

# Final Internal Audit Report

## Downsview Primary School

### February 2022

Distribution: Head Teacher  
Chair of Governors  
School Business Manager  
Corporate Director, Children, Families and Education  
Finance Manager  
Corporate Director Resources Interim  
Corporate Director of Education and Youth Engagement Interim (Final only)  
Assistant Chief Executive Interim (Final only)

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

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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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**1. Introduction**

- 1.1 Downsview Primary School is a Primary School and at the time of audit there were 654 (as stated by the School's Business Manager) pupils attending. It has an expenditure budget of approximately £3,540,873.35 for 2021/22.
- 1.3 The fieldwork for this review was completed remotely in response to COVID-19. While our review and testing was performed remotely, we have been able to obtain all relevant documents required to complete the review.
- 1.4 The audit was undertaken as part of the agreed Internal Audit Plan for 2021/22 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**

The School, having identified that the role of Clerk to the Governing Body was a deemed office holder and that NI and PAYE deductions should be made at source, has since April 2021 paid the Clerk via payroll. However, the tax liability, if any, was not clarified for payments prior to this date when the clerk had been paid via invoice without NI or PAYE deductions being made. **(Recommendation 1)**

Review of the health and safety questionnaire completed during the internal audit identified that the School had not yet completed a glazing risk assessment and that the School caterers did not have a manual for the steam oven in the kitchen. **(Recommendation 2)**

The priority 3 recommendation is 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	The School should liaise with its payroll provider to investigate and resolve any tax liability for payments to the clerk prior to April 2021.	<p><b>Expected Control</b> 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’ and that, ‘Where someone is determined to be employed, PAYE and NI deductions must be made at source.’</p> <p><b>Issue/Finding</b></p> <p>Testing of a sample of 15 transactions found eight payments between August 2020 to March 2021 that had been made for the service of Clerk to the Governing Body, which is an Officer Holder position and therefore NI and PAYE deductions should have been made at source. The School realised that this role should be treated as employed for tax purposes in April 2021 and notified their payroll provider accordingly, with all payments to the clerk after this date being made via payroll. Discussion with the School Business Manager established; however, that there had been no review of the tax liability for payments made to the clerk prior to April 2021.</p> <p><b>Risk</b></p> <p>In the event of an Investigation by HMRC, the School could be found liable for failing to report and deduct NI and PAYE payments. This could lead to financial loss through a fine, legal sanctions and reputational damage.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
The school contacted its payroll provider Liberata and the Clerk to the Governors to obtain assurance regarding any possible tax and national insurance liabilities. A copy of our email		Agreed	HR Officer and SBM	1.4.2022

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to Liberata was shared with Internal Audit Team via Egress on 6<sup>th</sup> October 2021. A copy of the Clerk's email confirming that she has fully paid her national insurance and tax in the period prior to April 2021 has also been shared with the audit team.

Upon becoming aware that payments to Clerks were deemed to be on payroll for tax purposes, the school contacted the Internal Audit Team for guidance and advice. Advice received from the Head of Internal Audit on 10<sup>th</sup> November 2020 advising that 'IR35 rules apply to office holders, so just paying an invoice without the deduction of Tax and NI is not permitted.' As you will note this does not advise that the school needs to check any legacy tax or national insurance liabilities. Had this been the case the school would have acted upon it.

The school will re-contact its payroll provider Liberata to obtain confirmation that there is not likely to be any outstanding tax or National Insurance liability given the low value of the Clerk's annual earnings. Should there be any liability the school will seek advice as to how to rectify this.

**Audit Area: Health & Safety**

Priority	Recommendation 2	Detailed Finding/Rationale		
2	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><b>Expected Control</b></p> <p>The Health &amp; 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><b>Issue/Finding</b></p> <p>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 gap was noted, namely that the School had requested the local authority's Compliance Monitoring Officer in March 2021 to help with arranging a glazing risk assessment and was still awaiting a response.</p> <p><b>Risk</b></p> <p>Where gaps in the checklist of the various responsibilities and duties under current health and safety legislation are not addressed in a timely manner, there is a risk that harm could come to children and staff when present in the School grounds.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
Internal glazing was reviewed by the local authority which undertook a detailed Fire Safety Audit in May 2018 following which a number of changes were made to the school buildings internally. Following on from these works the school has had no further glazing works		Agreed	Site Manager	1.4.2022

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undertaken – a copy of the Fire Safety Audit works has been shared with the Audit Team.

With regards to carrying out a further glazing risk assessment the school has sought advice from the local authority's Schools Client and Compliance Monitoring Officer regarding Glazing Surveys with no response. A copy of the email correspondence dated March 2021 was shared with the Audit Team. The Schools Client and Compliance Monitoring Officer regularly contacts the school requesting evidence of statutory compliance requirements but has never requested a glazing survey or risk assessment as part of this review process. The local authority also undertook a 5-year Asset Condition Survey on 23<sup>rd</sup>, 24<sup>th</sup> and 25<sup>th</sup> June 2021. No issues have previously been raised in regards to the condition of glazing in the school buildings. However, in light of the recommendation the school will source an independent contractor to undertake a glazing survey to inform a glazing risk assessment of the school premises.

**4. Priority 3 Recommendation**

Recommendation	Findings
<p><b>1) Information Governance</b></p> <p>Bitlocker should be employed to ensure data protection.</p> <p><b><u>School's Response:</u></b></p> <p>Following discussion with the Auditors Bitlocker was deployed to all laptops by the school's outsourced IT provider Octavo. See attached request. Bitlocker is now fully deployed and managed by Octavo.</p>	<p>In order to help safeguard School computer from being inappropriately accessed, appropriate access controls should be in place for each computer. In this regard it is good practice to have Bitlocker installed on each computer.</p> <p>During the opening meeting the School confirmed that Bitlocker was not used for data encryption. The School have since confirmed that the Bitlocker software is now in use.</p>



## AUDIT TERMS OF REFERENCE

### Downsview Primary School – 2021/22

#### 1. INTRODUCTION & BACKGROUND

- 1.1 This audit was undertaken as part of the Internal Audit Plan for 2021/22, 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	0
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	0	0
Bank Accounts	0	0	0
Information Governance	0	0	1
Health and Safety	0	1	0
Income	0	0	0
<b>Totals</b>	<b>0</b>	<b>2</b>	<b>1</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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