

Final Internal Audit Report

St Joseph's Federation

March 2020

Distribution: Head Teacher
Chair of Governors
School Business Manager
Executive Director, Children, Families and Education (Final Only)
Director of Education and Youth Engagement (Final Only)
Director of Finance, Investment and Risk and S151 Officer (Final Only)

Assurance Level	Recommendations Made	
Limited Assurance	Priority 1	5
	Priority 2	7
	Priority 3	2

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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

- 1.1 St Joseph's Federation is the federation of St Joseph's RC Junior, Infant and Nursery Schools. At the time of audit there were 384 pupils attending and it had a combined expenditure budget of approximately £2.32m for 2019/20.
- 1.2 The approved 2019/20 combined budgets forecast a year end deficit of £134,536. However, the quarter 3 budget monitoring reports now forecast a year end surplus of £42,279 (a surplus of £84,461 for the Junior School and a deficit of £42,182 for the Infants School.)
- 1.3 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

Issues resulting in Priority 1 Recommendations

Sample testing identified payments to an individual, where NI and PAYE deductions had not been made and the HMRC Employment Status Service tool check had not been conducted. **(Recommendation 5)**

Testing of a sample of 15 transactions identified eight where the purchase orders were authorised after the date of the corresponding invoices. **(Recommendation 6)**

There were no goods or services received checks evidenced for any of the 15 transactions selected for testing. **(Recommendation 7)**

A number of control weaknesses in the management of the petty cash fund were found, some of which were significant. **(Recommendation 8)**

A number of gaps in the control framework of the School's information governance arrangements, including the lack of an information asset register, were found. **(Recommendation 9)**

Priority 2 Recommendations

A financial skills audit had not been carried out for all Governors or any staff with financial responsibilities. **(Recommendation 1)**

Only one reference had been obtained for one of the new starters sampled. **(Recommendation 2)**

There was no evidence of a medical check being conducted for one of the three new starters sampled. **(Recommendation 3)**

The School did not obtain three quotes and approval from the Resources Committee for the high value purchase of a school trip. **(Recommendation 4)**

The Schools Lettings Policy had not been approved by the Full Governing Body. It was also found for one hirer, the hirer's agreement had not been authorised by the Head Teacher, and the hirer's public liability insurance had expired in 2016. **(Recommendation 10)**

Two members of staff had school meal debts. **(Recommendation 11)**

The school fund account has not been audited. **(Recommendation 12)**

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
- School Business Manager
- Office Manager

3. Actions and Key Findings/Rationale

Audit Area: Budgetary control & Monitoring

Priority	Recommendation 1	Detailed Finding/Rationale		
2	<p>A financial skills audit of all staff with financial responsibilities should be carried out.</p> <p>A financial skills audit for governors should be conducted annually and for all new Governors to identify where training is required.</p>	<p>Expected Control</p> <p>The Schools Financial Value Standard (SFVS) question 6 asks, ‘Does the school have access to an adequate level of financial expertise, including when specialist finance staff are absent such as sick leave?’ The SFVS support notes provided on the DfE website further explain that, ‘Schools should analyse the skills of staff with financial responsibilities to look for any gaps and identify any training and development needs. One way to assess your staff’s current skills is to use a skills matrix: the SFVS additional resources document includes an example financial skills matrix. The skills matrix should identify the staff’s skills and whether the skills are held by the staff who, in organisational terms, are best placed to use them.’</p> <p>Issue/Finding</p> <p>It was confirmed that the School carried out a financial skills audit of the governors in June 2019. However, since then the School has appointed new governors who have not yet completed a financial skills assessment. Furthermore, it was also found that staff with financial responsibilities had not carried out a financial skills assessment</p> <p>Risk</p> <p>Where the financial skills of staff with financial responsibilities and governors are not assessed, the School is not compliant with SFVS and there is a risk that governors cumulatively do not have the right mix of financial skills and that appropriate training to help remedy this is not taken up.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline

We have tasked the staff Governor with performing the skills audit above including the financials skills audit for staff who have financial responsibilities, being SBM and the Resources Committee Chair	Agreed	Staff Governor	22 April – next FGB meeting
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Audit Area : Payroll

Priority	Recommendation 2	Detailed Finding/Rationale		
2	A second reference for the identified new starter should be obtained.	<p>Expected Control</p> <p>The 'Keeping children safe in education - Statutory guidance for schools and colleges' dated September 2019, details that two or more written references are obtained for all new starters, preferably prior to being interviewed. The references should ideally be from the individual's last employment.</p> <p>Issue/Finding</p> <p>Sample testing of the documentation retained for a sample of three new starters found that for one of the new starters, only one reference had been obtained.</p> <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
The staff member in question had put down the HT and DHT of her former school and the school had returned one reference, signed by the HT, on behalf of both. We have gone back to the school and asked for the second reference to be completed and sent back ASAP.		Agreed	SBM	End of March 2020

Priority	Recommendation 3	Detailed Finding/Rationale		
2	<p>The School should follow up on the staff member identified to ensure that a medical check, if not already conducted, is conducted as soon as possible.</p> <p>A copy of the relevant check should be retained on the employee file.</p>	<p>Expected Control</p> <p>In line with the requirements of the Education (Health Standards) (England) Regulations 2003, all new staff should receive a Health Check from the Council's Medical Officer to check that they are fit to perform their required duties in their role. The document confirming the successful check is sent to the school and should be retained on file.</p> <p>Issue/Finding</p> <p>Examination of the documentation available for a sample of three new starters at the School established that there was no evidence of a medical check being conducted for one of the new starters.</p> <p>Risk</p> <p>Where new staff do not receive a medical check prior to commencing employment, there is a risk that employees are not fit to carry out some specific roles. This could result in a loss of provision of services through long term illness and potentially a financial loss for the School.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
We have asked the DHT to complete the medical check again.		Agreed	SBM	w/c 9 March 2020

Audit Area: Procurement

Priority	Recommendation 4	Detailed Finding/Rationale		
2	<p>The School should ensure that transactions are appropriately evidenced as authorised in line with the requirements of the Financial Policies and Procedures Manual, (as this document does not distinguish at what stage the authority is due, this should be at order stage before the School is committed and also at invoice stage prior to payment being made.)</p> <p>The School should ensure that the required quotes are obtained for higher value expenditure in line with the requirements of the Financial Policies and Procedures Manual.</p>	<p>Expected Control</p> <p>The School's Financial Policies and Procedures Manual, Section A3: 'Financial limits of delegated authority' details that the Head Teacher may approve purchases up to £5,000, the Resources Committee up to £25,000 and that all other purchases must be approved by the full Governing Body.</p> <p>Section E1 'Obtaining value for money when purchasing' within the Manual also details that, <i>'Three written quotations should be obtained for all expenditure above £3,000 unless it is impractical to do so due to the nature of the supply or service being only available from a limited number of specialist providers'</i> and <i>'Where a quotation other than the lowest is accepted, the reasons for this decision must be reported to the Governing Body and included in the minutes of the relevant meeting'</i>.</p> <p>Issue/Finding</p> <p>Examination of documentation available for a sample of 15 transactions identified that one of the transactions had not been evidenced as authorised as required by the Resources Committee and that evidence of quotes being obtained was not available, or of governors agreeing this as an exemption to obtain quotes.</p> <p>Risk</p> <p>Where higher value purchases are not appropriately approved, there is an increased risk that inappropriate expenditure may occur. Where three quotes are not obtained for higher value purchases, there is a risk that the School does not obtain value for money.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
The School has been going to PGL for Residentials for many years but we accept that we do need to obtain quotes/alternatives on an ongoing basis to ensure value for money. We		Agreed	HT	Immediate

<p>also accept that the payment, even though it was made up of a number of smaller individual payments, exceeded the limits per our policy and that it should have gone to the FGB or Resources committee for approval. Staff with financial and purchasing responsibility have been reminded of these limits and instructed to bring any purchases above them to the appropriate body for approval.</p>			
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Priority	Recommendation 5	Detailed Finding/Rationale		
1	<p>The HMRC 'view' of the employment status of the individual should be obtained by using the Employment Status Indicator (ESI) tool, and NI and PAYE deductions, where appropriate, should be made from payments.</p>	<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 a payment to an individual; however, there was no evidence that the HMRC Employment Status Service tool had been used or any other check of self-employment and no PAYE or NI deductions had been made as required.</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>The School accepts that it did not perform the HMRC check on this occasion for this supplier. We did do a check subsequent to the audit and the result was in this case, that it was not an employment relationship, as the supplier could and did send replacements and we would accept them. We are reviewing all our other arrangements currently to see if any others may have this issue.</p>		Agreed	SBM / HT	End of March 2020

Priority	Recommendation 6	Detailed Finding/Rationale		
1	<p>The School should ensure that all green internal requisition forms are authorised by the Head Teacher before committing to purchases.</p> <p>The School should update the Financial Policy and Procedures Manual with regards to the use of green internal requisition forms, and have it reviewed/approved by the Full Governing Body.</p>	<p>Expected Control</p> <p>The Schools Financial Policy and Procedures Manual states in Section E5: Use of purchase ordering system, that <i>‘St Joseph’s Federation will operate a purchase ordering system that uses, unique pre-numbered purchase order number, which will be recorded in the Capita SIMS FMS6 accounting system for all goods and services except utilities, rents, rates and petty cash payments.’</i></p> <p>Issue/Finding</p> <p>Testing of a sample of 15 transactions identified that for eight of these transactions the purchase order/requisition form was appropriately authorised after the invoice was received.</p> <p>Discussion with the School Business Manager established that since they joined the School in the last 6 months, they have introduced the use of green requisition forms when a staff request to purchases goods/services for school use. The use of these forms is not as yet detailed in the School’s Financial Policies and Procedures Manual.</p> <p>Risk</p> <p>Where purchase orders/internal requisition forms 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> <p>Where the School has not updated the Financial Policies and Procedures Manual with regards to the use of green internal requisition forms, there is a risk that out of date and inappropriate procedures are followed with regards to procurement.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
The revised finance manual is due to be reviewed and approved at the next FGB on 24 March. It will then include references to the green forms and requirement to get evidence of approval before all purchases.		Agreed	SBM / HT	Immediate

<p>In terms of approvals, note that the policy will also state that only the SBM can approve purchase orders as he is in close/day-to-day contact with the budget limits whereas only the HT or DHT can authorise payments in order to provide separation of duties.</p>			
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Priority	Recommendation 7	Detailed Finding/Rationale		
1	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 states in Section E5: Use of purchase ordering system, that <i>'The School Business Manager or Office Manager must ensure goods and services on receipt match the order prior to payment.'</i></p> <p>Issue/Finding</p> <p>Testing of a sample of 15 transactions identified that there was no goods or services received check evidenced for any of the transactions.</p> <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
Immediately after the audit, procedures were changed so that office / receiving staff have to sign and date the delivery notes and file it away so that it can be matched to the invoice.		Agreed	SBM	Immediate

Priority	Recommendation 8	Detailed Finding/Rationale		
1	<p>The School should either close the Petty Cash Float and/or ensure appropriate controls are put in place to manage it, including:</p> <ul style="list-style-type: none"> Petty cash disbursements are only made where these have been properly authorised and are within the limits defined in the Finance Policy; Income and petty cash are kept separate, with all income being banked intact; All petty cash expenditure is appropriately supported by invoices / receipts; and The total petty cash held does not exceed the £100 limit. 	<p>Expected Control</p> <p>The Schools Financial Policy and Procedures Manual states in Section G1: Agreed level of petty cash, that <i>'St Joseph's Federation will maintain a float £100 within each school office'</i>. Section G3: Proper use of petty cash, also states that <i>'Payments from petty cash are limited to amounts below £20, which must be approved in advance by an authorised member of staff.'</i> And Section G4: Supporting documents for petty cash expenditure, states that <i>'All expenditure from petty cash must be supported by receipts, identifying any VAT paid. It must be signed for by the recipient and countersigned by an authorised member of staff, such as the Headteacher or School Business Manager.'</i></p> <p>Issue/Finding</p> <p>Examination of petty cash documentation available identified that the petty cash limit had been exceeded twice since 1 January 2019, and a further ten times between 1 May 2018 and 31 December 2018. The largest item of expenditure was £54.70. It was also identified that between the 5 May 2018 and the 10 July 2018, the float exceeded the £100 limit, with £257.09 the highest amount being held.</p> <p>Examination of the 'petty cash log' identified instances where income had been deposited into the petty cash.</p> <p>Finally, no receipts and / or other supporting documentation was available for any of the sample of transactions selected from the petty cash.</p> <p>Risk</p> <p>Where the petty cash is not properly controlled in line with the Finance Policy and receipts / invoices are not obtained, there is a risk of inappropriate purchases and misuse of the fund. Furthermore, VAT may not be able to be reclaimed, where appropriate.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
Noted. Petty cash procedures were tightened up significantly since the audit. E.g. A physical log book was set up to store all receipts, and the rules regarding maximum expenditure (£20) and		Agreed	SBM	Immediate

maximum petty cash balance (£100) were printed and placed in a prominent place near the petty cash.			
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Audit Area: Information Governance

Priority	Recommendation 9	Detailed Finding/Rationale
1	<p>The School's information governance arrangements should be strengthened by:</p> <ul style="list-style-type: none"> • An Information Asset Register (as required by the DPA 2018) being put in place; • Create a Document Retention Policy; • Update the Data Protection Policy to cover all aspects of data breaches, subject access requests and include any information that would have been in the web links; • Bring HR procedures and practices up to date with consequences of data breaches; and • Ensure that the Emergency Response Procedures document is reviewed and approved by the Full Governing Body. 	<p>Expected Control</p> <p>The Data Protection Act (DPA) 2018 came into force on 25 May 2018 and enshrined the General Data Protection Regulations (GDPR) into UK law. The DPA 2018 has two categories for breaches of GDPR, acts deemed to be a lesser breach hold a maximum fine of €10 million or two per cent of a company's annual revenue, whichever is greater, and for more severe breaches, the maximum fine is €20 million or four per cent of a company's annual revenue, whichever is greater.</p> <p>Under Article 30 of the GDPR each data controller and, where applicable the controller's representative needs to maintain a record of processing activities under its responsibility. These records must be in writing or electronic form. The controller must make the record available to the Information Commissioners Office (ICO) on request. Under the DPA 2018 and GDPR, the ICO may fine an organisation for non-compliance.</p> <p>The Information Asset Register (IAR) is one method of demonstrating compliance with Article 30. An IAR is an inventory or catalogue of information assets and the systems used. By understanding the nature of information, where it is held, how it is used, and if it is protected risks can more easily be mitigated.</p> <p>Issue/Finding</p> <p>While the School had a number of documents and policies in place in respect of Information Governance, testing identified several gaps and areas for improvement as follows:</p> <ul style="list-style-type: none"> • The School did not have an Information Asset Register; • The School did not have a document retention policy; • The Schools Data Protection Policy did not include the procedures for reporting a data breach, what is classified as a data breach and the consequences of data breaches; • The Schools HR policies had not brought its practices and procedures up to date to include the consequences of any breaches; • The Schools Data Protection Policy did not include procedures for when someone exercises their rights;

		<ul style="list-style-type: none"> • The Schools Data Protection Policy contained links to the ICO website, where the webpages no longer existed; and • The Schools Emergency Response Procedures document had not been evidenced as reviewed and by the governors in the last 12 months. <p>Risk</p> <p>Where the Schools information governance arrangements are not fully up to date for the DPA 2018 and GDPR, there is a risk that the School is not compliant with the DPA 2018 or GDPR and could be liable for significant fines should a data breach occur.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
	<p>The Chair of Governors has tasked the following staff to address these points:</p> <ul style="list-style-type: none"> • Online and Computing Lead: Information Asset Register • LA Governor and HT: Document Retention Policy • HT: Update the Data Protection Policy • HT: Bring HR procedures and practices up to date <p>HT: Emergency Response Procedures</p>	Agreed	Chair of Governors	End of March

Audit Area: Income

Priority	Recommendation 10	Detailed Finding/Rationale		
2	<p>The public liability insurance of any hirers of the School facilities should be confirmed prior to any lets being agreed. Evidence of this check should be retained.</p> <p>The Lettings Policy should be approved by the governors and recorded as such in the relevant meeting minutes.</p> <p>The Head Teacher should approve the letting of facilities, unless they elect to delegate this function. In which case, this delegation should also be recorded.</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. The lettings should also be authorised by the Head Teacher. Governors should review and approve the Lettings Policy annually.</p> <p>Issue/Finding</p> <p>Testing of the documentation for a sample of three lettings found that:</p> <ul style="list-style-type: none"> • For one hirer, they had provided a hirer’s public liability insurance, but it went out of date on 18 May 2016, and the hirer still uses the schools facilities; and • One letting had not been evidenced as authorised by the Head Teacher <p>Discussion with the Schools Business Manager established that there was no lettings policy in place before they had joined. They have since developed a Lettings Policy which is planned to be put forward to the full Governing Body in March 2020.</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 property and facilities or injury to persons, this could result in large financial costs to the School. Where the Head Teacher has not approved the letting, there is an increased risk that school facilities are let out for inappropriate use. Where the lettings policy has not been approved by governors, there is an increased risk that that inappropriate prices are levied.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
These two lettings were signed before the current HT and SBM took office. However, since the audit we have since obtained the insurance policy for first hirer and the HT has reviewed and		Agreed	SBM	w/c 9 March

signed agreement for the second hirer in question.			
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Priority	Recommendation 11	Detailed Finding/Rationale		
2	Staff debt should be strongly discouraged and immediate action should be taken to recover outstanding school meal debts.	<p>Expected Control</p> <p>School meals are required to be paid for in advance. In exceptional circumstances, it is recognised that some payments may be late and these may be paid in arrears, but this should not be normal practice. Staff incurring debt sets a poor example and must be strongly discouraged.</p> <p>Issue/Finding</p> <p>During the testing of the school meal income it was established that there were two members of staff that had meal debts of £5.80 and £11.60 respectively. Notwithstanding that these amounts may be relatively small, staff should not have meal debts.</p> <p>Risk</p> <p>Where school meal charges are not paid in advance and outstanding amounts not collected in a timely manner, there is a risk that these amounts may not be recovered. Where staff accrue school meal debts there is a risk that these may set a bad example.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
Staff in debt have been told to bring their accounts into credit immediately.		Agreed	SBM / HT	w/c 9 March

Audit Area: School Fund

Priority	Recommendation 12	Detailed Finding/Rationale		
2	The School should carry out an audit of the school fund account and present the results to the full Governing Body.	<p>Expected Control</p> <p>The Schools Financial Policies and Procedures Manual in Section '12: Registered with Charity Commission', details that, '<i>Voluntary fund accounts must be certified by an auditor who is completely independent of the school. Additionally where the schools' voluntary funds exceeds income or expenditure over £1,000, it will be registered with the Charity Commission.</i>' Section 16: Audited accounts, also details that, '<i>The Head teacher will present the audited accounts, the auditor's certificate and a written report on the accounts to the Governing Body as soon as possible after the year-end.</i>'</p> <p>Issue/Finding</p> <p>Discussion with the Head Teacher and the School Business Manager established that the school fund had not been audited. It was explained that this was because the money in the fund had not been used in the last 12 months, due to difficulties in accessing the account. The School Fund currently has a balance of £16,795.12</p> <p>Risk</p> <p>Where the school fund account has not been audited and therefore no audit results are presented to governors annually, there is a risk that these funds may be mismanaged and that the Governing Body may not be able to demonstrate appropriate stewardship of these funds.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
The School is considering setting up an unincorporated charitable organisation ("The St Joseph's Federation Charitable Foundation") which will have its own Board, bank account, and annual report and accounts which will be audited by an independent auditor and will complete a charity return each year. The Foundation can then claim Gift Aid on donations it receives and make grants to the school as required for		Agreed	SBM / HT	End of April

purchases by the School. This will take over the school fund account. This will be discussed at the next Resources and FGB committees.			
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4. Priority 3 Recommendations

Recommendation	Findings
<p>1) The Schools delegation of authorisation levels and the 2019/20 budget should be included in the Governor’s Induction pack.</p>	<p>The School does not include the following items in the Governors Induction Pack:</p> <ul style="list-style-type: none"> • Schools delegation of authorisation levels; and • The 2019/20 Budget. <p>Where the School does not include the Schools delegation of authorisation levels or 2019/20 budget in the Governor’s Induction Pack and important information and documents are not provided, there is a risk that the Governors will not receive the necessary information and be appropriately briefed to govern the School efficiently.</p>
<p>2) The School should review the Resources Committee terms of reference to ensure that these appropriately detail the responsibilities designated to the committee.</p>	<p>The Resources Committee terms of reference did not include the following responsibilities detailed in the Schools Finance Policy and Procedures as being functions of the Committee:</p> <ul style="list-style-type: none"> • Disposal of assets; • Contract Disposal; and • Tendering and quotations <p>Where responsibilities of the Resources Committee are not included in the terms of reference, there is an increased risk that during meetings, the Committee does not discuss fundamental matters of finance.</p>

AUDIT TERMS OF REFERENCE

St Joseph’s Federation – 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	0	2
Budgetary Control & Monitoring	0	1	0
Payroll	0	2	0
Safeguarding	0	0	0
Procurement	4	1	0

Bank Accounts	0	0	0
Information Governance	1	0	0
Income	0	2	0
Health and Safety	0	0	0
School Fund	0	1	0
Totals	5	7	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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