



Fareham Borough Council

Audit & Governance Committee

Quarterly Audit Progress Report

September 2014

This report has been prepared on the basis of the limitations set out on page 17.

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1. Introduction and background

- 1.1 This report has been prepared for the Members of the Audit & Governance Committee at Fareham Borough Council. This report highlights the progress made to date for delivery of the 2013/14 and 2014/15 Internal Audit Plans.

2. Promoting internal control

- 2.1 To promote internal control within the Authority, Internal Audit will report to Committee in the following format:
- An update on progress against delivery of the plan, including an update on any Significant Control Weaknesses and on any proposed amendments to the Internal Audit Plan;
 - Report back on the specific audits finalised since the last meeting of the Audit & Governance Committee, including scope, weaknesses identified and confirmation that management actions have been agreed to address the weakness. Audit opinions are Strong, Reasonable, Limited, or Minimal. Recommendations and actions in the report are categorised using a 3 point scale used on the Council's action management system. Both rating systems are detailed within Annex Four of this report; and
 - Update Members on the current situation regarding limited areas previously reported to Committee. This will inform Members of the action taken by Officers to resolve internal audit issues.

3. 2013/14 & 2014/15 Progress

- 3.1 The current status of the agreed 2013/14 Internal Audit Plan to be delivered is detailed in Annex One along with the number of days delivered. Audits have been completed in accordance with the timings agreed with the Head of Audit & Assurance, and as approved by the Audit & Governance Committee.
- 3.2 As at 31st July 2014, progress against the 2013/14 plan is as follows:

| 2013/14 Plan | Last Committee | This Committee |
|--|----------------------|----------------------|
| Number of audits in plan | 31 | 31 |
| Number of audits finalised | 20 (65%) | 29 (94%) |
| Number of reports issued at draft | 6 (19%) | 2 (6%) |
| Number of audits commenced | 5 (16%) | N/A |
| Number of planned audit days delivered | 232.5/235 (98.9%) | 234.5/235 (99.8%) |

- 3.3 At the time of this report, 99.8% of the 2013/14 Internal Audit Plan has been completed. Detailed progress is covered within Annex One.
- 3.4 Work on the 2014/15 Audit Plan has commenced. Detailed progress is covered within Annex Two.

4. Changes to the plan

- 4.1 An additional day has been added to the planned time for the Tenancy Management audit to allow adequate time to cover areas requested by Officers.
- 4.2 Work has been progressed on setting the rest of the plan. In particular planning of the Benefits audit this year has started to set an appropriate approach to a service that has been subject to Systems Thinking.

5. Detailed progress since the last Audit and Governance Committee

- 5.1 Since the previous Audit & Governance Committee, two reports are at draft stage from the 2013/14 plan; these relate to Financial Regulations Limited Compliance Testing and the Data Protection Act Follow Up. The assurance levels will be confirmed to the next Audit and Governance Committee upon finalisation.
- 5.2 Nine reports have been issued in final version as listed below with the opinions given and level of recommendations made:

| Audit | Assurance | Recommendations Made | | |
|--|------------|----------------------|---------------|---|
| | | New Essential | New Important | Outstanding Previous Essential or Important |
| 2013/14 Plan | | | | |
| Risk Management | Strong | - | - | - |
| Miscellaneous Democratic | Strong | - | 2 | - |
| Ordering & Payment of Invoices | Reasonable | - | 2 | 1 |
| Invoicing & Collection of Income | Reasonable | - | 2 | 2 |
| Training & Development | Reasonable | - | 1 | - |
| Clean Borough Enforcement & Abandoned Vehicles | Reasonable | - | 3 | - |
| Planning Applications | Reasonable | - | 1 | 1 |
| Off-street Parking | Reasonable | - | 1 | - |
| Homelessness | Reasonable | 1 | - | - |

The above presents the key highlights; however, to enable Management and Members to focus on the areas of concern, we have provided a summary of all finalised reports since the last Committee, as detailed within Annex Three.

2013/14 Internal Audit Plan as at 31st July 2014

Annex One

| No. | Audit Title | Days in Plan | Days Delivered | Status | Assurance Opinion | New Recommendations | | | Previous Recs. (E and I only) | | |
|------------------|--|--------------|----------------|--------|-------------------|---------------------|-----------|----------|-------------------------------|-----------|-----------------|
| | | | | | | Essential | Important | Advisory | Implemented | Cancelled | Non Implemented |
| Quarter 1 | | | | | | | | | | | |
| 1 | Management of Tradesmen | 7 | 7 | Final | Reasonable | - | 1 | 1 | 1 | 1 | |
| 2 | Town Centre Management | 7 | 7 | Final | Strong | - | - | 1 | - | - | - |
| 3 | Coastal Protection & Land Drainage | 6 | 6 | Final | Strong | - | 1 | - | - | - | - |
| 4 | Leisure Centre Trust | 6 | 6 | Final | Strong | - | - | 3 | - | - | - |
| Quarter 2 | | | | | | | | | | | |
| 5 | Treasury Management | 6 | 6 | Final | Strong | - | - | - | - | - | - |
| 6 | Insurance | 5 | 5 | Final | Reasonable | - | 1 | 2 | 3 | 1 | - |
| 7 | Planning Contributions and Community Infrastructure Levy | 8 | 8 | Final | Reasonable | - | 1 | 1 | - | - | 1 |
| 8 | Training & Development | 8 | 8 | Final | Reasonable | - | 1 | 3 | - | - | - |
| 9 | Licensing of Taxis & Alcohol | 8 | 8 | Final | Strong | - | 1 | 2 | 7 | 5 | - |
| 10 | Public Conveniences | 6 | 6 | Final | Reasonable | - | 1 | 1 | - | - | - |
| Quarter 3 | | | | | | | | | | | |
| 11 | Ordering & Payment of Invoices | 7 | 7 | Final | Reasonable | - | 2 | - | - | - | 1 |
| 12 | Invoicing & Collection of Income | 9 | 9 | Final | Reasonable | - | 2 | 1 | 2 | - | 2 |
| 13 | Payroll | 7 | 7 | Final | Strong | - | - | - | 1 | - | 1 |
| 14 | Fixed Assets | 6 | 6 | Final | Strong | - | 1 | - | - | - | - |
| 15 | Revenues | 12 | 12 | Final | Strong | - | 1 | 1 | - | - | 1 |
| | Performance Management | | | Note 1 | | | | | | | |
| 16 | Clean Borough Enforcement & Abandoned Vehicles | 7 | 7 | Final | Reasonable | - | 3 | 2 | - | - | - |
| 17 | Cash Collection & Banking | 9 | 9 | Final | Strong | - | - | 4 | - | - | 1 |
| 18 | Housing Rents | 6 | 6 | Final | Strong | - | 1 | - | 4 | - | 1 |
| 19 | Ferneham Hall | 9 | 9 | Final | Reasonable | - | - | 4 | 11 | 4 | 2 |

| No. | Audit Title | Days in Plan | Days Delivered | Status | Assurance Opinion | New Recommendations | | | Previous Recs. (E and I only) | | |
|-----------------------|--|--------------|--------------------------|--------|-------------------|---------------------|---------------------|---------------------|-------------------------------|-------------------|-------------------|
| | | | | | | Essential | Important | Advisory | Implemented | Cancelled | Non Implemented |
| Quarter 4 | | | | | | | | | | | |
| 20 | Risk Management | 6 | 6 | Final | Strong | - | - | 2 | - | - | - |
| 21 | Main Accounting | 10 | 10 | Final | Strong | - | - | 2 | - | - | - |
| 22 | Financial Regulations Limited Compliance Testing | 2 | 1.75 | Draft | | | | | | | |
| 23 | Miscellaneous Democratic (Note 2) | 5 | 5 | Final | Strong | - | 2 | 1 | - | - | - |
| 24 | Housing Benefits & Council Tax Support | 10 | 10 | Final | Strong | - | - | - | - | - | - |
| 25 | Planning Applications | 6 | 6 | Final | Reasonable | - | 1 | 1 | 1 | 4 | 1 |
| 26 | Off-street Parking | 6 | 6 | Final | Reasonable | - | 1 | - | - | 1 | - |
| 27 | Homelessness | 6 | 6 | Final | Reasonable | 1 | - | - | 1 | - | - |
| 28 | Data Protection Follow Up | 4 | 3.75 | Draft | | | | | | | |
| Computer Audit | | | | | | | | | | | |
| 29 | Remote Access | 8 | 8 | Final | Reasonable | - | 5 | 1 | 1 | - | - |
| 30 | Main Accounting System (E-Financials) Application Review | 7 | 7 | Final | Reasonable | - | 2 | 3 | - | - | - |
| 31 | Website Content Management | 10 | 10 | Final | Reasonable | - | 1 | 1 | - | - | 1 |
| Other | | | | | | | | | | | |
| Audit Committee | | 4 | 4 | | | | | | | | |
| Audit Management | | 12 | 12 | | | | | | | | |
| TOTAL | | 235 | 234.5 (99.8%) | | | 1 1.5% | 29 43.3% | 37 55.2% | 32 53% | 16 27% | 12 20% |

Note 1: The audit was postponed until the 2014/15 financial year to allow the new management system to embed.

Note 2: The audit had been deferred from 2012/13 to 2013/14.

2014/15 Internal Audit Plan as at 31st July 2014

Annex Two


| No. | Audit Title | Days in Plan | Days Delivered | Status | Assurance Opinion | New Recommendations | | | Previous Recs. (E and I only) | | |
|------------------|---|--------------|------------------------|-------------|-------------------|---------------------|-----------|----------|-------------------------------|-----------|-----------------|
| | | | | | | Essential | Important | Advisory | Implemented | Cancelled | Non Implemented |
| Quarter 1 | | | | | | | | | | | |
| 1 | Legionella and Gas Safety Risks Follow Up | 5 | 4 | In Progress | | | | | | | |
| 2 | Contract Completion (Final Accounts) | 10 | | Planning | | | | | | | |
| 3 | Tenancy Management | 8 | 1.3 | In Progress | | | | | | | |
| 4 | Parks and Open Spaces | 6 | 1.3 | In Progress | | | | | | | |
| 5 | Foreshore (Beach Hut Income) | 4 | 1.3 | In Progress | | | | | | | |
| 6 | CHRIS 21 | 10 | | Planning | | | | | | | |
| Other | | | | | | | | | | | |
| | Audit Committee | 4 | | | | | | | | | |
| | Audit Management | 12 | 1.5 | | | | | | | | |
| | TOTAL | 59 | 9.4 (15.9%) | | | | | | | | |

Annex Three

Summary of Findings from Completed Audits

2013/14 Risk Management

Audit Opinion and Direction of Travel

| Strong | | | | | | |
|---|----------------------------|---------------|--------------|--|-----------|-----------------|
|  | | | | | | |
| Direction of Travel: | | | | ↑2012/13 | | |
| Area of Scope | New Recommendations Raised | | | Previous Essential and Important Recommendations | | |
| | Essential (🔴) | Important (🟡) | Advisory (🟢) | Implemented | Cancelled | Non Implemented |
| Risk Management Framework | - | - | - | - | - | - |
| Roles and Responsibilities | - | - | 1 | - | - | - |
| Risk Identification and Assessment | - | - | - | - | - | - |
| Monitoring and Reporting of Risk | - | - | 1 | - | - | - |
| External Assurance of Risks | - | - | - | - | - | - |

Weaknesses identified during audit (Essential and Important only)

| Priority | Weakness | Action Agreed? |
|----------|----------|----------------|
| | None | |

2012/13 Miscellaneous Democratic

Audit Opinion and Direction of Travel

| Strong | | | | | | |
|---|----------------------------|---------------|--------------|--|-----------|-----------------|
| ☺☺ | | | | | | |
| Direction of Travel: | | | ⇔2011/12 | | | |
| Area of Scope | New Recommendations Raised | | | Previous Essential and Important Recommendations | | |
| | Essential (🔴) | Important (🟡) | Advisory (🟢) | Implemented | Cancelled | Non Implemented |
| Policies, Procedures and Legislation | - | 2 | - | - | - | - |
| Management of Committees | - | - | - | - | - | - |
| Monitoring of Actions Arising from Committee Meetings | - | - | 1 | - | - | - |
| Forward Plan and Recording of Decisions | - | - | - | - | - | - |
| Register of Disclosable Pecuniary Interests | - | - | - | - | - | - |
| Meeting Accommodations and Catering | - | - | - | - | - | - |
| Members Attendance at Outside Events | - | - | - | - | - | - |

Weaknesses identified during audit (Essential and Important only)

| Priority | Weakness | Action Agreed? |
|---------------|---|----------------|
| Important New | Links to the Council's Constitution and Standing Orders on the Council's website do not always work and some direct the reader to older versions` of documents. | Yes |
| Important New | Constitution related policies and procedures need to be brought up to date to include current practices. | Yes |

2013/14 Ordering & Payment of Invoices

Audit Opinion and Direction of Travel


| Reasonable | | | | | | |
|--------------------------------|----------------------------|---------------|--------------|--|-----------|-----------------|
| ☺ | | | | | | |
| Direction of Travel: | | | | ↓ 2012/13 | | |
| Area of Scope | New Recommendations Raised | | | Previous Essential and Important Recommendations | | |
| | Essential (☹) | Important (▲) | Advisory (⚠) | Implemented | Cancelled | Non Implemented |
| Policies and Procedures | - | - | - | - | - | - |
| Authorisation Procedures | - | 1 | - | - | - | - |
| Goods / Services Receipting | - | - | - | - | - | 1 |
| Coding of Expenditure | - | - | - | - | - | - |
| Prompt Payment Discounts | - | - | - | - | - | - |
| Manual Payments | - | - | - | - | - | - |
| Duplicate Payments | - | - | - | - | - | - |
| Supplier Accounts | - | 1 | - | - | - | - |
| Segregation of Duties | - | - | - | - | - | - |
| Payment Run Control and Output | - | - | - | - | - | - |

Weaknesses identified during audit (Essential and Important only)

| Priority | Weakness | Action Agreed? |
|--------------------|--|----------------|
| Important New | There were two instances where authorisation limits had been exceeded and staff failed to identify this. | Yes |
| Important New | We were unable to obtain evidence to confirm that the Procurement team had authorised the set-up of a sample of new suppliers. | Yes |
| Important Existing | Documents were not scanned and attached to the e-financials system in a timely and accurate manner to confirm the nature of the payment and authorising officer. | Yes |

2013/14 Invoicing & Collection of Income

Audit Opinion and Direction of Travel

| Reasonable | | | | | | |
|---|----------------------------|---------------|--------------|--|-----------|-----------------|
|  | | | | | | |
| Direction of Travel: | | | ⇄2012/13 | | | |
| Area of Scope | New Recommendations Raised | | | Previous Essential and Important Recommendations | | |
| | Essential (🔴) | Important (🟡) | Advisory (🟢) | Implemented | Cancelled | Non Implemented |
| Policies and Procedures | - | - | 1 | 1 | - | - |
| Amendments to standing data | - | 1 | - | - | - | 1 |
| Debt monitoring | - | - | - | 1 | - | - |
| Debt recovery including suppressions, tracing agents and bailiffs | - | 1 | - | - | - | - |
| Raising of invoices, credit notes and refunds | - | - | - | - | - | 1 |
| Posting of cash | - | - | - | - | - | - |
| Write off procedures | - | - | - | - | - | - |
| Segregation of duties | - | - | - | - | - | - |
| Account adjustments | - | - | - | - | - | - |


Weaknesses identified during audit (Essential and Important only)

| Priority | Weakness | Action Agreed? |
|---------------------------|--|-----------------------------------|
| Important New | Sample testing identified that only 16 of a sample of 25 reminders were issued within 21 days after the original invoice was raised as required by the Council Policy. | Yes |
| Important New | Independent checks were not undertaken to validate amendments to customer details on the system. | No – Auditee accepted risk |
| Important Existing | Sample testing identified that 4 of a sample of 25 cases written evidence was not maintained for request for amendments to standing data received over the phone | Yes |
| Important | Sample testing identified that only 17 of a sample of 25 invoice / invoice requests contained the dates that services had been | Yes |

| Priority | Weakness | Action Agreed? |
|----------|-----------|----------------|
| Existing | supplied. | |

2013/14 Training & Development

Audit Opinion and Direction of Travel


| Reasonable | | | | | | |
|---|----------------------------|---------------|-------------------|--|-----------|-----------------|
|  | | | | | | |
| Direction of Travel: | | | No Previous Audit | | | |
| Area of Scope | New Recommendations Raised | | | Previous Essential and Important Recommendations | | |
| | Essential (🔴) | Important (🟡) | Advisory (🟢) | Implemented | Cancelled | Non Implemented |
| Policies, Procedures and Strategy | - | - | - | - | - | - |
| Workforce Skills and Capability Plans | - | - | - | - | - | - |
| Identification of Training Needs | - | - | 1 | - | - | - |
| Costing and Sourcing of Training | - | 1 | 2 | - | - | - |
| Delivery of Training Internally and Externally | - | - | - | - | - | - |
| Use of Open Learning Centre and Developing ICT | - | - | - | - | - | - |
| Monitoring, Recording and Escalation of Training Undertaken | - | - | - | - | - | - |

Weaknesses identified during audit (Essential and Important only)

| Priority | Weakness | Action Agreed? |
|----------------------|---|----------------|
| Important New | Testing identified two out of five current cases where the Post Entry Qualification Agreement had not been signed until after the course had commenced. | Yes |

2013/14 Clean Borough Enforcement & Abandoned Vehicles

Audit Opinion and Direction of Travel


| Reasonable | | | | | | |
|---|----------------------------|---------------|--------------|--|-----------|-----------------|
|  | | | | | | |
| Direction of Travel: | | | ⇔ 2008/09 | | | |
| Area of Scope | New Recommendations Raised | | | Previous Essential and Important Recommendations | | |
| | Essential (🔴) | Important (🟡) | Advisory (🟢) | Implemented | Cancelled | Non Implemented |
| Enforcement of dog fouling, littering, fly tipping, graffiti and fly posting | - | 1 | 1 | - | - | - |
| Patrol officers and fixed penalty notices. | - | - | - | - | - | - |
| Removal of abandoned vehicles | - | - | - | - | - | - |
| Trace registered keepers | - | - | - | - | - | - |
| Disposal of vehicles | | | | | | |
| Payments relating to stray dogs | - | 2 | 1 | - | - | - |

Weaknesses identified during audit (Essential and Important only)

| Priority | Weakness | Action Agreed? |
|----------------------|---|----------------|
| Important New | Sample testing of stray dog income found that in the 11 instances, where fees were noted as chargeable, there were five instances where it was not clear from the Ocella system or supporting files whether payment had been received or an invoice had been raised in order to collect the fee due. Further investigation confirmed that incorrect data entry had occurred in three instances and no fee was in fact due and in the other two cases payment had been made since audit testing was performed. | Yes |
| Important New | There are no reconciliations carried out to confirm that expected stray dog income has been received. | Yes |
| Important New | Sample testing of ten graffiti related complaints found that in two instances the removal of the graffiti had occurred significantly later than the time periods set out in the Council's policy. | Yes |

2013/14 Planning Applications

Audit Opinion and Direction of Travel


| Reasonable | | | | | | |
|---|----------------------------|---------------|--------------|--|-----------|-----------------|
|  | | | | | | |
| Direction of Travel: | | | ↔ 2006/07 | | | |
| Area of Scope | New Recommendations Raised | | | Previous Essential and Important Recommendations | | |
| | Essential (🔴) | Important (🟡) | Advisory (🟢) | Implemented | Cancelled | Non Implemented |
| Planning Policies and Procedures | - | - | 1 | - | - | - |
| Collection of Planning Fees | - | - | - | 1 | 4 | 1 |
| Miscellaneous Sales and Copying | - | - | - | - | - | - |
| Work on Listed Buildings | - | - | - | - | - | - |
| Demolitions | - | 1 | - | - | - | - |

Weaknesses identified during audit (Essential and Important only)

| Priority | Weakness | Action Agreed? |
|---------------------------|--|-----------------------------------|
| Important New | There is no liaison between Building Control and Planning regarding the Demolitions lists. Planning staff are not, therefore, able to perform any cross check on the lists to ensure that they are aware of and can confirm whether prior approval was needed/has been granted in respect of relevant demolitions. | No – Auditee accepted risk |
| Important Existing | Although regular reconciliations had been carried out of expected income to income received, there was no evidence to support that reconciliations included checking the actual income recorded in the General Ledger. | Yes |

2013/14 Off Street Parking

Audit Opinion and Direction of Travel


| Reasonable | | | | | | |
|---|----------------------------|----------------|---------------|--|---------------------------|-----------------|
|  | | | | | | |
| Direction of Travel: | | | | ↑2012/13 | | |
| Area of Scope | New Recommendations Raised | | | Previous Essential and Important Recommendations | | |
| | Essential (🔴*) | Important (🟡▲) | Advisory (🟡Ⓜ) | Implemented | Cancelled | Non Implemented |
| Cash collection from parking machines | - | - | - | - | - | - |
| Payment methods, including foreign and forged coins and notes | - | - | - | - | - | - |
| Machine floats | - | - | - | - | - | - |
| Banking and income reconciliations | - | 1* | - | - | 1 (* replaced by new one) | - |
| Cale Web access Controls | - | - | - | - | - | - |

Weaknesses identified during audit (Essential and Important only)

| Priority | Weakness | Action Agreed? |
|----------------------|--|----------------|
| Important New | Sample testing of ten reconciliations between the expected income and banked income, identified nine where variances were recorded, many of which were significant. There was no evidence that the individual variances had been investigated although Finance Services monitor the overall collection rates. A number of the variances indicated they were due to a combination of missing expected income entries and compensating overs and unders between machines or for the same machine across consecutive weeks. However, assurance cannot be given that all income due has been brought to account at this point in time. The new Cale Web system put in place for 2014/15 should make reconciliations easier to carry out in the future. | Yes |

2013/14 Homelessness

Audit Opinion and Direction of Travel





| Reasonable | | | | | | |
|---|----------------------------|---------------|--------------|--|-----------|-----------------|
|  | | | | | | |
| Direction of Travel: | | | ↔ 2011/12 | | | |
| Area of Scope | New Recommendations Raised | | | Previous Essential and Important Recommendations | | |
| | Essential (🔴) | Important (🟡) | Advisory (🟢) | Implemented | Cancelled | Non Implemented |
| Homelessness Strategy | - | - | - | - | - | - |
| Homeless Applications, including Housing Options Advice and Referrals | - | - | - | - | - | - |
| Provision of temporary accommodation | 1 | - | - | - | - | - |
| Payments out (to the Property Owner) | - | - | - | - | - | - |
| Debt Collection (from Tenants) | - | - | - | - | - | - |
| Management of Outstanding Debts | - | - | - | 1 | - | - |

Weaknesses identified during audit (Essential and Important only)




| Priority | Weakness | Action Agreed? |
|--------------------------|---|----------------|
| Essential New | DBS Checks have not been kept up to date for all Bed and Breakfasts used by the Council on a regular basis. | Yes |

Summary of Assurance Opinions Used

Annex Four

| Assurance Level | Symbol | Description |
|-------------------|---|--|
| Strong |  | There is a strong system of control designed and operating effectively. Any weaknesses found were low impact and do not significantly affect key controls or the achievement of the objectives of the system. |
| Reasonable |  | There is basically a sound system of internal control but weaknesses were found in system design or compliance, which result in some risk to the achievement of the system objectives. |
| Limited |  | There are some weaknesses in the system of control designed or the level of compliance which result in significant risk to the achievement of the system objectives. |
| Minimal |  | Fundamental weaknesses have been identified such that many key controls are absent or not operating effectively which may put at risk the achievement of the corporate control objectives. |

Recommendations and actions in the report are categorised using the following 3 point scale in use on the Council's action management system:

| | | |
|------------------|---|--|
| Essential |  | A fundamental weakness in the control system which presents immediate risk to the service or system of a significant nature. Requires urgent attention by management. Reported to the Audit Committee and implementation of proposed actions are monitored. |
| Important |  | A significant control weaknesses where the risk is not imminent or only of a moderate nature. This needs addressing but is not urgent. Reported to the Audit Committee and implementation of proposed actions are monitored. |
| Advisory |  | A weakness or opportunity for improvement where the risk poses no great threat and is relatively minor. Consideration should be given to addressing the weakness if there is the appetite and/or capacity to implement the improvements. We will not track actions taken to address these recommendations unless at the manager's request. |

Statement of Responsibility

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

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

Mazars Public Sector Internal Audit Limited

London

August 2014

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