

# Final Internal Audit Report

## St Mary's Catholic High School

### March 2019

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

Assurance Level		Recommendations Made	
<b>Substantial Assurance</b>	Direction of Travel from previous audit: Up from Limited	Priority 1	0
		Priority 2	9
		Priority 3	3

#### Confidentiality and Disclosure Clause

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

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

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## 1. Introduction

- 1.1. St Mary's Catholic High School is a Catholic Voluntary Aided School and at the time of audit there were 556 pupils attending. It has an expenditure budget of approximately £3.7m for the current financial year.
- 1.2. The audit was undertaken as part of the agreed Internal Audit Plan for 2018/19 based on a risk assessment. The objectives, approach and scope are contained in the Audit Terms of Reference at Appendix 1.

## 2. Key Recommendations and Issues

### Issues Arising in Priority 2 Recommendations

Although the budget plan was submitted to the Council on 1 May 2018, this was only signed as approved after this submittal (by Resources Committee on 27 June 2018 and presented to but not evidenced as approved by the Full Governing Body on 11 July 2018). **(Recommendation 1.)**

Budget Monitoring reports were extracted from monthly report packs. It was noted from these packs that the budget listed as the "Fixed Budget" is not the budget that was agreed and sent to the LA and it is unknown where the figures quoted came from. In addition, the budgeting report provided to Governors did not track expenditure against budget. The approved budget for 2018/19 was not included on the report, only the actual spend for last year, which means that it was difficult to identify over/underspending. We were informed that governors did not find the report format clear to understand. **(Recommendation 2.)**

Examination of the School's Single Central Record noted two instances where DBS checks had not been renewed in the last three years. **(Recommendation 3.)**

Examination of the bank history report noted almost no transactions without an order number shown. However, testing a sample of 15 transactions found that purchase orders had been raised retrospectively in two cases. **(Recommendation 4.)**

An Information Asset Register (as required under GDPR) was not yet in place and compliance monitoring had not yet been undertaken. **(Recommendation 5.)**

Although procedures regarding obtaining consent were set out in the Data Protection Policy, this did not include management topics such as storage, periodic review, expiry and refresh. **(Recommendation 6.)**

The Lettings Policy, which includes charges, was dated February 2016 and had not been evidenced as reviewed during the last 12 months. There were very few hiring agreements and no insurance documents held on file. **(Recommendation 7.)**

Income from lettings was paid into the private fund, rather than the main school bank account. **(Recommendation 8.)**

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 9.)**

The priority 3 recommendations are included under item 4 below.

### **Acknowledgement**

We would like to thank the following members of staff for their time and contribution to this audit:

- Head Teacher
- School Business Manager

3. Actions and Key Findings/Rationale

**Audit Area: Budget Planning, Monitoring and Reporting- Budget Plan Approval**

Priority	Recommendation 1	Detailed Finding/Rationale
2	<p>The School budget should be formally approved by the full Governing Body, and approval evidenced in meeting minutes, prior to submittal to the Local Authority by the deadline of 31 May annually.</p>	<p><b>Expected Control</b>                      The Council's 'Scheme for Financing Schools' paragraph 2.3 details that, 'Governing Bodies are responsible for agreeing an income and expenditure plan for the financial year' and that, 'The approved budget is required to be submitted to the Council by 31 May each year.'</p> <p><b>Issue/Finding</b>                      Although the School's 2018/19 budget plan was submitted to the Council on 1<sup>st</sup> May 2018, this was only signed as approved after this submittal (by Resources Committee on 27<sup>th</sup> June 2018 and by the full Governing Body on 11<sup>th</sup> July 2018). We were informed that this was due to the current schedule of meeting dates.</p> <p>Furthermore, although this approval by the Resources Committee was evidenced in their 27<sup>th</sup> June 2018 meeting minutes, there was no approval recorded in the full Governing Body minutes of 11<sup>th</sup> July 2018.</p> <p><b>Risk</b>                      Where the budget is not evidenced as approved by the full Governing Body prior to being submitted to the Local Authority, the School is in breach of the 'Scheme for Financing Schools' and there is a risk that the School is unable to demonstrate appropriate budgetary control.</p>
Management Response	Agreed/Disagreed	Responsible Officer(s)
As from January 2019 the School has employed the services of JCA School Support Ltd to prepare budgets according to guideline dates. The Budget	Agreed	School Business Manager/Headteacher
		Deadline immediate

Plan to be agreed by Governors, minuted and signed by Chair of Governors and Headteacher at the FGB Meeting 27<sup>th</sup> March 2019 Final budget to be submitted to [schools.finance@crovdon.gov.uk](mailto:schools.finance@crovdon.gov.uk) by 30<sup>th</sup> April.

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**Audit Area: Budget Monitoring**

Priority	Recommendation 2	Detailed Finding/Rationale
2	<p>The budget monitoring reports provided to governors should include both the approved and current revised budgets, to help ensure that governors are alerted to and are aware of variations of actual expenditure against these.</p> <p>The year-end forecast position should be resolved and, if a deficit is still anticipated, additional actions taken to minimise this.</p>	<p><b>Expected Control</b></p> <p>The Schools Financial Value Standard, question 13 asks 'Is end year outturn in line with budget projections, or if not, is the governing body alerted to significant variations in a timely manner, and do they result from explicitly planned changes or from genuinely unforeseeable circumstances?' In this regard, it is expected that Governors received regular and appropriate budget monitoring reports.</p> <p><b>Issue/Finding</b></p> <p>Budget Monitoring reports are extracted from monthly report packs produced for the School. It was noted from these packs that the budget listed as the "Fixed Budget" was not the budget that was agreed and sent to the LA and it is unknown where the figures quoted came from.</p> <p>In addition, the budgeting report provided to governors did not track expenditure against budget. The approved budget for 2018/19 was not included on the report, only the actual spend for last year, which means that it is difficult to identify over/underspending. We were informed that governors do not find the report format clear to understand.</p> <p>The School Business Manager and Head Teacher have started developing their own reports to monitor budgets and identify savings. These reports provide reasons for any variances and remedial actions.</p> <p>Examination of the budget report for June 2018 noted that an in year deficit of £133k was forecast. Discussion with the School Business Manager, established that with additional income from in year school admissions from another closing school and other savings it was felt that the budget would be met at year end, however, due to the School's difficulties with the budget monitoring reports this was not certain.</p> <p><b>Risk</b></p>

	Unclear reporting could lead to the budget not being monitored sufficiently. There is a risk of poor budgetary control as a result of forecasted and material variances not being dealt with in a timely manner.		
Management Response	Agreed/Disagreed	Responsible Officer(s)	Deadline
The school has employed JCA School Support Ltd as the new budget advisors from January 2019. The latest quarterly 3 report indicates no deficit. JCA to prepare all quarterly reports with detailed briefing notes and detailed virement forms in future.	Agreed	School Business Manager Headteacher	Complete/Ongoing



**Audit Area: Payroll - Single Central Record**

Priority	Recommendation 3	Detailed Finding/Rationale
2	<p>The DBS renewal checks for the identified staff members should be progressed as soon as possible.</p>	<p><b>Expected Control</b>                      Paragraph 3.2 of Croydon Council's Disclosure and Barring (DBS) Policy (2013) states that employees are required to undertake a new DBS check every three years, and so in line with this policy, the school should seek new disclosures from staff accordingly.</p> <p><b>Issue/Finding</b>                      Examination of the School's Single Central Record noted two instances, where DBS checks had not been renewed in the last three years. These included:</p> <ul style="list-style-type: none"> <li>• One Teaching Assistant who was last checked in April 2014. However, she has been on maternity leave followed by long term sick so not worked in the School for over a year.</li> <li>• One librarian / exams officer, who's DBS expired in June 2018.</li> </ul> <p><b>Risk</b>                      Where DBS renewals are not conducted in a timely manner, there is a risk that any changes in DBS status that may have occurred will not be detected in a timely manner.</p>
Management Response		Deadline
<p>The new PA to the Headteacher/HR Manager who started employment September 2018 is responsible for all the DBS checks. All new and renewal DBS checks are processed immediately and documented in the Single Central Register.</p>		<p>PA to the Headteacher/HR Manager                      Complete/Ongoing</p>

**Audit Area: Procurement- Purchase Orders**

Priority	Recommendation 4	Detailed Finding/Rationale		
2	<p>Where costs relating to transactions can be identified in advance, management should ensure that details of the financial commitments are subject to purchase orders prior to initiating the purchases. All transactions should be evidenced as being appropriately authorised prior to being initiated.</p>	<p><b>Expected Control</b> The St Mary's High School Financial Policy and Procedures Manual section D8 details that, 'Official, pre-numbered orders from the FMS system must be used for all goods and services except utilities, rents, rates, payroll and HR support costs, and petty cash payments.'</p> <p><b>Issue/Finding</b> Examination of the bank history report found almost no transactions without an order number shown. However, testing a sample of 15 transactions found that purchase orders had been raised retrospectively (after the invoice had been received) in two cases.</p> <p><b>Risk</b> Where official orders are not raised and authorised prior to purchases being made, 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		Agreed/Disagreed	Responsible Officer(s)	Deadline
<p>The new SBM and new Finance Officer, employed January 2019, have familiarised themselves with the School's Financial Policy and are ensuring that all procedures are in place according to the policy's guidelines.</p> <p>Requisitions and purchase orders are now regularly raised, authorised and signed by the relevant budget holders. Regular budget cost centre reports to be submitted to budget holders.</p>		Agreed	School Business Manager Finance Assistant	Complete/Ongoing

**Audit Area: Information Governance**

Priority	Recommendation 5	Detailed Finding/Rationale
2	<p>An Information Asset Register (as required by the DPA 2018) should be in place.</p>	<p><b>Expected Control</b></p> <p>The Data Protection Act (DPA) 2018 requires that an Information Asset Register is in place and kept updated. This register should detail key types of data / information within the School, what it is used for, where it is stored, who it is shared with, how long it is kept it for and how it is protected.</p> <p>This should include:</p> <ul style="list-style-type: none"> <li>• Paper files</li> <li>• Emails</li> <li>• Registers</li> <li>• Club lists</li> <li>• Trip records</li> <li>• Sickness records</li> <li>• Staff and governor details</li> <li>• Salaries</li> <li>• Third party data held or shared</li> </ul> <p>In addition the School's Data Protection Policy states that the Data Protection Officer should monitor compliance with the DPA 2018 and report their findings annually to the governing body.</p> <p><b>Issue/Finding</b></p> <p>An Information Asset Register (as required under the DPA 2018) was not yet in place and compliance monitoring had not yet been undertaken. It was noted that it was intended that both activities be carried out by Judicium as soon as possible.</p> <p><b>Risk</b></p> <p>Where an Information Asset Register and annual compliance monitoring is not in place, there is a risk that the School may not have adequate documentation of the data it processes and the third parties that it shares data with, nor be aware of any areas of non-compliance with the DPA 2018.</p>

Management Response	Agreed/Disagreed	Responsible Officer(s)	Deadline
<p>From June 2018 the school employed the services of a Data Protection Officer from Judicium Education to ensure all school data is covered by the Data Protection Act and is GDPR compliant.</p> <p>The School has also employed a new Data Manager from November 2018 responsible for all student records using Sims.</p> <p>Strictly Education are responsible for all HR and payroll data.</p>	<p>Agreed</p>	<p>School Business Manager Site Manager</p>	<p>Complete/Ongoing</p>

**Audit Area: Information Governance- Consent Procedures**

Priority	Recommendation 6	Detailed Finding/Rationale		
2	<p>The School should review the use of consent and put procedures in place to manage it, including the storage, periodic review, expiry and refresh of data.</p>	<p><b>Expected Control</b>                      The Data Protection Act (DPA) 2018 strengthens the rules regarding how to get and record consent. The School should review the use of consent and have procedures in place to manage it.</p> <p><b>Issue/Finding</b>                      Although procedures regarding obtaining consent were set out in the School's Data Protection Policy, this did not include management topics such as storage, periodic review, expiry and refresh.</p> <p><b>Risk</b>                      Where individuals are not fully informed about the School's processing of personal consent, data subjects could subsequently challenge whether consent was provided, what this included and if the School does not have records to support their processing, a DPA 2018 breach may occur.</p>		
<p><b>Management Response</b></p> <p>From June 2018 the School has employed the services of Judicium Education as the Data Protection Officer.</p>		<p><b>Agreed/Disagreed</b></p> <p>Agreed</p>	<p><b>Responsible Officer(s)</b></p> <p>School Business Manager</p>	<p><b>Deadline</b></p> <p>Complete/Ongoing</p>

**Audit Area: Income- Lettings**

Priority	Recommendation 7	Detailed Finding/Rationale
2	<p>The lettings policy and charges should be reviewed and approved by the Governing Body on an annual basis.</p> <p>Hire Agreements and insurance documents should be held on file for all hirers.</p>	<p><b>Expected Control</b></p> <p>The Croydon Scheme for Financing Schools section '5.1 Income from lettings' details that, 'Schools shall retain income from lettings of the school premises which would otherwise accrue to the LA, subject to alternative provisions arising from any joint use or PFI/PPP agreements. Schools may cross-subsidise income from lettings for community and voluntary use with income from lettings for other purposes provided that there is no net cost to the budget share and its educational achievement.</p> <p>Schools should have regard to the directions issued by Croydon Council as to the use of school premises, as permitted under the School Standards and Framework Act 1998 for various categories of schools.</p> <p>In order to help safeguard school property and to assign responsibility should an incident occur, appropriate arrangements should be in place when members of the community use school premises. Furthermore, all lettings should also be authorised by the Head Teacher within a framework determined by the Governing Body and should be recorded in a register or diary.</p> <p><b>Issue/Finding</b></p> <p>The Lettings Policy, which includes charges, was dated February 2016 and detailed that charges would be reviewed annually by the Premises Committee. The Premises Committee, however no longer exists and the Policy has not been evidenced as reviewed during the last 12 months.</p> <p>The file for lettings was found to be generally disorganised, with very few agreements in place (although there were not many lettings either) and no insurance documents were located on file.</p> <p><b>Risk</b></p> <p>Without relevant lettings documentation being held at the School, the Head Teacher is unable to properly ensure that the school premises are appropriately safeguarded.</p>
<b>Management Response</b>		<p><b>Agreed/Disagreed</b></p> <p><b>Responsible Officer</b></p> <p><b>Deadline</b></p>

<p>The Lettings Policy has been reviewed comprehensively and revised and approved at the FGB Committee Meeting 24<sup>th</sup> January 2019. Published on the school's website. To be reviewed annually.</p> <p>A new Lettings file created documenting all existing and new Lettings agreements, insurance policies and the relevant invoicing/pricing details. The new Finance Assistant responsible for monitoring correct procedures and invoicing.</p>	<p>Agreed</p>	<p>School Business Manager Site Manager Finance Assistant</p>	<p>Completed/Ongoing</p>
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**Audit Area: Income- Lettings**

Priority	Recommendation 8	Detailed Finding/Rationale		
2	Lettings income should not be paid to the private fund until the costs of the respective lettings have been deducted.	<p><b>Expected Control</b></p> <p>The Croydon Scheme for Financing Schools section '5.1 Income from lettings' details that, 'Income from lettings should not normally be payable into voluntary or private funds held by the school.'</p> <p><b>Issue/Finding</b></p> <p>Income from lettings was being paid into the private fund, not into the main school bank account. While the School may elect for the profits from School lettings to go to the private fund, this should only be once the corresponding costs associated with these lettings have been deducted from the income.</p> <p><b>Risk</b></p> <p>There is a risk that the School is subsidising the private fund.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
Governors accept the audit recommendation and will review and decide on how to implement changes by the end of the financial year as discussed at the FGB Committee Meeting dated 24 <sup>th</sup> January 2019.		Agreed	Headteacher Governing Board School Business Manager	31 <sup>st</sup> March 2019



**Audit Area: Health and Safety**

Priority	Recommendation 9	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><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 correct 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 they 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 including:</p> <ul style="list-style-type: none"> <li>• The Site Controller did not maintain a record of the risk assessments that were carried out on the state of premises (buildings &amp; land);</li> <li>• The School had not had a glazing risk assessment;</li> <li>• The School had not had a risk assessment for its external powered vehicle and pedestrian gates; and</li> <li>• The School does not keep a register of any confined spaces and does not have documented suitable risk assessments or safe work and emergency procedures for entry into any known confined spaces.</li> </ul> <p><b>Risk</b></p> <p>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>
Management Response		Agreed/Disagreed
The Resources Committee is aware of the importance of ensuring that all responsibilities and		<p>Agreed</p> <p>Responsible Officer Head Teacher</p> <p>Deadline Immediate</p>

<p>duties carried out by staff are compliant with the health and safety legislation.</p> <p>Current reviews are taking place for site staff and all other relevant staff to undertake training on various risk assessments including lifting, working at height, fire safety etc. including all recommendations from the Fire Audit and Asbestos Regulations Control.</p>		<p>Site Manager School Business Manager</p>	
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#### 4. Priority 3 Recommendations

Recommendation	Findings
<p>1) The School should try and ensure that the current version of the skills matrix published by the DfE is used to assess Governor' financial skills.</p> <p><u>Management Response:</u></p> <p>The latest copy of the Skills Matrix was downloaded from the DfE website and distributed to all financial skills governors as documented in Full Governing Body Meeting Minutes 12<sup>th</sup> December 2018 and the SFVS to be submitted by 31<sup>st</sup> March 2019.</p>	<p>In line with the Schools Financial Value Standard (SFVS) the Governing Body and senior staff are required to have adequate financial skills among its members, assessed by a skills matrix, to ensure appropriate budget management and obtain value for money.</p> <p>The skills matrix on file for the Finance Governor was the 2016 version, rather than the current version on the DfE website. Skills assessments matrices provided for other current governors were in varying formats.</p> <p>Where outdated / inconsistent skills matrices are used to assess the financial skills of Governors, there is a risk that members do not possess the financial skills now deemed to be essential for the role.</p>
<p>2) Two written references should be obtained for candidates prior to the commencement of employment.</p> <p>Occupational Health checks should be undertaken for all staff prior to the commencement of employment.</p> <p><u>Management Response:</u></p> <p>The new HR Manager is ensuring that two satisfactory references are received before commencement of employment and that all new employees undertake Occupational Health checks.</p>	<p>The 'Safeguarding children and safer recruitment in education' statutory guidance paragraph 3.45 states that, "An offer of appointment to the successful candidate should be conditional upon the receipt of at least two satisfactory references."</p> <p>In addition, all new Council staff should receive a Health Check from the Council's Medical Officer to check that they are fit to perform their required duties in their role.</p> <p>Five new starters were tested, and in two cases, one reference had been received before and one after start date, although it was noted that both had been requested in advance and chased.</p> <p>In one case, the School relied on a DBS that the starter had in place on the basis of being a social worker. We were advised that a new DBS had been applied for before the start date of 10<sup>th</sup> September 2018, but had not yet received it. However, we were able to evidence that a check to the barred list had been undertaken on September 6<sup>th</sup> 2018. In the same case, medical clearance had not yet been obtained.</p> <p>Where two references are not obtained prior to employment, there is a risk that the School may hire based upon false pretences, which could lead to endangerment of children or unqualified personnel being appointed. Where new staff do not receive a medical check prior to commencing employment, there is a risk that employees are not</p>

<p>3) Unreconciled items over 6 months old should be cleared as the bank may not process these.</p> <p><u>Management Response:</u></p> <p>All unreconciled bank transactions over 6 months old have been analysed and removed from the FMS accounting system. Unreconciled statements to be printed each month and old transactions highlighted and reviewed.</p>	<p>fit to carry out some specific roles. This could result in a loss of provision of services through long term illness and potentially a financial loss for the School.</p> <p>Procedures should be in place to ensure that the bank account is being maintained efficiently and monitored regularly.</p> <p>Examination of the School's most recent unreconciled bank listing established that there were two unreconciled items over six months old.</p> <p>Where unreconciled items are not removed from the system, there is a risk that the School's financial position may appear distorted and of non-compliance with accounting best practice.</p>
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## **AUDIT TERMS OF REFERENCE**

### **St Mary's Catholic High School – 2018/19**

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

- 1.1 This audit is being undertaken as part of the Internal Audit Plan for 2018/19, as agreed by the Council's Audit Committee.

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

- 2.1 To provide an independent and objective opinion on the degree to which the Council's internal control environment supports and promotes the achievement of the Council's objectives. The internal control environment comprises the policies, procedures and operations in place to:
- establish, and monitor the achievement of the service's objectives;
  - identify, assess and manage the risks to achieving the services objectives;
  - facilitate policy and decision making;
  - ensure the economical, effective and efficient use of resources;
  - ensure compliance with established policies (including behavioural and ethical expectations), procedures, laws and regulations;
  - safeguard the service's assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption; and
  - ensure the integrity and reliability of information, accounts and data, including internal and external reporting and accountability processes.
- 2.2 To confirm that management have controls in place to detect and vigorously, pursue, fraud, corruption, other irregularities, errors and poor value for money.
- 2.3 To confirm that appropriate management action has been taken to implement recommendations for change leading to improvement in performance and/ or control.

### 3. SCOPE





3.1 The audit included the following areas (and number of recommendations made):

Audit Area	Recommendations Made		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Governance and Leadership	0	0	1
Budgetary Control & Monitoring	0	2	0
Payroll	0	1	1
Safeguarding	0	0	0
Procurement	0	1	0
Bank Accounts	0	0	1
Information Governance	0	2	0
Income	0	2	0
Health and Safety	0	1	0
School Fund	0	0	0

**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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