducts a fundamental review of its management practices, competencies and structures in order to release the capacity required to meets its new vision and corporate structure and respond to the Government's welfare reform programme.	Draft management structure and job profiles and person specifications. Selection of Managers Head of Services and Managers in post	Completed March 2013 June 2013 September 2013 (October 2013)	No overarching implementation plan progress report has been presented. Recruitment of a Head of ARP has been completed.
10. That the JC selects the service delivery model or models that it would like to explore further and develop outline business cases before recommending to partner authorities whether to proceed to make preparations for a new model.	Decision to be taken once all other actions completed.		Two business cases have been outlined for service delivery. These have not been presented to the Joint Committee due to a pension implication seeking resolution.

Appendix B – Definition of Audit Opinions, Direction of Travel, Adequacy and Effectiveness Assessments, and Recommendations Priorities

Audit Opinions

We have four categories by which we classify internal audit assurance over the processes we examine, and these are defined as follows:

Good Assurance	There is a sound system of internal control designed to achieve the client's objectives. The control processes tested are being consistently applied.
Adequate Assurance	While there is a basically sound system of internal control, there are weaknesses, which put some of the client's objectives at risk. There is evidence that the level of non-compliance with some of the control processes may put some of the client's objectives at risk.
Limited Assurance	Weaknesses in the system of internal controls are such as to put the client's objectives at risk. The level of non-compliance puts the client's objectives at risk.
Unsatisfactory Assurance	Control processes are generally weak leaving the processes / systems open to significant error or abuse. Significant non-compliance with basic control processes leaves the processes / systems open to error or abuse.

Direction of Travel

⇒	Improved since the last audit visit. Position of the arrow indicates previous status.
⇐	Deteriorated since the last audit visit. Position of the arrow indicates previous status.
↔	Unchanged since the last audit report.
No arrow	Not previously visited by Internal Audit.

Adequacy and Effectiveness Assessments

	Adequacy	Effectiveness
	Existing controls are adequate to manage the risks in this area	Operation of existing controls is effective
	Existing controls are partly adequate to manage the risks in this area	Operation of existing controls is partly effective
	Existing controls are inadequate to manage the risks in this area	Operation of existing controls is ineffective

Please note that the adequacy and effectiveness assessments are not connected. The adequacy assessment is made prior to the control effectiveness being tested.

The controls may be adequate but not operating effectively, or they may be partly adequate / inadequate and yet those that are in place may be operating effectively.

In general, partly adequate / inadequate controls can be considered to be of greater significance than when adequate controls are in place but not operating fully effectively, i.e. control gaps are a bigger issue than controls not being fully complied with.

Recommendation Priorities

High	A fundamental weakness in the system that puts the Council at risk. To be addressed as a matter of urgency, within a 3 month time frame wherever possible, or, to put in place compensating controls to mitigate the risk identified until such time as full implementation of the recommendation can be achieved.
Medium	A weakness within the system that leaves the system open to risk. To be resolved within a 4 – 6 month timescale.
Low	Desirable improvement to the system. To be introduced within a 7 – 9 month period.

Appendix C – Audit Team and Staff Consulted

Audit Team	Staff Consulted
<p>Mazars Mike Clarkson, General Manager</p> <p>Fiona Dodimead, Senior Manager fiona.dodimead@mazars.co.uk 07768 032126</p> <p>Colin Saville, Manager Colin.saville@mazars.co.uk 07818076531</p> <p>Chris Smedmor, Audit Manager No longer with Mazars</p> <p>South Norfolk District Council</p> <p>Emma Hodds, Internal Audit Consortium Manager ehodds@s-norfolk.gov.uk 01508 533791</p> <p>Simon Craven, Senior Internal Auditor scraven@s-norfolk.gov.uk 01508 533822</p>	<p>Breckland District Council</p> <p>Mark Finch, Assistant Director of Finance and S151 Officer.</p> <p>Helen McAleer, Senior Committee Officer</p> <p>Rachael Crawford-Condie, Management Accountant</p> <p>Chris Brooks, Governance and Performance Accountant</p> <p>Anglia Revenues Partnership</p> <p>Paul Corney, Head of ARP</p> <p>Brian Cunningham, ARP Finance</p>

Appendix D – Audit Timetable

	Expected Date	Actual Date
Planning Meeting		10/10/2013
Fieldwork Start	09/12/2013	09/12/2013
Debrief Meeting	13/12/2013	13/12/2013
Fieldwork Completion	20/12/2013	20/12/2013
Draft report issued to Client	10/01/2014	19/03/2014*
Exit Meeting		19/03/2014
Management response received		03/04/2014*
Final report issued to Client	28/01/2014	03/04/2014*

*Resolution of issues included in initial draft report raised by the former Internal Audit Consortium Manager which required further consultation / meetings with management and a formal exit meeting which was not originally scheduled and subsequent updates to the final report.

Appendix E – 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
April 2014

This document is confidential and prepared solely for your information. Therefore you should not, without our prior written consent, refer to or use our name or this document for any other purpose, disclose them or refer to them in any prospectus or other document, or make them available or communicate them to any other party. No other party is entitled to rely on our document for any purpose whatsoever and thus we accept no liability to any other party who is shown or gains access to this document.

In this document references to Mazars are references to Mazars Public Sector Internal Audit Limited.

Registered office: Tower Bridge House, St Katharine's Way, London E1W 1DD, United Kingdom. Registered in England and Wales No 4585162.

Mazars Public Sector Internal Audit Limited is a subsidiary of Mazars LLP. Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales to carry out company audit work.