



M A Z A R S

CROYDON

# Final Internal Audit Report

## All Saints CofE Primary School

### July 2019

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

Assurance Level		Recommendations Made	
<b>Substantial Assurance</b>	Direction of Travel from previous audit: No change from Substantial.	Priority 1	0
		Priority 2	7
		Priority 3	5

#### 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, re-interpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, re-interpretation, 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.

## Contents

Page

### Executive Summary

1. Introduction.....	2
2. Key Issues.....	2

---

### Detailed Report

3. Actions and Key Findings/Rationale .....	4
4. Priority 3 Recommendations.....	11

### Appendices

1. Terms of Reference
2. Definitions for Audit Opinions and Recommendations
3. Statement of Responsibility

### 1. Introduction

- 1.1. All Saints CofE Primary School is a voluntary aided school and at the time of audit, there were 360 pupils attending. The School has an expenditure budget of £2.06m for the 2019/20 financial year.
- 1.2. The audit was undertaken as part of the agreed Internal Audit Plan for 2019/20 based on a risk assessment. The objectives, approach and scope are contained in the Audit Terms of Reference at Appendix 1.

### 2. Key Issues

#### Priority 2 Recommendations

It could not be evidenced that the Financial Policies and Procedures Manual, updated in May 2018, had been formally approved by the Governing Body as required, **(Recommendation 1)**.

There was no evidence of the Schools Financial Value Standard (SFVS) being approved by the Full Governing Body as required, although discussed by the Resources Committee was noted, **(Recommendation 2)**.

Examination of the Governing Body's DBS register identified two members as being overdue for DBS renewals, **(Recommendation 3)**.

Examination of a sample of 15 transactions identified three payments exceeding a value of £1,500 where evidence could not be provided of multiple quotations, **(Recommendation 4)**.

It could not be evidenced that the Employment Status Indicator (ESI) tool had been used to check the employment status of an individual, where payments outside of payroll were being made, **(Recommendation 5)**.

Examination of a sample of 15 transactions identified seven orders as being retrospective to the corresponding invoices, **(Recommendation 6)**.

Examination of meeting minutes could not evidence that the Business Continuity Plan established in June 2018 had been approved by the full Governing Body (or delegated Committee) **(Recommendation 7)**.

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: Governance and Leadership

Priority	Recommendation 1	Detailed Finding/Rationale
2	<p>The Financial Policies and Procedures Manual should be reviewed and approved by the full Governing Body. Subsequent review should take place on an annual basis.</p> <p>The financial limits of delegated authority should be reviewed and, where appropriate amended, to ensure that these are consistent within the Financial Policies and Procedures Manual and also with the Resources Committee Terms of Reference.</p>	<p><b>Expected Control</b></p> <p>The School Governance (Roles, Procedures and Allowances) (England) Regulations 2013 paragraph 18 details that, 'the governing body may delegate any of its functions to— (a) a committee; (b) any governor other than a governor who is the head teacher; or (c) where the function being delegated does not directly concern the head teacher, the head teacher (whether or not that person is a governor). (2) Where the governing body has delegated functions, this does not prevent the governing body from exercising those functions. (3) The governing body must review the exercise of functions they have delegated, annually.'</p> <p><b>Issue/Finding</b></p> <p>Examination of the Governing Body minutes was unable to evidence the approval of the Financial Policies and Procedures Manual, dated May 2018, which includes the School's Financial Scheme of Delegation, although evidence of approval by the Resource Committee was noted.</p> <p>Furthermore, comparison of the financial limits of delegated authority table in Section A3 of the Financial Policies and Procedures Manual with subsequent sections of the manual and also the Resources Committee Terms of Reference identified discrepancies in the defined authorisation limits.</p> <p><b>Risk</b></p> <p>Where the School's 'Financial Policy and Procedures Manual', which includes the School's Scheme of Financial Delegation, has not been approved in the last 12 months, the School is in breach of the School Governance (Roles, Procedures and Allowances) (England) Regulations 2013 and there is a risk that the policies in place are inappropriate to manage the School's finances.</p>
<b>Management Response</b>		<p><b>Agreed/Disagreed</b></p> <p><b>Responsible Officer</b></p> <p><b>Deadline</b></p>

# CROYDON

This was discussed at the RC meeting 10/7/19 changes implemented in September 19	Agree	FGB/Clerk/SBM	September 2019
----------------------------------------------------------------------------------	-------	---------------	----------------

Priority	Recommendation 2	Detailed Finding/Rationale
2	<p>The Schools Financial Values Standard (SFVS) should be approved at a full Governing Body meeting.</p> <p>This should be clearly expressed in the minutes.</p>	<p><b>Expected Control</b></p> <p>The 'Croydon Scheme for Financing Schools' paragraph 2.16 details that, 'Governors must demonstrate compliance through the submission of the SFVS assessment form approved by the Full Governing Body and signed by the Chair of Governors. All maintained schools with a delegated budget must submit the form to the local authority before 31 March and annually thereafter.'</p> <p><b>Issue/Finding</b></p> <p>Examination of the Governing Body minutes was unable to evidence the approval of the School's 2018/19 SFVS self-assessment, although this was evidenced as discussed at the Resources Committee meeting held in January 2019.</p> <p><b>Risk</b></p> <p>Where the SFVS is not agreed by the full Governing Body and clearly minuted as such, the School is in breach of the 'Croydon Scheme for Financing Schools' and there is a risk that the full Governing Body is not aware of the areas that require improvement.</p>
<b>Management Response</b>		
This was discussed at the RC meeting 10/7/19 and approved at FGB 17/7/19	Agree	<p><b>Agreed/Disagreed</b></p> <p>Agree</p> <p><b>Responsible Officer</b></p> <p>FGB/Clerk/SBM</p> <p><b>Deadline</b></p> <p>Completed</p>

## Audit Area: Payroll

Priority	Recommendation 3	Detailed Finding/Rationale
2	<p>The DBS checks overdue for renewal should be renewed as a priority.</p>	<p><b>Expected Control</b>            Under the School Governance (Constitution and Federations) (England) (Amendment) Regulations 2016, <i>'Where a governor has been elected or appointed before 1<sup>st</sup> April 2016 and does not hold an enhanced criminal record certificate, the governing body must apply for such a certificate in respect of that governor by 1<sup>st</sup> September 2016. Where a governor is elected or appointed on or after 1<sup>st</sup> April 2016 and does not hold an enhanced criminal record certificate, the governing body must apply for such a certificate in respect of that governor within 21 days after his or her appointment or election.'</i></p> <p><b>Issue/Finding</b>            Examination of the Schools Single Central Record identified two governors whose Disclosure Barring Service (DBS) checks were due for renewal on 27 October 2018, and 26 November 2018 respectively. Discussion with the Head Teacher and the School's Business Manager established that these had not yet been renewed, although the respective governors had been reminded of the need to renew their checks.</p> <p><b>Risk</b>            Where each member of the Governing Body does not hold a valid DBS, there is a risk that the School is in breach of the School Governance (Constitution and Federations) (England) Regulations 2016. This could result in Governors being in post that are unsuitable to work in an environment or make decisions concerning children.</p>
<b>Management Response</b>		<p><b>Agreed/Disagreed</b></p> <p>Agree</p>
<p>This was discussed at the RC meeting 10/7/19 one governor has now completed their DBS.</p>		<p><b>Responsible Officer</b></p> <p>C of G/SBM</p> <p><b>Deadline</b></p> <p>Immediately</p>



## Audit Area: Procurement

Priority	Recommendation 4	Detailed Finding/Rationale
2	<p>Quotations should be obtained for all high value expenditure in accordance with the School's Financial Policies and Procedures Manual.</p>	<p><b>Expected Control</b>                      The School's Financial Policies and Procedures Manual details that, 'two comparison quotations should be obtained for all expenditure above £1,500' and 'three written quotations should be obtained for all expenditure above £3,000 unless it is impractical to do so. In such circumstances, the reasons for not doing so should be reported to the Governing Body.'</p> <p><b>Issue/Finding</b>                      Examination of a sample of 15 transactions identified three exceeding £1,500 where evidence of multiple quotations was not available and neither had these been reported to the Governing Body as exceptions.</p> <p><b>Risk</b>                      Where quotations are not obtained for high value expenditure as required, there is a risk that value for money is not being demonstrated.</p>
Management Response		Agreed/Disagreed
<p>An exemption clause has now been included in the Financial Policies and Procedures Manual to cover expenditure for items such school residential trips.</p>		<p>Agree</p>
		Responsible Officer
		SBM
		Deadline
		September 2019



Priority	Recommendation 5	Detailed Finding/Rationale
2	<p>The HMRC 'view' of the employment status of the individual should be obtained by using the Employment Status Indicator (ESI) tool  <a href="http://www.hmrc.gov.uk/calcs/esi.htm">http://www.hmrc.gov.uk/calcs/esi.htm</a> and NI and PAYE deductions, where appropriate, should be made from future payments.</p> <p>(Provided the answers given to the ESI questions accurately reflect the terms and conditions under which the services are provided at the relevant time of the contract, HMRC will be bound by the ESI outcome where the engager or their authorised representative provides copies of the printer-friendly version of the ESI Result screen, bearing the 14 digit ESI reference number, and the Enquiry Details screen. A copy of the written contract (if available) in relation to the engagement along with any other documentation you relied on when completing the ESI should also be retained.)</p>	<p><b>Expected Control</b></p> <p>The guidance on the HMRC website details that, 'A worker's employment status that is whether they are employed or self-employed, is not a matter of choice. Whether someone is employed or self-employed depends upon the terms and conditions of the relevant engagement.'</p> <p>The Employment Status Indicator (ESI) tool: <a href="http://www.hmrc.gov.uk/calcs/esi.htm">http://www.hmrc.gov.uk/calcs/esi.htm</a> on the HMRC website can be used to determine the employment status of individuals. Where someone is determined to be employed, PAYE and NI deductions must be made at source.</p> <p><b>Issue/Finding</b></p> <p>Examination of bank account history for the period May 2018 to 2019 identified two instances of payments being made to individuals. It could not be evidenced that the ESI tool had been used. The School Business Manager was sure that an ESI tool had been completed for this individual, but was unable to locate it.</p> <p><b>Risk</b></p> <p>Where payments are made to individuals, who are deemed to be employees by HMRC, without NI and PAYE deductions being made, there is a risk that the School will be held liable for the PAYE and NI for these payments and may be fined.</p>
Management Response		Deadline
This was discussed at the RC meeting 10/7/19.	Agree	Responsible Officer SBM Immediately

Priority	Recommendation 6	Detailed Finding/Rationale
2	<p>For all cases where costs relating to transactions can be identified in advance, purchase orders should be raised and appropriately certified before purchases are initiated.</p>	<p><b>Expected Control</b>            The Financial Policy and Procedures Manual, section D8: Use of written pre-numbered order forms' states that, 'Official, pre-numbered orders must be used for goods and services except utilities, rents, rates and petty cash payments. Where urgency requires an oral order, these must be confirmed by a written order'.            Section D9: All orders signed by authorised signatory states that, 'All orders must be signed by a member of staff approved by the full Governing Body'.</p> <p><b>Issue/Finding</b>            Examination of the documentation for a sample 15 transactions identified that for seven of these, the purchase orders were raised subsequent to the respective invoices being received. Therefore, the purchase orders were not suitably signed by the authorised signatory prior to invoices being received in accordance with the School's Financial Policy and Procedures Manual.</p> <p><b>Risk</b>            Where official orders are not raised and appropriately 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		
<p>This was discussed at the RC meeting 10/7/19 and staff reminded of financial procedures.</p>	<p>Agree</p>	<p>Responsible Officer SBM</p> <p>Deadline Immediately</p>

## Audit Area: Information Governance

Priority	Recommendation 7	Detailed Finding/Rationale						
2	<p>The Business Continuity Plan should be approved at a full Governing Body (or delegated Committee) meeting.</p> <p>Review of the plan should take place annually.</p>	<p><b>Expected Control</b></p> <p>The School Financial Value Standard (SFVS) question 25 asks, 'Does the school have an appropriate business continuity or disaster recovery plan, including an up-to-date asset register and adequate insurance?'</p> <p><b>Issue/Finding</b></p> <p>Examination of the current Business Continuity Plan identified that it was created in June 2018. However, approval of the plan by the Governing Body (or delegated Committee) could not be evidenced in any of the subsequent meeting minutes.</p> <p><b>Risk</b></p> <p>Where the School does not have a business continuity plan that has been agreed by the full Governing Body or a delegated Committee, there is a risk that the plan may not be the most appropriate or in line with governor expectations.</p>						
Management Response								
	<p>This was discussed at the RC meeting 10/7/19 and approved at FGB 17/7/19</p>	<table border="1"> <thead> <tr> <th>Agreed/Disagreed</th> <th>Responsible Officer</th> <th>Deadline</th> </tr> </thead> <tbody> <tr> <td>Agree</td> <td>RC/FGB/Clerk/SBM</td> <td>Completed</td> </tr> </tbody> </table>	Agreed/Disagreed	Responsible Officer	Deadline	Agree	RC/FGB/Clerk/SBM	Completed
Agreed/Disagreed	Responsible Officer	Deadline						
Agree	RC/FGB/Clerk/SBM	Completed						

## 4. Priority 3 Recommendations

Recommendation	Findings
<p>1) The Governors Induction Policies and Procedure document should be updated to include the following:</p> <ul style="list-style-type: none"> <li>• The Croydon Scheme For Financing Schools</li> <li>• The School's delegation of authorisation levels</li> <li>• The Governors Handbook</li> </ul>	<p>Question 3 of the Schools Financial Values Standard (SFVS) asks if there is a clear definition of the relative responsibilities of the Governing Body and the school staff in the financial field.</p> <p>The Governors Induction Policies and Procedure document which outlines the process of inducing new governors does not highlight the following information which should form part of the governors understanding of their role and responsibilities:</p> <ul style="list-style-type: none"> <li>• The Croydon Scheme For Financing Schools</li> <li>• The School's delegation of authorisation levels</li> <li>• The Governors Handbook</li> </ul> <p>There is a risk that newly inducted governors do not have a proper understanding of their role within the School.</p>
<p>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>	<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>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 glazing risk assessment had not been completed.</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>
<p>3) Upon the deficit being approved and licensed by the LA, the budget should be fixed to the "Original Budget" column.</p>	<p>For the School's approved budget plan to agree with the Annual Budget Listing on SIMS, the 'Original Budget' column should be populated with the fixed approved budget.</p>

Recommendation	Findings
<p>4) All governors and staff with financial responsibilities should be assessed to identify whether they have appropriate financial competencies.</p>	<p>Examination of the 2019/20 Annual Budget Listing on SIMS identified that the budget had not been 'fixed'. It was explained that this was not yet fixed as confirmation of the budget deficit license being approved by the Council had not yet been received.</p> <p>Where the original budget is not fixed on the annual budget listing, there is a risk that the School do not have an accurate record of the amount of the budget that has currently been spent, and the amount of the budget that is still remaining.</p> <p>The School Financial Value Standard (SFVS) question 1 asks whether, 'the governing body and senior staff have adequate financial skills among its members to fulfil its role of challenge and support in the field of budget management and value for money'.</p> <p>Examination of the financial skills matrix used to identify the extent of the financial competencies held by governors established that not all members of the Governing Body had been assessed.</p> <p>Where the financial competencies of all governing body members have not been identified, there is a risk that the financial competencies and skill gaps of governors as a whole are not properly known.</p>
<p>5) It should be ensured that any future benchmarking considers both income and expenditure.</p>	<p>SFVS question 14 asks whether, 'Does the school benchmark its income and expenditure annually against that of similar schools and investigate further where any category appears to be out of line'.</p> <p>Discussion with the School's Business Manager established that benchmarking takes place with schools in the local area, however only factors relating to expenditure are considered.</p> <p>Where benchmarking does not take place for both income and expenditure, there is a risk that the School may not be aware of poorly performing areas or inefficient practices.</p>



## **AUDIT TERMS OF REFERENCE**

### **All Saints CofE Primary School – 2019/20**

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

- 1.1 This audit is being undertaken as part of the Internal Audit Plan for 2019/20, as agreed by the Council's Audit Committee.

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

- 2.1 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.

- 2.1 To confirm that management have controls in place to detect and vigorously, pursue, fraud, corruption, other irregularities, errors and poor value for money.

- 2.2 To confirm that appropriate management action has been taken to implement recommendations for change leading to improvement in performance and/ or control.

### 3. SCOPE

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





Audit Area	Recommendations Made		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Governance and Leadership	0	2	1
Budgetary Control & Monitoring	0	0	2
Payroll	0	1	0
Safeguarding	0	0	0
Procurement	0	3	1
Banking	0	0	0
Information Governance	0	1	0
Health and Safety	0	0	1
Income	0	0	0
School Fund	0	0	0
<b>Totals</b>	<b>0</b>	<b>7</b>	<b>5</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.

This report is confidential and must not be disclosed to any third party or reproduced in whole or in part without our prior written consent. 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 by any third party is entirely at their own risk.

Registered office: Tower Bridge House, St Katharine's Way, London E1W 1DD, United Kingdom.  
Registered in England and Wales No 0C308299.