

Final Internal Audit Report

Winterbourne Nursery and Infants School 2019/20

December 2019

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

Assurance Level	Recommendations Made	
No Assurance	Priority 1	8
	Priority 2	10
	Priority 3	4

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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. Winterbourne Nursery and Infants School is a Community School and at the time of audit there were 416 pupils attending. It has an expenditure budget of approximately £2.24m for 2019/20.
- 1.2. 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

Priority 1 Recommendations

At the end of quarter 1 the School had forecast a year end deficit budget of -£202k but at the time of audit had not yet agreed a formal budget deficit plan with the local authority. **(Recommendation 3)**

For one of the sample of three new starter records examined, two references were not held, no panel notes were retained and there was no evidence that the role was advertised. **(Recommendation 5)**

An appraisal of the Head Teacher had not been completed by December 31st 2018 due to the fact that he was not at the School for an extended period of time due to illness. An appraisal had still not been carried out at the time of audit in October 2019. **(Recommendation 8)**

Evidence of a DBS (Disclosure Barring Service) check was not held for one governor and the DBS checks for another governor and two staff members were overdue renewal. **(Recommendation 9)**

Sample testing identified payments to two separate individuals, where NI and PAYE deductions were not made and HMRC Employment Status Service tool checks had not been conducted. **(Recommendation 12)**

Goods received checks were not evidenced for eight of the sample of 11 transactions where documentation was available. **(Recommendation 14)**

Seven of the invoices from the sample of eleven transactions where documentation was available were not evidenced as appropriately authorised. **(Recommendation 15)**

A number of gaps in the School's information governance arrangements were found. **(Recommendation 17)**

Priority 2 Recommendations

A declaration of business interests was not held for one governor and another three declarations were more than 12 months old. **(Recommendation 1)**

While an unsigned version of the schools 2018/19 SFVS assessment was submitted to the local authority in April 2019, the signed version was only submitted in May 2019, which is beyond the required deadline. **(Recommendation 2)**

A financial skills assessment of School staff had not been conducted. **(Recommendation 4)**

Evidence of satisfactory medical checks was not held for any of the three new starters sampled. **(Recommendation 6)**

For one employee, the amount paid as per the payroll record for September 2019 did not match the salary detailed in the employee's contract. **(Recommendation 7)**

Appropriate supporting documentation (i.e. orders and invoices) was not available for 4 of the sample of 15 transactions selected for testing. **(Recommendation 10)**

Governing Body approval for a high value expenditure item (i.e. over £10k) was not evident. **(Recommendation 11)**

Four of the purchase orders for the sample of 11 transactions where supporting documents were held were raised retrospective to the corresponding invoices being received. **(Recommendation 13)**

Although the School had conducted a benchmarking exercise, this was not with similar schools, no areas for improvement had been identified and the results had not been evidenced as shared with governors. **(Recommendation 16).**

A checklist of the various responsibilities and duties under current health and safety legislation (as these relate to the maintenance, statutory compliance and repair upkeep of school buildings) was reviewed as part of the audit. Whilst it was evidenced that the School has a good overall level of compliance, a number of gaps were noted. **(Recommendation 18)**

The Priority 3 recommendations are included under section 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

3. Actions and Key Findings/Rationale

Audit Area: Governance

Priority	Recommendation 1	Detailed Finding/Rationale	Agreed/Disagreed	Responsible Officer	Deadline
2	<p>Declarations of business interests should be:</p> <ul style="list-style-type: none"> • Obtained for the identified governor; • Reviewed for the three governors whose declarations were over a year old; and • Dated in all cases. 	<p>Expected Control</p> <p>The 'Croydon Scheme for Financing Schools' paragraph 2.9 details that, 'Governing bodies shall maintain a register which lists for each member of the governing body, the head teacher and budget holders, any business interests they or any member of their immediate family have; details of any other educational establishments that they govern and any relationships between school staff and members of the governing body. The register is to be kept up to date with changes being made as they occur and by means of an annual review of entries. The register must be available for inspection by governors, staff, parents and the LA and the register should be published, for example on a publicly accessible website.'</p> <p>Issue/Finding</p> <p>Comparison of the current governors to the declarations of business interests held identified that:</p> <ul style="list-style-type: none"> • A declaration of business interests was not held for one of the governors; • The declarations of business interests for three of the governors were not dated; and • The declarations of business interests for three governors were dated over 12 months ago and needed to be reviewed. <p>Risk</p> <p>Where not all governors have signed declarations of business interests, the School is in breach of the Croydon Scheme for Financing Schools. Furthermore, there is a risk that conflicts of interest may not be detected and that the School may be unable to demonstrate openness and transparency.</p>			
Management Response					

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<p><u>Comment:</u> There are a number of points relating to declaration of business interest for governors. This is usually completed at the first meeting of the governing body.</p> <p><u>Action:</u> -The governing body to ensure that register of business interests and governance is kept up to date.</p>	Agreed	Chair of Governors Clerk	Jan 2020
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Priority	Recommendation 2	Detailed Finding/Rationale			
2	<p>The Schools SFVS self-assessment for 2019/20 (and future years) should be appropriately signed and submitted by the 31 March deadline.</p>	<p>Expected Control</p> <p>The Croydon Scheme for Financing Schools, paragraph 2.16 details that, 'It is for the school to determine at what time in the year they wish to complete the form. Governors must demonstrate compliance through the submission of the SFVS assessment form signed by the Chair of Governors. All maintained schools with a delegated budget must submit the form to the local authority before 31st March and annually thereafter.'</p> <p>Issue/Finding</p> <p>It was established that the School submitted an initial copy of the completed SFVS in April 2019, however it was not signed. The School then sent a signed version of the SFVS to the local authority in May 2019.</p> <p>Examination of the minutes of the Governing Body meeting held on the 28 March 2019 confirmed that the Schools SFVS assessment had been agreed and signed at this meeting.</p> <p>Risk</p> <p>Where the School does not complete, sign and send the SFVS by the 31 March, the School is in breach of the Croydon Scheme for Financing Schools.</p>	<p>Agreed/Disagreed</p> <p>Agreed</p>	<p>Responsible Officer</p> <p>School Business Manager</p>	<p>Deadline</p> <p>31/03/2020</p>
<p>Management Response</p> <p><u>Comment:</u></p> <p>The SFVS was submitted on time to Schools Finance on Friday 29th March 2019, by email at 14:07, which was within the deadline of 31st March. On 9th May 2019, Schools Finance emailed the SBM, asking for a signed version of the SFVS, and the SBM replied the same day, sending the signed version in pdf.</p> <p><u>Action:</u></p> <p>-Ensure that a signed version of the SFVS is submitted in future by the agreed date.</p>					

Audit Area: Budgetary Control and Monitoring

Priority	Recommendation 3	Detailed Finding/Rationale	
1	<p>The School must formally agree a budget deficit plan with the Council.</p>	<p>Expected Control</p> <p>The Croydon Scheme for Financing Schools, paragraph '4.9 Licensed deficits' details that, <i>'In certain circumstances, a school may plan for a deficit budget, with the agreement of the LA only if there:</i></p> <ul style="list-style-type: none"> <i>• is a significant unforeseen decrease in pupil numbers</i> <i>• is a significant over-projection in pupil numbers.</i> <i>• are extreme circumstances that could not be foreseen or catered for by the school</i> <p><i>The school must agree an action plan with the LA (authorisation from the Assistant Chief Executive (Corporate Resources and Section 151 Officer)) in order that a non-deficit budget can be set at the end of a specified period.'</i></p> <p>Issue/Finding</p> <p>The School's 2019/20 approved budget planned for a year end surplus of £40,575. The Schools 2019/20 Q1 Income and Expenditure Report forecast that at year end the deficit would be -£240,929.</p> <p>Although evidence was provided of the School meeting with the Council on 18 September 2019 to discuss the Schools financial position and the way forward, no evidence was available of a licenced deficit application being submitted or subsequently approved.</p> <p>Risk</p> <p>Where an approved budget deficit plan is not formally agreed with the Council, the School is in breach of the Croydon Scheme for Financing Schools and there is an increased risk that the deficit continues to grow.</p>	
Management Response		Agreed/Disagreed	
<p>Comment:</p> <p>The Q1 report was produced by our external finance support provider, Octavo, on 15th July 2019. It projected a revenue carry-forward deficit</p>	Agreed	<p>Head teacher, School Business Manager, Finance & Resources committee</p>	<p>Completed, awaiting approval</p>

<p>of -£240,929. This was in turn discussed at the Full Governing Body (FGB) meeting on 18th July 2019, with a signed copy forwarded to Schools Finance the following week.</p> <p>The Head teacher received an invitation from the Interim Director, Education and Youth Engagement on 7th August to meet with the Interim Head of Standards Safeguarding and Inclusion and the Senior Management Accountant. This was scheduled for 18th September, to discuss the school's deficit position. At the meeting, the school's deficit position was discussed at a strategic level and the school was asked to produce a plan over the coming weeks.</p> <p>A draft Licensed Deficit application was produced and discussed at the Finance & Resources committee on 16th October 2019. Governors submitted feedback during the meeting and over the following two weeks. The Licensed Deficit application was submitted on 18th November 2019, 7 working weeks after the meeting with the Council. This took longer than planned, as it was important to make sure that everyone had commented on the plan and that the projected 3-year budget figures were as accurate as possible. To illustrate the fluidity of our figures, the revised revenue budget deficit as per the submitted Licensed Deficit plan had reduced down to - £95,412.</p> <p>Action:</p> <ul style="list-style-type: none"> -The School will prepare a plan for preparing, reviewing and finalising the budget at the same time as setting the budget each year. This will 			
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also be added as an agenda item at the Finance & Resource Committee.			
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Priority	Recommendation 4	Detailed Finding/Rationale
2	<p>The School should ensure that skills matrices are completed for staff with financial responsibilities as soon as possible and that these are analysed to look for any gaps and identify any training and development needs.</p>	<p>Expected Control</p> <p>The Schools Financial Value Standard (SFVS) question 6 asks whether '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>While a financial skills assessment for governors had been completed, such an assessment for school staff was not available.</p> <p>Risk</p> <p>Where skills matrices for members of staff with influence over financial decisions are not completed, there is a risk that any gaps are not identified and resolved.</p>
Management Response		
<p><u>Comment:</u> This is a valid point and will assist the school favourably.</p> <p><u>Action:</u></p> <ul style="list-style-type: none"> - Conduct skills assessment of school staff (finance team, senior leaders and external finance support). 	Agreed	<p>Responsible Officer School Business Manager</p> <p>Deadline Jan 2020</p>

Audit Area: Payroll

Priority	Recommendation 5	Detailed Finding/Rationale
1	<p>Two written references should be sought for the new starter identified.</p> <p>For all future posts, the School should ensure that:</p> <ul style="list-style-type: none"> • The post is advertised; • Interviews are conducted by formal panels, with at least one of panel members being trained in safeguarding; and • Two written references are obtained, preferably prior to interview. 	<p>Expected Control</p> <p>The 'Keeping children safe in education - Statutory guidance for schools and colleges' dated September 2019, paragraph 93 details that, 'The School Staffing (England) Regulations 2009 require governing bodies of maintained schools to ensure that at least one of the persons who conducts an interview has completed safer recruitment training' and paragraph 144 details that, 'Employers should always ask for written information about previous employment history and check that information is not contradictory or incomplete.'</p> <p>In order to help comply with the Equalities Act 2010, all posts should be appropriately advertised and any appointments selected through a fair process.</p> <p>Issue/Finding</p> <p>Examination of documentation available for a sample of three starters identified that for one of these starters (a teaching assistant appointed 3 September 2019) there were no references obtained, no panel interview notes available and no evidence that the role had been advertised.</p> <p>The School Business Manager explained that there was no advert posted as the position needed to be filled urgently, notwithstanding the post should have been advertised and the requirements of the 'Keeping children safe in education - Statutory guidance for schools and colleges' complied with.</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 and panel interviews held with one of these panel members being trained in safeguarding, there is a risk that the School may hire based upon false pretences and that inappropriate individuals could be appointed. Furthermore, where the School does not advertise the post, there is a risk that the position does not reach a wide enough pool of possible candidates.</p>
Management Response		<p>Agreed/Disagreed</p> <p>Responsible Officer</p> <p>Deadline</p>

<p><u>School comment:</u> At the FGB meeting on 18th July, Governors agreed that the School could recruit six 1-to-1 learning support assistants. As this meeting took place the week before the school broke up for the summer holidays, there was little time to advertise the jobs through the usual channels. The Head teacher therefore took the decision to acquire all the staff from agencies, which was executed the following week. (This was the first week of the summer break.) By chance, the school had received a CV from a parent at the school at the same time, enquiring about potential vacancies. The Head teacher decided to invite this person for an interview as well, alongside the agency entries, thus it was not advertised as such.</p> <p>This applicant had just returned from living and working in the United States for a number of years. Two referees, both in the US, were provided in the application form. However, despite the School Business Manager chasing these referees on a continuous basis, one reference came in after the audit was carried out. There are now no outstanding references.</p> <p><u>Action:</u></p> <ul style="list-style-type: none"> - Ensure that two satisfactory references are obtained before new starters are allowed to commence work and that all roles are advertised and interview panel notes are recorded and saved. At least one member of any panel will have undertaken the Safer Recruitment Training and all senior posts will have a member of the governing body on the panel. - Review recruitment policy 	<p>Agreed</p>	<p>School Business Manager, Head teacher</p>	<p>References now received for candidate in question</p>
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Priority	Recommendation 6	Detailed Finding/Rationale		
2	Evidence of satisfactory medical checks should be held for all staff.	<p>Expected Control</p> <p>The Education (Health Standards) (England) Regulations 2003 paragraph 6(1) detail that, 'A relevant activity may only be carried out by a person if, having regard to any duty of his employer under Part II of the Disability Discrimination Act 1995(1), he has the health and physical capacity to carry out that activity.' In this regard, medical checks are required to be conducted for school staff appointments.</p> <p>Issue/Finding</p> <p>Examination of the documentation held for a sample of three new starters established that a record of satisfactory medical checks was not held for any of the staff.</p> <p>Risk</p> <p>Where satisfactory medical checks are not obtained for new starters, the School is in breach of the Education (Health Standards) (England) Regulations 2003 and there is a risk that these individuals may not have the health and physical capacity for their roles.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
<p><u>Comment:</u> An online, medical check portal is referred to in the contract covering letter for all staff. All staff are asked to fill this in.</p> <p><u>Action:</u></p> <ul style="list-style-type: none"> - SBM emailed all staff on 23rd October, requesting that they complete the questionnaire. - A column will be added to the Single Central Register to show when these have been completed. 		Agreed	School Business Manager, Head teacher	Completed. Awaiting responses

Priority	Recommendation 7	Detailed Finding/Rationale		
2	<p>The School should ensure that the identified payroll error is rectified.</p> <p>Particular care should be taken when reviewing the payroll in future, to ensure that the starting salary of new starters is correct.</p>	<p>Expected Control</p> <p>The amount paid to staff in the schools payroll records should match the amount that is stated in the staff member's contract. In this regard, the monthly payroll reports are required to be checked and signed as evidence of this check by the Head Teacher, or delegated officer.</p> <p>Issue/Finding</p> <p>Sample testing confirmed that the monthly payroll reports were being evidenced as checked; however, when comparing the schools payroll to the records held for a sample of three new starters, an instance was noted by Internal Audit where the amount paid did not agree to the starter's contract. Discussion with the School Business Manager established that he had accidentally entered the incorrect amount of weeks worked for the member of staff on the software that the school uses.</p> <p>It should be noted that the School Business Manager immediately upon the error being identified contacted their Payroll consultant for this to be rectified.</p> <p>Risk</p> <p>Where information regarding pay is incorrectly inputted into spreadsheets and payroll software, there is an increased risk that staff are getting paid for work that has not been done, causing a financial loss to the school.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
<p><u>Comment:</u></p> <p>This was corrected at the time of the audit and is explained in the findings. This related to a new cleaner who started on 3rd September but was entered on the payroll system as having started on 1st September. Teaching staff who started on the 3rd September are paid from 1st September to ensure continuity of employment. This small oversight for a cleaner resulted in a small financial error.</p>		Agreed	School Business Manager	Completed

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<p><u>Action:</u></p> <ul style="list-style-type: none">- SBM to triple-check payroll details before payroll is authorised.- Head teacher to meet with SBM before payroll is processed every month, to review and scrutinise the data (SBM to annotate beforehand where discrepancies exist.)			
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Priority	Recommendation 8	Detailed Finding/Rationale
1	<p>Conduct an appraisal for the Head Teacher as soon as possible.</p>	<p>Expected Control The Schools Pay Policy, paragraph 14.6 details that, 'An annual review of the performance of Assistant and Deputy Headteachers must be undertaken by 31 October and by 31 December for Headteachers using the schools performance management process.' This is in line with the requirements of the Department for Education's School Teachers' Pay and Conditions document (2018), Guidance on School Teachers' Pay and The Education (School Teacher's Appraisal) (England) Regulations 2012.</p> <p>Issue/Finding Discussion with the Head Teacher established that he had not been working at the School for an extended period of time due to illness. Although he returned in January 2019, he had not yet had the 2018 appraisal at the time of audit in October 2019.</p> <p>Risk Where the Head Teacher has not been appraised within 12 months of their last appraisal, there is a risk that the School is non-compliant with The Education (School Teachers' Appraisal) (England) Regulations 2012.</p>
Management Response		
<p>Comment: Performance review not carried out by Governors due to the Head Teacher being on an extended leave of absence. The performance review has now been carried out (29th November 2019) by a committee, led by the Vice Chair of Governors</p> <p>Action: Chair of Governors to ensure annual performance review of the Head Teacher is added to an annual work plan.</p>	<p>Agreed</p>	<p>Chair of Governors</p> <p>Completed</p>
Agreed/Disagreed	Responsible Officer	Deadline

Priority	Recommendation 9	Detailed Finding/Rationale
1	<p>The outstanding DBS check for the identified governor should be progressed as a matter of urgency.</p> <p>The governor renewals should also be progressed and the Schools Single Central Record updated for the staff DBS renewal.</p>	<p>Expected Control</p> <p>School Staffing (England) Regulations 2003, as amended, paragraph 11 (3) require that for all new appointments, 'An enhanced criminal record certificate issued pursuant to Part V of the Police Act 1997 must be obtained in respect of any such person before or as soon as practicable after his appointment'. It is the school's responsibility to ensure that DBS checks are renewed every three years in line with Council policy.</p> <p>The School Governance (Constitution and Federations) (England) (Amendment) Regulations 2016 makes DBS checks mandatory for governors in maintained schools. It states '16A.— (2) Where a governor is elected or appointed on or after 1st April 2016 and does not hold an enhanced criminal record certificate, the governing body must apply for such a certificate in respect of that governor within 21 days after his or her appointment or election.'</p> <p>Issue/Finding</p> <p>Examination of the copy of the Schools Single Central Record provided at time of audit established that:</p> <ul style="list-style-type: none"> • One governor had not yet had their DBS renewal, which was due in March 2019; • One governor did not have a DBS check. Discussion with the Head Teacher established that the governor is a teacher at another school. However, DBS checks are not portable between roles and the DBS for their role as a governor should have been obtained when they were appointed; and • There were two members of staff who had not had their DBS reviewed within three years. It was noted that for one member of staff, they had just received the renewed DBS at the time of the audit and therefor the Single Central Register needed updating. For the other member of staff, his renewal had not been completed as he had been ill. This will need to be renewed immediately upon his return to work. <p>Risk</p> <p>Where DBS checks and renewals are not conducted as required, there is a risk that any changes in DBS status that may have occurred will not be detected in a timely manner, leading to a risk to the safeguarding of children.</p>

Management Response	Agreed/Disagreed	Responsible Officer	Deadline
<p>Comment: The governor who is a teacher in another school joined the Governing Board in December 2018, we note that the DBS should have been carried out within 21 days of her appointment and that DBS checks are not portable. The DBS check was undertaken in October 2019, with the DBS clearance given on 3rd November 2019. The governor with a DBS in need of renewal had been absent from a number of the Governing Board meetings during the period in question due to personal circumstances. This governor has now been suspended from the Governing Board until his DBS check has been completed. All DBS certificates for staff are now up to date. Two members of staff were overdue their DBS renewal, albeit one of these renewals came through from our DBS partner during the audit. The other member of staff's DBS was arranged asap after the illness.</p> <p>Action:</p> <ul style="list-style-type: none"> - Chair of Governors to write again to the governor with the outstanding renewal, copying School Business Manager and Clerk to Governors to follow up. All new governors to be asked to complete the DBS forms once they have been accepted as a governor – and within 21 days. - SBM to change alert system to arrange renewals 2 months in advance of the actual renewal date, to avoid renewals being late - The school is investigating the use of the DBS update service to see if that will provide a 	<p>Agreed</p>	<p>School Business Manager, Chair of Governors Clerk</p>	<p>Completed</p>

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sufficiently robust system for checking DBS status.			
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Audit Area: Procurement

Priority	Recommendation 10	Detailed Finding/Rationale		
2	<p>The missing invoices (and other supporting documents) for the identified transactions should be located.</p> <p>Any transactions where the supporting documentation cannot be located should be investigated to:</p> <ul style="list-style-type: none"> Confirm that these were appropriate; and Ensure that any VAT incurred is not reclaimed. 	<p>Expected Control</p> <p>In the Schools Finance Policy and Procedure document, Section D17: Cheque number and invoices states that, <i>'All invoices are stamped and initialled by the cheque signatories. The budget area and date the invoice is processed is initialled by the Finance Officer. The cheque number is automatically printed on the remittance advice. The documentations must be securely stored for easy access.'</i></p> <p>Issue/Finding</p> <p>Appropriate supporting documentation (i.e. invoices and orders) could not be located for 4 of the sample of 15 payments tested.</p> <p>Risk</p> <p>Where the School does have records of invoices/purchase orders, there is a risk that inappropriate payments have been made. Furthermore, any VAT incurred on these transactions cannot be reclaimed.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
<p><u>Comment:</u></p> <p>The auditors reported that they could not locate documentation for 4 of the sample payments. This was because the documentation for the samples was not stored for easy access. The school has located the above information. This documentation will be passed to internal audit together with the management response.</p> <p><u>Action:</u></p> <ul style="list-style-type: none"> School to forward the documentation to the auditors when the response to the draft report is submitted. 		Partially agreed. (Invoices located post-audit)	Finance Officer	Completed

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<p>- The School Business Manager, the Finance Officer and the Octavo Finance person will review document management practices within the school and make suggestions/ recommendations about how this could be improved to ensure that documentation can easily be found. A governor will attend the school at least once a term to undertake spot checks to aid with improving practices within the school.</p>			
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Priority	Recommendation 11	Detailed Finding/Rationale		
2	<p>Ensure that approval from the Governing Body is obtained and evidenced in the appropriate minutes for all transactions over £10,000.</p>	<p>Expected Control In the Schools Finance Policy and Procedure document, the authorisation limits for purchases are given in Appendix 1. This includes a requirement that the Full Governing Body must approve any high value purchases that are above £10,000.</p> <p>Issue/Finding Examination of documentation available for a sample of higher value purchases established that there was no evidence that one of these had been authorised by the full Governing Body as required. This was for a Supplier paid £19,000 on 7 May 2019 (although signed by the Chair of Governors, this had not been reported in June 2019 meeting as a chairs action.)</p> <p>It is noted that the above transaction, in other schools, would be considered an exception; however, the Schools Finance Policy and Procedure document does not provide for any exceptions.</p> <p>Risk Where transactions over £10,000 are not evidenced as approved by the full Governing Body as required, the Schools Finance Policy and Procedure document is not being complied with and there is an increased risk that school funds are being spent inappropriately.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
<p><u>School comment:</u> This is correct. The cheque for £19,000 for teacher absence insurance was presented to the Chair of Governors for authorisation. This needs to be approved as a chair's action by the Full Governing Body.</p> <p><u>Action:</u></p>		Agreed	School Business Manager, Finance Officer	Ongoing

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<ul style="list-style-type: none">- Expenditure items of >£10,000 to be tabled at FGB for approval by the Governing Board, not just the Chair of Governors.- Review the Schools Finance Policy and Procedure document to include exceptions of this nature.			
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Priority	Recommendation 12	Detailed Finding/Rationale								
1	<p>The HMRC 'view' of the employment status of the individuals 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 two of the transactions were for payments to individuals.</p> <p>On further review of these two transactions it was noted there was no evidence that the HMRC Employment Status Service tool had been used or any check of self-employment. Details for these two transactions are as follows:</p> <ul style="list-style-type: none"> Supplier A for £840 on 24 September 2019 for paving work. Payment was a flat fee; and Supplier B for £660 on 26 September 2019 for ICT work, to build a new system, transfer data and design reports. Payment was made on an hourly basis. <p>(Please also refer to recommendation 13, as the orders for these transactions were raised retrospective to the invoices being received.)</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>								
<table border="1"> <thead> <tr> <th data-bbox="1257 1377 1332 2065">Management Response</th> <th data-bbox="1257 985 1332 1377">Agreed/Disagreed</th> <th data-bbox="1257 215 1332 985">Responsible Officer</th> <th data-bbox="1257 215 1332 2065">Deadline</th> </tr> </thead> <tbody> <tr> <td data-bbox="1332 1377 1422 2065"><u>Comment:</u></td> <td data-bbox="1332 985 1422 1377">Agreed</td> <td data-bbox="1332 215 1422 985">School Business Manager, Finance Officer</td> <td data-bbox="1332 215 1422 2065">Ongoing</td> </tr> </tbody> </table>			Management Response	Agreed/Disagreed	Responsible Officer	Deadline	<u>Comment:</u>	Agreed	School Business Manager, Finance Officer	Ongoing
Management Response	Agreed/Disagreed	Responsible Officer	Deadline							
<u>Comment:</u>	Agreed	School Business Manager, Finance Officer	Ongoing							

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<p>We accept that there was no evidence of the HMRC tool checks having been conducted for these suppliers.</p> <p><u>Action:</u></p> <ul style="list-style-type: none">- The school will ensure that, going forward, it will carry out the HMRC IR35 checks on suppliers that trade under their personal names, rather than a company name.			
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Priority	Recommendation 13	Detailed Finding/Rationale
2	<p>For all cases, where costs relating to transactions can be identified in advance, management should ensure that purchase orders are raised and appropriately certified in advance of purchases being initiated.</p> <p>Where costs cannot be identified in advance, prior approval for the transaction should still be evidenced.</p>	<p>Expected Control</p> <p>In the Schools Finance Policy and Procedure document, Section D8: Use of written pre-numbered order forms states <i>'Official, pre-numbered orders from the FMS system must be used for all goods and services except utilities, photocopies, rents, rates and petty cash payments. Where urgency requires an oral order, these must be confirmed by a written order.'</i></p> <p>Issue/Finding</p> <p>Four of the purchase orders for the sample of eleven transactions where documentation was available were identified as raised retrospectively, as follows:</p> <ul style="list-style-type: none"> Supplier 1 for £660: The order was dated 17 September 2019 and the invoice was dated 6 September 2018; Supplier 2 for £19,000: The order was dated 25 April 2019 and the invoice was dated 15 April 2019; Supplier 3 for £1,000: The order was dated 6 November 2018 and the invoice was dated 14 October 2018; and Supplier 4 for £1,335: The order was dated 1 October 2018 and the invoice was dated 30 September 2018. <p>Risk</p> <p>Where the School does not raise purchase orders in advance, there is a risk that the authorisation and commitment processes are by-passed which may result in inappropriate purchases and poor budgetary control.</p>
Management Response		
<p><u>Comment:</u></p> <p>We accept that orders should not be raised retrospectively of the order being executed. The order for £19,000 was raised retrospectively due to the insurance company needing an urgent</p>	Agreed	<p>Finance Officer</p> <p>Ongoing</p>
Agreed/Disagreed	Responsible Officer	Deadline

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<p>instruction before the old insurance expired. Three quotes were obtained for staff absence insurance.</p> <p>Action:</p> <ul style="list-style-type: none">- Purchase orders must be raised before the order is placed,- Review Finance Policy and Procedures to include exceptions of this nature.- A governor will attend the school at least once a term to undertake spot checks to aid with improving practices within the school.			
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Priority	Recommendation 14	Detailed Finding/Rationale
1	<p>Goods / service received checks should be undertaken with evidence of who has carried out these recorded.</p> <p>To demonstrate segregation of duties the person signing for goods/services should be independent of the ordering and payment process.</p>	<p>Expected Control</p> <p>In the Schools Finance Policy and Procedure document, section D13: Check goods and services on receipt states <i>'One of the people specified below (E3), must check goods and services on receipt and match the order, which should be annotated accordingly. This should not be undertaken by the person who signed the order.</i></p> <p><i>Spot checks will be carried out by a designated person who will monitor delivery against receipts.'</i></p> <p>Issue/Finding</p> <p>Goods or services received checks were not evidenced for nine of the sample of eleven transactions where documentation was available.</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
<p><u>Comment:</u></p> <p>The listed samples are of a differing nature; some are goods/services provided at a date in time, but it also includes the charge for the annual staff absence insurance (£19,000) and charges for support from Winterbourne Girls' School (£10,270). The school has now located signed invoices for all of the samples. The signature on the invoice should verify that the school has received the goods/services ordered. We also have the signed SLA for the insurance as well as the agreed Memorandum of Understanding for when the girls school supported.</p>		<p>Agreed</p>
Management Response		Responsible Officer
		<p>School Business Manager, Finance Officer</p>
Management Response		Deadline
		<p>Ongoing</p>

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<p><u>Action:</u></p> <ul style="list-style-type: none">- Ensure that all associated documentation with purchases (i.e. invoices, delivery notes, purchase orders, SLAs, contracts) are signed appropriately, in line with the Finance Policy and Procedures.- The above to be attached to purchase orders and invoices.- Ensure filing systems are consistent and easily accessed.- School to forward the documentation to the auditors with this response.- A governor will attend the school at least once a term to undertake spot checks to aid with improving practices within the school.			
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Priority	Recommendation 15	Detailed Finding/Rationale
<p>1</p> <p>In line with the requirements of the Schools Finance Policy and Procedures all invoices must be appropriately certified for payment.</p> <p>Where an authorised signatory is not available for an extended period, the Governing Body should consider approving temporary delegations for this period.</p> <p>At no time should an authorised signatory exceed their delegated limits.</p>	<p>Expected Control</p> <p>The Schools Finance Policy and Procedures, Section 'D15: Approved staff should certify invoices for payment' details that, 'A member of staff, who did not sign the order or check receipt of goods, approved by the Governing Board should certify invoices for payment.'</p> <p>Section 'A3: Financial Limits of Delegated Authority' details that the only the Deputy Head Teacher, the Head Teacher and the full Governing Board may approve payments, with limits of £1,000, £10,000 and unlimited respectively.</p> <p>Issue/Finding</p> <p>Seven of the invoices from the sample of eleven transactions where documentation was available were not evidenced as appropriately authorised.</p> <p>Two of these (for £1,335 and £2,446) were approved by the Deputy Head Teacher for a value that exceeded their limit of £1,000, although this occurred at a time when the Head Teacher was absent from work due to illness.</p> <p>It is also accepted that the Schools Finance Policy and Procedures section A3 does allow that, 'For purchases agreed under the following limits, the subsequent orders do not need to come back to governors for authorisation for payment as long as they are within the agreed tolerance of 10% of the agreed purchase order amount'; however, as the orders for the transactions above that exceeded £10,000 were not approved by the full Governing Body, (refer to recommendation 11) these needed to be approved by the full Governing Body.</p> <p>Risk</p> <p>Where the School allows purchases to be authorised by those who have not been delegated authority to do so, there is a risk that the School may incur inappropriate purchases.</p>	
<p>Management Response</p>		
<p><u>Comment:</u></p>	<p>Agreed</p>	<p>Responsible Officer Finance Officer</p>
<p>Agreed/Disagreed</p>		<p>Deadline Completed</p>

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<p>The School has now located signed purchase orders for the seven samples.</p> <p><u>Action:</u></p> <ul style="list-style-type: none">- Ensure that all associated documentation with purchases (i.e. invoices, delivery notes, purchase orders, SLAs, contracts) are signed appropriately, in line with the Finance Policy and Procedures.- The above to be attached to purchase orders and inEnsure filing systems are consistent and easily accessed. <p>School to forward the documentation to the auditors with this response.</p> <ul style="list-style-type: none">- A governor to attend the school at least once a term to undertake spot checks to aid with improving practices within the school.			
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Priority	Recommendation 16	Detailed Finding/Rationale
<p>2</p> <p>The School should carry out benchmarking with relevant schools, recognise areas for improvement and set targets, and then report this to the Full Governing Board.</p> <p>The government provide an online service that can be used to carry out the benchmarking report.</p>	<p>Expected Control</p> <p>Question 14 of the Schools Financial Value Standard asks 'Does the school benchmark its income and expenditure annually against that of similar schools and investigate further where any category appears to be out of line?'</p> <p>Issue/Finding</p> <p>Although it was evidenced that the School had completed a benchmarking report, review of the report identified that:</p> <ul style="list-style-type: none"> The School had used a pre-set spreadsheet for the benchmarking. The School Business Manager could not determine which schools were used. Examination of the excel spreadsheet identified that Secondary Schools and non-London based Schools were included; The School had not identified areas for improvement, and set targets for these improvements; and The findings from the report had not been discussed with the School Governing Body. <p>Risk</p> <p>Where the School carries out benchmarking against disparate schools, there is an increased risk that benchmarking results are not comparable and therefore of limited benefit. Where areas of improvement are not identified, targets are not set and the results are not shared with governors, there is an increased risk that the School takes no action and performance is not improved.</p>	
Management Response		
<p><u>Comment:</u></p> <p>Carrying out a benchmarking exercise is necessary going forward. The suggested government's online benchmarking portal/tool will be very useful to the School and governors.</p> <p><u>Action:</u></p>	<p>Agreed</p>	<p>Responsible Officer</p> <p>School Business Manager, Head teacher</p> <p>Deadline</p> <p>Jan 2020</p>

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<p>- The School will propose, to the Finance and Resources committee, an appropriate benchmarking methodology, which will occur every year.</p>			
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Audit Area: Information Governance

Priority	Recommendation 17	Detailed Finding/Rationale
1	<p>The School's information governance arrangements should be strengthened by:</p> <ul style="list-style-type: none"> Updating relevant policy documents so that these include the correct DPO for the School; The DPO should be given appropriate training, or the School should contact the local authority to find approved companies that provide DPO services; Creating a list of staff members and the systems that they are authorised and have access to; An Information Asset Register (as required by the DPA 2018) being put in place; Providing updates and training to staff on the DPA 2018 / GDPR (inset days) and keep a log of all staff that attended; Carry out checks on DPA 2018 / GDPR compliance by using an action plan or having a DPA 2018 / GDPR audit conducted on the School; and Reviewing the use of consent and documenting any consequent changes. 	<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. In order to prepare for GDPR and the DPA 2018 it is expected that for all schools a DPA 2018 / GDPR plan be developed and used to track the activities required to comply with DPA 2018 / GDPR.</p> <p>This plan should include where relevant:</p> <ul style="list-style-type: none"> Development of an Information Asset Register; Development of Privacy Notices; Data Protection Officer (DPO) role assigned; Reviewing the use of consent; Data Protection Impact Assessments; Relevant policies and procedures; 3rd Party Contract Reviews; Information Security; and Staff communication and training. <p>The Data Protection Act 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>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"> Although the role of the DPO was given to the School Business Manager, he had not had any training for this role. His tasks had been outlined in the schools GDPR policy, but this needed updating as it referred to a member of staff who was no longer employed by the School;

	<ul style="list-style-type: none"> • There is no list of the authorised users of the Schools systems; • The School did not have an Information Asset Register; • There was no log of staff who had received information management training; • The School had not carried out checks to ensure GDPR compliance; and • The use of consent had not been reviewed during the School Business Manager's time at the school. <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><u>School comment:</u></p> <p>We note that the school need to thoroughly review its data protection and information management systems.</p> <p><u>Action:</u></p> <ul style="list-style-type: none"> - Ensure that GDPR policies are up to date and include flow chart processes for reporting data breaches - The name of the Data Protection Officer (DPO) in the policy needs changing to "the School Business Manager" - SBM to undertake DPO training - School to consider outsourcing Data Protection Officer role - Ensure there is a list of authorised users of the school's systems - Create an Information Asset Register 	Agreed	School Business Manager, Head teacher, Finance & Resources committee	Jan 2020

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<ul style="list-style-type: none">- Arrange information management training and create a log of staff when they receive said training- Carry out checks to ensure GDPR compliance (and ascertain what the checks entail)- Review use of consent.			
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Audit Area: Health and Safety

Priority	Recommendation 18	Detailed Finding/Rationale
2	<p>The checklist of the various responsibilities and duties under current health and safety legislation should be reviewed by the School with any identified gaps addressed as soon as possible.</p>	<p>Expected Control The Health & Safety at Work Act 1974, its subordinate legislation, The Regulatory Reform (Fire Safety) Order 2005, Control of Asbestos Regulations 2012 and other related legislation, place responsibilities on school governing bodies for the appropriate management of building-related risks.</p> <p>Issue/Finding A checklist of the various responsibilities and duties under current health and safety legislation (as these relate to the maintenance, statutory compliance and repair upkeep of school buildings) was reviewed as part of the audit. Whilst it was evidenced through completion of the checklist that the School has a good overall level of compliance, a number of gaps were noted including:</p> <ul style="list-style-type: none"> • No Risk Assessment for processes that use 'dangerous substances'; • No Glazing Risk Assessment; and • No Traffic Management Plan. <p>Risk Where the School does not review its responsibilities and duties under current health and safety legislation and carry out works to ensure that it is compliant, there is an increased risk that all required maintenance is not identified and completed, leading to a risk that harm could come to children and staff when present in the School grounds.</p>
<p>Management Response</p>		<p>Agreed/Disagreed</p>
<p>Comment: The school has carried out risk assessments for chemical usage, however, a full review of risks is required. The risks surrounding traffic and pedestrian movements are identified and measures are already in place to make this a safe area. However, an actual traffic</p>		<p>Responsible Officer School Business Manager, Head Caretaker</p> <p>Deadline March 2020</p>

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<p>management plan is not in place. This will be in place by 31st March 2020.</p> <p><u>Action:</u></p> <ul style="list-style-type: none">- Conduct a full review of Risk Assessments for dangerous substances- Create Glazing Risk Assessment- Create Traffic Management Plan			
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4. Priority 3 Recommendations

Recommendation	Findings
<p>1) The School should ensure that the most current list of training is available to governors is included in the Governor's Induction pack.</p>	<p>The School did not include a list of the training available to governors in their Governors' Induction Pack.</p> <p>Where the School does not include the list of available training to governors in the Governor's Induction Pack, there is a risk that the Governors will not be appropriately trained to govern the School efficiently.</p>
<p><u>School comment:</u> Governors/Clerk/School to review the Governors' induction pack and training.</p>	
<p>2) The School should review the Finance and Personnel Committee terms of reference to ensure that these appropriately detail the responsibilities designated to the committee.</p>	<p>The Finance and Personnel Committee terms of reference did not include the following responsibilities detailed in the Schools Finance Policy and Procedures:</p> <ul style="list-style-type: none"> • Disposal of assets; • Tendering / quotations needed; and • Contract Approval. <p>Where responsibilities of the Finance and Personnel 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>
<p><u>School comment:</u> The WNIS Finance and Resources is newly formed; it has met just once so far (October 2019). The Terms of Reference for the committee is being reviewed by the Governors – the committee will ensure these items are included in the next version. It will be presented, for approval, at the next full Governing Board meeting on 12 December 2019.</p>	
<p><u>ment:</u> The Lettings Policy has been signed off by the Finance and Resources committee and will be presented to the full Governing Board for information in December 2019.</p> <p><u>Audit comment:</u></p>	

Recommendation	Findings
<p>The Lettings Policy being approved by the Finance and Resources committee should be sufficient authority. This is not a policy required, by statute or other requirement, to be approved by the full Governing Body.</p> <p>3) Create a laptop loan form for staff that do have laptops on loan, and ensure it is authorised by an appropriate member of staff, a return date is outlined, and the responsibility/liability of the user is clearly explained.</p>	<p>In accordance with the requirements of Keeping Your Balance, Standards for Financial Management in School's standard M4, <i>'Whenever school property, for example musical instruments or computers, is taken off the school site it should be signed for and a register noted accordingly.'</i> In this regard, the School should maintain loan forms or a loan register.</p> <p>Discussion with the Head Teacher established that the only staff that have laptops are those that have been at the school for over two years and they do not let laptops out to staff anymore. For those staff that did borrow a laptop, no formal laptop loan documents were available.</p> <p>Where equipment loan forms are not used, there is a risk that School equipment may not be appropriately looked after and may be difficult to retrieve from the individual.</p>
<p><u>School comment:</u> The School will create an equipment loan form.</p>	

AUDIT TERMS OF REFERENCE

Winterbourne Nursery and Infants School 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

- 2.1.1 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	2	2
Budgetary Control & Monitoring	1	1	0
Payroll	3	2	0
Safeguarding	0	0	0
Procurement	3	4	0
Banking	0	0	0
Information Governance	1	0	1
Health and Safety	0	1	0
Income	0	0	1
Totals	8	10	4

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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