

# Final Internal Audit Report

**Mayors Charity**

**November 2017**

**Distribution:** Director of Strategy and Partnerships  
 Head of Leaders Office  
 Director of Finance, Investment and Risk (Deputy S151 Officer)

Assurance Level	Recommendations Made	
<b>No Assurance</b>	Priority 1	5
	Priority 2	6
	Priority 3	2

## Status of Our Reports

This report ("Report") was prepared by Mazars Public Sector Internal Audit Ltd 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 A Mayor is elected each year, for a term of one municipal year. The confirmation of the 'Mayor Elect' by the full Council usually takes place in January, to allow the incoming Mayor to prepare for inauguration in May. For the mayoral year the role is strictly non-political and representative of every section of the community; particularly focused on cultivating the positive image of the borough and on enhancing the well-being of its citizens.
- 1.2 At the beginning of each mayoral year it is customary for the Mayor to set up an appeal fund for one or more charities, typically ones which directly or indirectly, benefit Croydon. The Mayor has complete discretion over both the choice of charities and over how the funds raised should be disbursed.
- 1.3 Councillor Trakas-Lawlor, the Mayor for 2016/17, elected to support three local charities during his year of office – the Stanley People’s Initiative, Croydon Commitment, and The British Home.
- 1.4 The objectives, scope and approach are included in the Audit Terms of Reference at Appendix 1.

**2. Key issues**

Priority 1 Issues
Meetings were not being held in accordance with the 'Trust Deed Dated 31 March 1994', (Rec 4).
The funds collected for the previous mayor had not yet all been received and disbursed at the time of audit (Rec. 5).
Sample testing found that four (out of 15) donations were not recorded on the Income and Expenditure spreadsheet used to monitor payments into and out of the Mayor’s Charity fund (Rec. 6).
Bank reconciliations are not performed on a regular basis (Rec. 9).
There was no evidence that an annual report was prepared, approved or submitted to the Charity Commission, (Rec 10).

Priority 2 Issues
A copy of the 'governing document' was not readily available and one of the trustees no longer worked for the Council (Rec. 1).
The Council’s website did not clearly identify the Mayors Charity was a registered charity or detail the nominated charities for 2016/17 or 2017/18 and how the funding would be apportioned to these (Rec. 2).

The cash banking procedure note did not detail when last reviewed. No other procedure notes were available **(Rec. 3)**.

The Fund Raising spreadsheets did not accurately reflect all money raised and outstanding income due from fund raising events **(Rec. 7)**.

A segregation of duties for cash collection could not be evidenced **(Rec. 8)**.

The success (or failure) of fund raising events was not monitored or reported on during the year **(Rec. 11)**.

The priority 3 recommendations are detailed under item 4 below.

3. Actions and Key Findings/Rationale

Area 1 – <u>Governance Arrangements</u>		Detailed Finding/Rational – Issue 1
Priority	Action Proposed by Management	
2	<p>The Deed of Trustees is now readily available and has been provided to Trustees and is held and understood by the Mayor's Office.</p> <p>As it was written in 1994, it is now being updated with the Charity Commission to reflect present day. The update is likely to be completed by April 2018, at the pace set by the Charity Commission.</p> <p>At the 22 November 2017 Charity Board meeting the Board took a decision to update the trustees and remove trustees who no longer worked for the council.</p>	<p>The governing document is essential to each charity and usually contains key information about:</p> <ul style="list-style-type: none"> <li>• what the charity exists to do (its purposes, as explained in its objects clause);</li> <li>• what powers it has to further its objectives;</li> <li>• who the trustees are, how many trustees there should be and how they are appointed and removed;</li> <li>• whether the charity has members and, if so, who can be a member;</li> <li>• rules about trustees' (and members') meetings; how they are arranged and conducted; how decisions must be made and recorded, and so on;</li> <li>• how to change the governing document; and</li> <li>• how to close the charity down.</li> </ul> <p>Every trustee should have an up to date copy of their charity's governing document and regularly refer to it. The Charity Commission guidance states that Trustees, 'must make sure that the charity complies with its governing document and comply with charity law requirements and other laws that apply ...'</p> <p>Examination of the registered charities information on the Charities Commission website established that 'The Mayor of Croydon's Charity Fund' governing document is a 'Trust Deed Dated 31 March 1994'. Although requested, a copy of this governing document was not located and provided at the time of audit, suggesting that it is not a regular source of reference. Internal Audit; however, has separately managed to locate a copy in Legal Services. As this document has not been amended since 1994, this should be reviewed to ensure that it is still appropriate.</p>

	<p>Examination of the Trust Deed, established that there are 3 ex officio trustees, namely the Mayor of Croydon, deputy Mayor of Croydon and Chief Executive of the London Borough of Croydon. 'Mr. [REDACTED]' and 'Mrs. [REDACTED]' are also listed by the Charity Commission as being Trustees. As Mrs. [REDACTED] is no longer employed by the Council or involved in the Charity, she should be removed as a trustee.</p> <p>Failing to adhere to the terms of a charity's governing document is a breach of trust or duty and the charity trustees could be personally liable for any loss caused to the charity as a result.</p>	
	<p><b>Responsible Officer</b></p> <p>Head of Leaders Office</p>	<p><b>Deadline</b></p> <p>30 April 2018</p>

<b>Area 1 – Governance Arrangements</b>					
<b>Priority</b>	<b>Action Proposed by Management</b>				
2	<p>This has now been resolved/rectified.</p> <p>The Charities Act 2011 paragraph 39 (2) 'Statement required to be made in official publications etc.' states that, '<i>...the fact that it is a registered charity must be stated in legible characters —</i></p> <p><i>(a) in all notices, advertisements and other documents issued by or on behalf of the charity and soliciting money or other property for the benefit of the charity,</i></p> <p><i>(b) in all bills of exchange, promissory notes, endorsements, cheques and orders for money or goods purporting to be signed on behalf of the charity, and</i></p> <p><i>(c) in all bills rendered by it and in all its invoices, receipts and letters of credit.'</i></p> <p>Furthermore, in order that the public's money is used in a clear and transparent way, the aims and objectives of the Mayor's Charity fund and the proportionate split of funds to Mayor's chosen charities should be clearly established and communicated.</p> <p>Examination of Croydon Council's website identified the following wording, 'Mayor's Charities - At the beginning of each mayoral year it is customary for the Mayor to set up an appeal fund for one or more charities, typically ones which directly or indirectly, benefit Croydon. The Mayor has complete discretion over both the choice of charities and over how the funds raised should be disbursed.' The website does not explain that the Mayor's Charity is registered or provide a breakdown of the elected charities and the proportion of funding to be awarded to each.</p> <p>Examination of the 'Mayor of Croydon leaflet 2015/16' (a download from the Council's website) identified that this stated, 'While there are a number of commendable charities in Croydon, the two that I have chosen are Mind in Croydon and CAYSH' and that 'Cheques should be made payable to "The Mayor's Charity Appeal" (registered charity no 1042479) .... As the Mayor's charity is registered for tax purposes, those who donate during the year are invited, where appropriate, to do so with the benefit of Gift Aid.' For the 2016/17 or 2017/18 mayoral years the proportion of funding to each of the nominated charities was not detailed.</p>				
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<b>Responsible Officer</b>	<b>Deadline</b>				
Head of Leaders Office	Implemented				

		<p>Where Council's website does not clearly detail that the Mayors charity is a registered charity or what the funds will be used for, the Charity is not being open and transparent and there is a risk that it is in breach of the Charities Act 2011.</p>
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<b>Area 1 – Governance Arrangements</b>					
<b>Priority</b>	<b>Action Proposed by Management</b>				
<b>2</b>	<p>All procedures are currently being refreshed and reviewed and will be ratified by the Mayor's Charity Board.</p>				
	<p><b>Detailed Finding/Rational – Issue 3</b></p> <p>The Charity Commission document 'The essential trustee: what you need to know, what you need to do (CC3)' chapter '7.4 Managing funds and keeping them safe, states that, 'You and your co-trustees are responsible for your charity's money. Your charity should have effective processes for handling money, to help avoid poor decisions and accidental errors, as well as theft and fraud. Failure to do so is likely to result in a breach of your duty. You should: Put in place clear policies and procedures to deal with income and expenditure.' In this regard it is expected that appropriate procedure notes are in place for key processes, such as fundraising event monitoring; logging and tracking donations received, expenditure and bank account reconciliations, which are regularly reviewed.</p> <p>Only one procedure note, for cash banking, was obtained during the audit and examination of the document established that this did not record the latest date of review or who the reviewer was. No other procedure notes were available.</p> <p>Where procedure notes are not available, there is a risk that employees are unaware of their roles and responsibilities when dealing with certain processes. There is also the risk that where employees are absent, that another officer cannot continue the role in their absence.</p>				
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Head of Leaders Office	31 January 2018				

<b>Area 1 – Governance Arrangements</b>	
<b>Priority</b>	<b>Action Proposed by Management</b>
1	<p>Meetings will now meet a minimum of four times per year and will be compliant with the trust document. The first 'refreshed and compliant' meeting was held on 22 November 2017.</p>
	<p><b>Detailed Finding/Rational – Issue 4</b></p> <p>The 'Trust Deed Dated 31 March 1994' includes a requirement to hold meetings not less than twice in every calendar year, with a quorum of the greater of a) three members or b) half of the number of trustees. A minute book is required to be retained to record these meetings.</p> <p>Guidance on the Charities Commission website states that, '<i>The commission recommends that you keep accurate minutes of all meetings. They don't need to be word-for-word, but should give:</i></p> <ul style="list-style-type: none"> <li>• <i>the name of the charity</i></li> <li>• <i>the type of meeting</i></li> <li>• <i>the date and time of the meeting</i></li> <li>• <i>any absences for agenda items due to conflicts of interest</i></li> <li>• <i>who chaired the meeting</i></li> <li>• <i>the names of those present</i></li> <li>• <i>apologies for absence</i></li> <li>• <i>what capacity people attended in, such as trustee or staff member</i></li> </ul> <p><i>The minutes should record exactly what was agreed, particularly for important or controversial decisions. For example:</i></p> <ul style="list-style-type: none"> <li>• <i>the exact wording of any resolution and who proposed it</i></li> <li>• <i>a summary of the discussion on each item of business</i></li> <li>• <i>information used to make decisions</i></li> <li>• <i>how many votes were made for and against, and how many didn't vote</i></li> <li>• <i>what action is needed and who is responsible for taking it</i></li> <li>• <i>the date, time and venue of the next meeting.'</i></li> </ul> <p>Minutes were not available. Discussions with the Mayor and Deputy Mayor identified that the Charity Board meets on a six-eight weekly basis, and the last meeting was held in January 2017. While no minutes or agenda were available for this meeting, a copy of an earlier meeting held 21 November 2016 was provided. Examination of these minutes identified that:</p>

		<ul style="list-style-type: none"> <li>• The meeting was not quorate, as of the 5 trustees, only the Mayor and Deputy Mayor were present.</li> <li>• Although the names of those in attendance were detailed, this did not detail what capacity people attended in, such as trustee or staff member.</li> <li>• The date of next meeting was not detailed.</li> <li>• The minutes were not signed as true and fair reflection.</li> <li>• While some actions were agreed, there was no record of who proposed these or of the votes for and against.</li> <li>• There was no opening item for declarations of interest.</li> </ul>
<p><b>Responsible Officer</b></p>	<p><b>Deadline</b></p>	<p>Where appropriate meetings are not held and recorded, the Charity is in breach of the Trust deed and any decisions taken will not be valid.</p>
<p>Head of Leaders Office</p>	<p>Implemented</p>	

<b>Area 1 – Governance Arrangements</b>		<b>Detailed Finding/Rational – Issue 5</b>				
<b>Priority</b>	<b>Action Proposed by Management</b>					
1	All funds have now been correctly disbursed.	<p>A Mayor is elected each year, for a term of one municipal year and at the beginning of each mayoral year it is customary for the Mayor to set up an appeal fund for one or more charities, typically ones which directly or indirectly, benefit Croydon. The Mayor has complete discretion over both the choice of charities and over how the funds raised should be disbursed. As each successive mayor will normally have a different choice of charities and because accounts for the outgoing mayor will not be finalised until some months after year end, a different bank account is used for each mayor.</p> <p>Examination of the previous Mayors bank account identified that the account was still active (as of March 2017 for the year ending May 2016) and that a balance of £23,491.76 had not yet been disbursed to the appropriate Charity/s.</p> <p>The delay in finalising the accounts of the outgoing Mayor, poses some issues, namely because:</p> <ul style="list-style-type: none"> <li>- The accounts for 2015/16 have already been lodged with the Charity Commission.</li> <li>- The Mayor is an ex-officio trustee, therefore as soon as a new Mayor takes office, the outgoing Mayor (and also Deputy Mayor) is no longer a trustee and thus legally has no voting rights. It is thus incumbent on the incoming Mayor to agree the accounts and apportionment to the respective charities.</li> </ul>				
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<b>Area 2 – Donations</b>	
<b>Priority</b>	<b>Action Proposed by Management</b>
<b>1</b>	<p>A new income and expenditure spreadsheet is being used and the spreadsheet will be presented formally to the Charity Board at every meeting. All monies are now accurately recorded.</p>
<p><b>Detailed Finding/Rational – Issue 6</b></p> <p>The Charities Act 2011, paragraph 130 (1) 'Accounting records' states that, 'The charity trustees of a charity must ensure that accounting records are kept in respect of the charity which are sufficient to show and explain all the charity's transactions, and which are such as to—</p> <p>(a) disclose at any time, with reasonable accuracy, the financial position of the charity at that time, and</p> <p>(b) enable the trustees to ensure that, where any statements of accounts are prepared by them under section 132(1), those statements of accounts comply with the requirements of regulations under section 132(1).</p> <p>(2) The accounting records must in particular contain—</p> <p>(a) entries showing from day to day all sums of money received and expended by the charity, and the matters in respect of which the receipt and expenditure takes place, and</p> <p>(b) a record of the assets and liabilities of the charity.'</p> <p>The Charity Commission 'Internal financial controls for charities' states that, 'It is important that trustees make regular checks to ensure that the accounting records of income are being accurately maintained.'</p> <p>Testing of the records for a sample of donations made to the Mayor's Charity, found that four (out of 15) of the donations made, with a total value of £640.12, were not recorded on the Income and Expenditure spreadsheet. Additionally, sample testing of income raised from fund raising events found that two (out of 20) of the selected funds, with a total value of £490, had not been recorded on the Income and Expenditure spreadsheet. These errors were corrected during the audit</p>	
<b>Responsible Officer</b>	<b>Deadline</b>
Head of Leaders Office	Implemented

		<p>Where the Income and Expenditure spreadsheet is not updated regularly, there is a risk that an accurate record of payments made and received will not be in place and that missing moneys may not be detected in a timely manner</p>
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<b>Area 4 – Fund Raising</b>	
<b>Priority</b>	<b>Action Proposed by Management</b>
2	<p>This has now been resolved/rectified.</p>
	<p><b>Detailed Finding/Rational – Issue 7</b></p> <p>The Charity Commission 'Internal financial controls for charities' states that, 'For fundraising and sponsored events the commission recommends that the following controls are in place:</p> <ul style="list-style-type: none"> <li>• records are maintained for each fundraising event, in sufficient detail to identify gross receipts or takings and costs incurred.'</li> </ul> <p>Any cash or cheques received prior, during or after a fund raising event will be recorded by the Mayor's Personal Assistant onto a fund raising spreadsheet. Money received in cash or cheques is also recorded onto an income record sheet. The income record sheet records the event name, the name of the person paying the money, the total amount paid, the payment method, the bank and cheque number, if relevant, the bank and BACs reference number, and the paying in slip number. Each income record sheet is filed and, where applicable, photocopied cheques are also attached and kept within this file.</p> <p>Examination of a sample of 20 funds raised from events, which had taken place throughout the year, found that three payments were not recorded on the fund raising spreadsheet and two payments recorded on the income record sheet differed to the amounts on the fund raising spreadsheet by a total value of £25.30. The fund raising spreadsheets did not clearly reflect total outstanding income due. These errors were corrected during the audit.</p> <p>If the fund raising spreadsheet is not an accurate reflection of total net income raised from the fund raising events, and does not record total money outstanding, there is risk that the Mayor's chosen charities will suffer financially, and decision making for future fund raising events will not be based upon accurate financial information.</p>
<b>Responsible Officer</b>	<b>Deadline</b>
Head of Leaders Office	Implemented

<b>Area 4 – Fund Raising</b>	
<b>Priority</b>	<b>Action Proposed by Management</b>
2	<p>This will be investigated further and resolved.</p> <p>The Charity Commission 'Internal financial controls for charities' states that, 'The commission recommends that the following internal financial controls are in place:</p> <ul style="list-style-type: none"> <li>at least two people are involved in handling and recording the money received</li> <li>general public collections are counted in the presence of the collectors and a numbered receipt given to them'</li> </ul> <p>Discussions with the Mayor and Deputy Mayor established that money collected at fund raising events will be taken to the Mayor's office building and deposited in the safe overnight by the only staff member with access to the safe. The next morning, two officers will count the cash from the safe, and the Mayor's Personal Assistant will cash this in at the bank. However, the cash should be counted prior to handover for depositing in the safe and there was no evidence to show that any cash collected had been counted and checked by two separate officers.</p> <p>Where a segregation of duties is not evidenced for cash collection, there is a risk that the Charity cannot defend itself in the event that cash is misplaced.</p>
<b>Responsible Officer</b>	<b>Deadline</b>
Head of Leaders Office	31 January 2018



<b>Area 5 – Bank Accounts and Reconciliations</b>	
<b>Priority</b>	<b>Action Proposed by Management</b>
1	<p>Bank reconciliations are now performed as soon as income or expenditure is created.</p> <p>The Charity Commission 'Internal financial controls for charities' states that, 'The commission recommends that regular checks are made to ensure that:</p> <ul style="list-style-type: none"> <li>• records of cash and cheques received agree with bank paying-in slips or counter foils</li> <li>• counter foils or paying-in slips agree with the bank statements, both in terms of amount banked and date of credit</li> <li>• transfers or other direct payments into the bank are identified and verified against supporting paperwork</li> </ul> <p>These checks should be made by someone other than the person concerned with the original recording of the transactions.'</p> <p>Audit could not evidence that bank reconciliations had been performed regularly throughout the year.</p> <p>Examination of the previous and current bank statements and Income and Expenditure spreadsheets, identified that:</p> <ul style="list-style-type: none"> <li>• Three payments had been incorrectly allocated.</li> <li>• The Income and Expenditure spreadsheet for the current Mayor had not been updated since January 2017 (as at March 2017) and therefore, the most recent bank statement examined did not reconcile to the Income and Expenditure spreadsheet.</li> </ul> <p>Where bank reconciliations are not performed regularly, there is a risk that over or under payments are made to the Charity.</p>
<b>Responsible Officer</b>	<b>Deadline</b>
Head of Leaders Office	Implemented

<b>Area 6 – Annual Returns and Final Payments made to Charities</b>					
<b>Priority</b>	<b>Action Proposed by Management</b>				
1	<p>An annual report will be submitted to the Charity Commission in accordance with their deadline of 31 January 2018.</p>				
	<p><b>Detailed Finding/Rational – Issue 10</b></p> <p>The Charities Act 2011 paragraph 162 (1) 'Charity trustees to prepare annual reports' states that, 'The charity trustees of a charity must prepare in respect of each financial year of the charity an annual report containing—</p> <p>(a) such a report by the trustees on the activities of the charity during that year, and</p> <p>(b) such other information relating to the charity or to its trustees or officers, as may be prescribed by regulations made by the Minister.'</p> <p>Furthermore, paragraphs 163 (1) and 164 (1) requires that a copy of the annual report must be transmitted to the Commission by the charity trustees within 10 months from the end of that year along with a copy of the statement of accounts prepared for the financial year in question and a copy of the relevant auditor's or examiner's report.</p> <p>Examination of the Charities Commission webpages confirmed that copies of the statement of accounts and the relevant examiner's reports had been submitted; however, no annual reports were evident.</p> <p>Where annual reports are not prepared and submitted to the Charities Commission, the Charity is in breach of the Charities Act 2011 and there is a risk that the Charity is not perceived as being open and transparent.</p>				
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<b>Area 7 – Monitoring and Reporting</b>		<b>Detailed Finding/Rational – Issue 11</b>				
<b>Priority</b>	<b>Action Proposed by Management</b>					
2	At every board meeting the Chair holds a discussion on the outcomes from each fundraising event and the total income and expenditure for each event is reviewed and discussed at each board meeting.	<p>The Charity Commission 'Internal financial controls for charities' states that, 'For fundraising and sponsored events the Commission recommends that the following controls are in place:</p> <ul style="list-style-type: none"> <li>records are maintained for each fundraising event, in sufficient detail to identify gross receipts or takings and costs incurred.'</li> </ul> <p>Discussions with the Mayor's Personal Assistant, identified that the profitability and success of the fund raising events was not monitored or reported throughout the year to the Charity Board.</p> <p>Where the success of the fund raising events is not monitored or reported to the Charity Board, there is a risk that income will not be maximised and the Mayor's chosen charities will suffer financially.</p>				
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Head of Leaders Office	Implemented					

**4. Priority 3 Issues**

<b>Action Proposed by Management</b>	<b>Findings</b>
<p>a) Staff will be reminded to take due care.</p>	<p>In order that sufficient information regarding the donations received is known should any queries arise, evidence of donations made to the Charity fund should be retained. When donations are made, an income record sheet is completed by the Mayor's Personal Assistant which includes details such as the amount that has been paid, who made the payment, the payment value and what the payment was for. For cheque payments, a copy of the cheque is retained on file and held in the Mayor's Personal Assistant's office, and for cash payments, a receipt is retained on file.</p> <p>During testing of donations to the Mayor's Charity fund it was established for two cheque payments, with a total value of £129, that copies of the cheques were not retained, and one cash payment, with a value of £60, did not have the associated receipt on file.</p> <p>Where records are not kept for donations made, there is a risk that the Mayor will be unable to respond to any queries raised regarding the payments made.</p>
<p>b) This will be further investigated and resolved.</p>	<p>In order that income received for the Mayors Charity fund is used appropriately, the value of Just Giving payments made should be investigated and understood.</p> <p>During the audit it was established that a payment of £18 per month was made to Just Giving, an online fundraising platform. However, through discussions with the Mayor's Personal Assistant, and the Financial Planning and Strategy Manager, we could not ascertain why this payment had been made and whether this value was correct.</p> <p>Where payments made out of the Mayor's Charity fund are not accounted for, and officers are unaware of their purpose, there is a risk that the public's money is not being used as intended, and the Council could suffer from reputational damage.</p>

## **TERMS OF REFERENCE**

### **Mayors Charity**

#### **1. INTRODUCTION**

- 1.1 A Mayor is elected each year, for a term of one municipal year. The confirmation of the 'Mayor Elect' by the full Council usually takes place in January, to allow the incoming Mayor to prepare for inauguration in May. For the mayoral year the role is strictly non-political and representative of every section of the community; particularly focused on cultivating the positive image of the borough and on enhancing the well-being of its citizens.
- 1.2 At the beginning of each mayoral year it is customary for the Mayor to set up an appeal fund for one or more charities, typically ones which directly or indirectly, benefit Croydon. The Mayor has complete discretion over both the choice of charities and over how the funds raised should be disbursed.
- 1.3 Councillor Trakas-Lawlor, the mayor for 2016/17, has elected to support three local charities during his year of office – the Stanley People's Initiative, Croydon Commitment, and The British Home.
- 1.4 As part of the agreed 2017/18 Internal Audit Plan, an internal audit of the Mayors Charity has been identified to be undertaken.

#### **2. OBJECTIVES AND METHOD**

- 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 if appropriate, and
  - Report on these accordingly.

### 3. SCOPE

3.1 This audit examined the Mayors Charity, and included the following areas:





Control Areas/Risks	Recommendations		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Governance Arrangements	2	3	-
Donations	1	-	1
Expenditure	-	-	1
Fund Raising	-	2	-
Bank Accounts and Reconciliations	1	-	-
Annual Returns and Final Payments made to Charities	1	-	-
Monitoring and Reporting	-	1	-
<b>Total</b>	<b>5</b>	<b>6</b>	<b>2</b>



## DEFINITIONS FOR AUDIT OPINIONS AND RECOMENDATIONS

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 consistently 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 which may put this achievement at risk.
	Limited Assurance	There are significant weaknesses in key areas of system controls and/or non-compliance that puts achieving the system objectives at risk.
	No Assurance	Controls are non-existent or weak and/or there are high levels of non-compliance, leaving the system open to the high risk of error or abuse which could result in financial loss and/or reputational damage.

Priorities assigned to recommendations are based on the following criteria:

<b>Priority 1 (High)</b>	Fundamental control weaknesses that require the immediate attention of management to mitigate significant exposure to risk.
<b>Priority 2 (Medium)</b>	Control weakness that represent an exposure to risk and require timely action.
<b>Priority 3 (Low)</b>	Although control weaknesses are considered to be relatively minor and low risk, action to address still provides an opportunity for improvement. May also apply to areas considered to be of best practice.

## 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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