

# Final Internal Audit Report

## CALAT – Income Collection

### August 2022

Distribution: Corporate Director Sustainable Communities, Regeneration and Economic Recovery  
Director Planning and Sustainable Regeneration  
Head of Employment, Skills and Economic Development  
Strategic Service Manager  
Corporate Director of Resources and S151 Officer

Assurance Level	Issues Identified	
Substantial Assurance	Priority 1	0
	Priority 2	1
	Priority 3	2

#### 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.

The Report was prepared solely for the use and benefit of London Borough of Croydon and to the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk.

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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3. Statement of Responsibility

**1. Introduction**

- 1.1 Croydon Adult Learning and Training (CALAT) offer over 500 part-time courses at three centres across the Borough - Croydon Clocktower; Strand House and New Addington.
- 1.2 CALAT'S aim is to enrich the lives of adults of all ages, abilities and background enabling them to reach their full potential through learning and education.
- 1.3 Full fees are payable upon enrolment. Learners can pay for their education by either credit card or debit card. Standing orders are not currently being accepted until learners can safely arrange going to CALAT to process bank mandate forms. If they have a low income, they may apply for a Discretionary Learner Support Fund to help with fee payments.
- 1.4 People over the age of 19 wishing to study for a Level 3 Certification, Diploma or above are eligible to apply for a loan for their course fees, which do not have to be paid back until they are earning over £21,000 per annum.
- 1.5 As part of the agreed 2021/22 Internal Audit Plan, an internal audit of CALAT - Income Collection was identified to be undertaken.

**2. Key Issues****Priority 2 Issue**

Examination of the payments due for a sample of ten learners found that three had only been paid after the corresponding courses commenced, **(Issue 1)**.

There are two priority 3 issues identified.

### 3. Actions and Key Findings/Rationale

#### Income Collection

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 1																																
2	The system process has been changed so that learners will not be admitted to the class until a fee is paid. This could be full payment or a first payment of an agreed instalment plan.	<p>For CALAT, income should be received before the courses are due to start and prior to the learner attending the course. Where full payment is not received prior to the course commencement, appropriate action should be taken to prevent the learners from being registered for and attending the course.</p> <p>Examination of a sample of ten cases of full fees payments identified three cases where the learners paid their course fees after the courses had started. In all three of these instances the learners had made payment after attending the course.</p> <table border="1"> <thead> <tr> <th>No</th> <th>Course Ref.</th> <th>Course Start Date</th> <th>Enrolment Date</th> <th>1st Attendance</th> <th>Payment Date</th> <th>Payment after 1st attendance (days)</th> <th>Payment after the course started (days)</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>TZE007-21</td> <td>22-Sep-21</td> <td>08-Oct-21</td> <td>08-Oct-21</td> <td>13-Oct-21</td> <td>5</td> <td>21</td> </tr> <tr> <td>2</td> <td>CTL113-20</td> <td>22-Apr-21</td> <td>13-May-21</td> <td>29-Apr-21</td> <td>13-May-21</td> <td>14</td> <td>21</td> </tr> <tr> <td>3</td> <td>CTL122-21</td> <td>01-Oct-21</td> <td>22-Oct-21</td> <td>01-Oct-21</td> <td>22-Oct-21</td> <td>21</td> <td>21</td> </tr> </tbody> </table>	No	Course Ref.	Course Start Date	Enrolment Date	1st Attendance	Payment Date	Payment after 1st attendance (days)	Payment after the course started (days)	1	TZE007-21	22-Sep-21	08-Oct-21	08-Oct-21	13-Oct-21	5	21	2	CTL113-20	22-Apr-21	13-May-21	29-Apr-21	13-May-21	14	21	3	CTL122-21	01-Oct-21	22-Oct-21	01-Oct-21	22-Oct-21	21	21
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**3. Priority 3 Issues**

Action Proposed by Management	Detailed Finding/Rationale
<p><b>Banking</b></p> <p>1) A schedule has been created with detailed and monitored timings for the banking to be completed by. This will be completed by the finance. The finance lead will ensure that this is monitored on a weekly basis.</p>	<p>Monthly bank reconciliations take the form of reconciling the bank balance to the income collection recorded in monthly Centre Banking Summaries and General Ledger.</p> <p>A review of the documentation for the sample of five bank reconciliations sampled confirmed that these were performed monthly. Further examination of the bank reconciliation documentation found that the August 2021 reconciliation was completed on 10 November 2021 (50 working days after month-end) and October 2021 reconciliation was completed on 2 December 2021 (23 working days after month-end).</p> <p>Management explained that there were delays from June 2021 to November 2021 due to delays in the recruitment of the Finance Officer. This was further exacerbated when the Finance and Performance Manager covered the role of the Centre Manager for the period of June to September 2021 due to sickness absence.</p> <p>Although the delay was noted, the preparation of bank reconciliation has improved since the Finance Officer has been in post. The bank reconciliation reviews for December 2021, January 2022, and February 2022 confirmed that these were produced and reviewed in a timely manner.</p>
<p><b>Discounts and Remissions</b></p> <p>2) In September 2022, training will be implemented for staff to refresh their understanding of eligibility when doing enrolments. There will also be a reminder email sent that supports the training and reminds staff of the criteria.</p>	<p>Learners in receipt of eligible benefits are entitled to a discount or full fee remission on certain courses. Learners will be asked to self-declare benefit status and may be asked to produce evidence. This will be verified and signed off by the CALAT officer in the self-declaration form.</p> <p>Sample testing of ten instances where a discount/remission was granted identified one case where the self-declaration form was not signed by the CALAT Officer. This was explained as an oversight.</p> <p>Where evidence of the verification for the eligibility is not signed by the CALAT Officer, there is a risk that this information has not been checked and therefore may not be valid.</p>

## AUDIT TERMS OF REFERENCE

### CALAT – Income Collection 2021/22

#### **1. INTRODUCTION & BACKGROUND**

- 1.1 Croydon Adult Learning and Training (CALAT) offer over 500 part-time courses at three centres across the Borough - Croydon Clocktower; Strand House and New Addington.
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- 1.5 As part of the agreed 2021/22 Internal Audit Plan, an internal audit of CALAT - Income Collection was identified to be undertaken.

#### **2. AUDIT OBJECTIVES AND METHODOLOGY**

- 2.1 The overall audit objective is to provide an objective independent opinion on the adequacy and effectiveness of controls / processes.
- 2.2 The audit will for each controls / process being considered:
  - Walkthrough the processes to consider the key controls;
  - Conduct sample testing of the identified key controls, and
  - Report on these accordingly.

### 3. SCOPE





3.1 The audit included the following areas (and a number of issues identified):

Audit Area	Identified Issues		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Organisational, Management and Legislative Requirements	0	0	0
Income Collection	0	1	0
Daily Cash Ups	0	0	0
Banking	0	0	1
Discounts and Remissions	0	0	1
Refunds and course transfers	0	0	0
Financial and Management Reporting.	0	0	0
<b>Totals</b>	<b>0</b>	<b>1</b>	<b>2</b>

**Definitions for Audit Opinions and Identified Issues**

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 identified issues 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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