

# Final Internal Audit Report

## Winterbourne Nursery and Infant School

### February 2021

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

Assurance Level	Recommendations Made	
Substantial Assurance	Priority 1	0
	Priority 2	2
	Priority 3	3

#### Confidentiality and Disclosure Clause

This report ("Report") was prepared by Mazars LLP at the request of London Borough of Croydon and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

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

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**Executive Summary**

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### 1. Introduction

- 1.1 Winterbourne Nursery and Infant School is a community school and at the time of audit there were about 347 pupils attending (taken from Head Teachers report presented to Governing Body meeting held 2 December 2020). The School has an expenditure budget of approximately £2.03M for 2020/21.
- 1.2 The audit was undertaken as part of the agreed Internal Audit Plan for 2020/21 based on a risk assessment. The objectives, approach and scope are contained in the Audit Terms of Reference at Appendix 1.

### 2. Key Issues

#### Priority 2 Recommendations

A copy of a Disclosure Barring Check (DBS) had been retained for over 6 months contrary to Data Protection requirements. **(Recommendation 1)**

Testing of a sample of 15 transactions identified an instance where payment had been made to an individual without PAYE and NI deductions being made. Although an employment status check had been completed, this had been completed by the individual and not by the School as required. **(Recommendation 2)**

The 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
- Finance and Personnel Officer

### 3. Actions and Key Findings/Rationale

#### Audit Area: Payroll

Priority	Recommendation 1	Detailed Finding/Rationale		
2	<p>The School should check personal files to ensure that copies of DBS checks have not been retained for more than six months.</p> <p>Any copies of DBS checks obtained in the future should not be retained longer than six months.</p>	<p><b>Expected Control</b></p> <p>Keeping Children Safe in Education September 2020, section 171 details that, ‘<i>Schools and colleges do not have to keep copies of DBS [Disclosure Barring Service] certificates in order to fulfil the duty of maintaining the single central record. To help schools and colleges comply with the requirements of the Data Protection Act 2018, when a school or college chooses to retain a copy, it should not be retained for longer than six months.</i>’</p> <p><b>Issue/Finding</b></p> <p>While examining the staff personal files and conducting sample testing, an instance was noted where a photocopy of a DBS for a member of staff had been held for more than six months.</p> <p><b>Risk</b></p> <p>Where the School retains copies of DBS checks for longer than six months, there is a risk of breach of the Data Protection Act 2018 and consequent fines.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
<p><b>Comment:</b> Useful point, it will enable the school to monitor/review DBS certificate on regular basis.</p> <p><b>Action:</b> Check personnel files, keep DBS certificate for six months and remove/shred the certificates over six months.</p>		Agreed	School Business Manager	Completed 02/02/2021

**Audit Area: Procurement**

Priority	Recommendation 2	Detailed Finding/Rationale		
2	<p>The School should ensure an 'Employment Status Check' is carried out by the School for all payments to individuals.</p> <p>The Schools should further be prepared to substantiate the answers provided in the tool.</p>	<p><b>Expected Control</b></p> <p>On the Employment Status page on the Government's website, it details that, '<i>Individuals and their employers may have to pay unpaid tax and penalties, or lose entitlement to benefits, if their employment status is wrong.</i>' In order to correctly determine an individual's employment status, the employer should complete an 'Employment Status Check'. The guidance on the website further details that, '<i>There must be a contract in place to see whether the engagement is classed as employment or self-employment. The tool assumes there will be one in place.</i>'</p> <p><b>Issue/Finding</b></p> <p>Testing of a sample of 15 purchases identified an instance where payment had been made to an individual without PAYE and NI deductions being made. The payment was for £1,000. Although an employment status check had been completed, this had been completed by the individual being hired for their services and not by the School.</p> <p>The 'Employment Status Check' must be completed by the School as employer. Furthermore, the School must be ready to substantiate the answers provided in the tool as well as provide a copy of the contract and other relevant supporting documentation.</p> <p><b>Risk</b></p> <p>Where the School does not perform 'Employment Status Check' correctly, there is a risk that if challenged by HMRC that the School could incur fines.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
We accept that Employment Status Check was not carried out to an individual.		Agreed	School Business Manager	Ongoing

**Action:** The school will ensure that in future, guidance on the government website will be followed to complete the check as when required.

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#### 4. Priority 3 Recommendations

Recommendation	Findings
<p><b>Governance and Leadership</b></p> <p>1) Ensure that minutes for Committee meetings are signed and dated at subsequent meetings once formally agreed.</p>	<p>Resource Committee Minutes from 4 November 2020 had been signed and not dated. There has not been a subsequent Resources Committee meeting to agree and sign the minutes.</p> <p>Where the minutes are pre signed there is a risk that these have not been formally authorised and approved.</p>
<p><b>Procurement</b></p> <p>2) The School should set targets from the benchmarking evidence and ensure this exercise along with its findings are presented to the full Governing Body for review.</p>	<p>Although a benchmarking exercise was conducted in January 2020, it was not evident whether targets had been set from this exercise and there was no evidence of this being shared with the Governing Body.</p> <p>Where benchmarking targets are not set and information from the exercise is not presented to the full Governing Body, there is a risk that the Governing Body could make decisions without complete information.</p>
<p><b>Income</b></p> <p>3) The School should include pricings within the Lettings Policy, or somewhere equivalent, and review these prices annually.</p>	<p>The prices of lettings were not detailed in the School's Lettings Policy or elsewhere.</p> <p>Where the prices of lettings have not been formally agreed and publicised, there is a risk of the School being accused of being biased towards one individual/company due to differences in the prices being charged.</p>

## AUDIT TERMS OF REFERENCE

### Winterbourne Nursery and Infant School – 2020/21

#### 1. INTRODUCTION & BACKGROUND

- 1.1 This audit was undertaken as part of the Internal Audit Plan for 2020/21, 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	1
Budgetary Control & Monitoring	0	0	0
Payroll	0	1	0
Safeguarding	0	0	0







Audit Area	Recommendations Made		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Procurement	0	1	1
Bank Accounts	0	0	0
Information Governance	0	0	0
Health and Safety	0	0	0
Income	0	0	1
<b>Totals</b>	<b>0</b>	<b>2</b>	<b>3</b>

### 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:

<b>Priority 1 (High)</b>	Fundamental control weaknesses that require immediate attention by management to action and mitigate significant exposure to risk.
<b>Priority 2 (Medium)</b>	Control weakness that still represent an exposure to risk and need to be addressed within a reasonable period.
<b>Priority 3 (Low)</b>	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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