

Final Internal Audit Report

Beulah Juniors School 2019/20

November 2019

Distribution: Head Teacher
 Chair of Governors
 School Business Manager
 Executive Director, Children, Families and Education (Final Only)
 Director of Finance, Investment and Risk (S151 Officer) (Final Only)
 Director of Education and Youth Engagement (Final Only)

Assurance Level	Recommendations Made	
Limited Assurance	Priority 1	5
	Priority 2	3
	Priority 3	6

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. Beulah Juniors School is a Community School and at the time of audit there were 336 pupils attending. It has an expenditure budget of approximately £1.84m for 2019/20.
- 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 1 Recommendations

The Schools 2018-19 SFVS (School Financial Value Standard) self-assessment was not evidenced as discussed or agreed by the full Governing Body as required, **(Recommendation 2)**.

Sample testing of the documentation held for three new starters could not locate any references for two of the starters and only one reference for the third starter, **(Recommendation 4)**.

Appropriate approval for five high value expenditure items, in line with the School's 'Financial Policies and Procedures Manual', was not evidenced, **(Recommendation 5)**.

Quotation and tender limits were not specified out in the School's 'Financial Policies and Procedures Manual', **(Recommendation 6)**.

The School's bank mandate still included a former member of staff as an authorised signatory, **(Recommendation 7)**.

Priority 2 Recommendations

The School's Finance and Personnel Committee terms of reference did not detail the required frequency for meetings. It also omitted some responsibilities and included a responsibility the Committee was no longer responsible for, **(Recommendation 1)**.

The School's 2019/20 budget was not evidenced as formally approved by the full Governing Body as required and was not submitted to the Council by the 1 May 2019 deadline, **(Recommendation 3)**.

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, some gaps were noted, (**Recommendation 8**)

The Priority 3 recommendations are included under item 4 below.

Acknowledgement

We would like to thank the Head Teacher for their time and contribution to this audit.

3. **Actions and Key Findings/Rationale**

Audit Area: Governance

Priority	Recommendation 1	Detailed Finding/Rationale
2	<p>The Finance and Personnel Committee terms of reference should be amended to detail the required meeting frequency and to correctly reflect the responsibilities of the Committee.</p>	<p>Expected Control The School Governance (Roles, Procedures and Allowances) (England) Regulations 2013, paragraph 22 detail that, <i>'The governing body must determine the constitution, membership and terms of reference of any committee they decide to establish and review them annually.'</i></p> <p>Issue/Finding Examination of the Finance and Personnel Committee terms of reference established that the frequency of meetings was not included. Furthermore, comparison of the terms of reference to the School's Finance Policies and Procedures Manual found that some responsibilities for the Committee had been omitted, namely that for budget virements and that for the disposal of assets. Discussion with the Head Teacher established that the School did not have a school fund, but that the terms of reference included 'the administration of the school's voluntary funds' as a responsibility.</p> <p>Risk Where the Committee terms of reference do not detail the required meeting frequency or correctly detail the Committee's responsibilities, there is a risk that the Committee does not meet with the required frequency and that it does not discharge its responsibilities as expected.</p>
Management Response		<p>Agreed/Disagreed Responsible Officer Deadline</p>

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The above response is acknowledged and the terms of reference has been amended to reflect our Finance Policy & Procedures.	Agreed	Headteacher/Governing Body	Immediately
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Audit Area: Governance

Priority	Recommendation 2	Detailed Finding/Rationale
1	<p>The School's SFVS self-assessment for 2019/20 and future years must be evidenced as reviewed and approved by the full Governing Body prior to being submitted to the Council by the 31 March deadline.</p>	<p>Expected Control</p> <p>The 'Croydon Scheme for Financing Schools' paragraph 2.16 details that, 'All local authority maintained schools (including nursery schools and Pupil Referral Units (PRUs) that have a delegated budget) must demonstrate compliance with the Schools Financial Value Standard (SFVS) and complete the assessment form on an annual basis.</p> <p><i>The form must include a summary of remedial actions with a clear timetable, ensuring that each action has a specified deadline and an agreed owner. Governors must monitor the progress of these actions to ensure that all actions are cleared within specified deadlines.</i></p> <p><i>It is for the School to determine at what time in the year they wish to complete the form. 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.'</i></p> <p>Issue/Finding</p> <p>The Governing Body minutes for the meeting held in March 2019 detailed that, 'SFVS has been done by Head and will be sent by end of this month.' However there was no evidence of the Governing Body formally reviewing and agreeing the 2018/19 SFVS self-assessment as required.</p> <p>While the SFVS was signed by the Chair of Governors and the Head Teacher, this must be agreed by the full Governing Body.</p> <p>Risk</p> <p>Where the School fails to appropriately approve the annual SFVS self-assessment return, the School is in breach of the 'Croydon Scheme for Financing Schools' and there is a risk that the Governors are unaware of the School's control</p>

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	environment and where additional resources should be focused for improvement and prevention.		
Management Response	Agreed/Disagreed	Responsible Officer	Deadline
Governor's decision to have documents signed in a timely manner. The above response is acknowledged and to be approved at next FGB November 26 th .	Agreed	Headteacher/Governing Body	Immediately

Audit Area: Budgetary Control and Monitoring

Priority	Recommendation 3	Detailed Finding/Rationale		
2	<p>Future School budgets should be formally approved by the full Governing Body, and approval evidenced in meeting minutes, prior to being submitted to the Local Authority by the deadline of 1 May.</p>	<p>Expected Control</p> <p>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 1 May each year.'</p> <p>Issue/Finding</p> <p>While the minutes of the Governing Body meeting held in March 2019 evidence that the 2019/20 budget plans were discussed, these did not evidence the approval of the budget. The minutes of the Governing Body meeting held in July 2019 clarified that, 'It was decided that in order to meet the Budget approval deadline of 1st May the Chair and Head will meet to sign the Budget after the draft version has been discussed at the March FGB.'</p> <p>Examination of the 2019/20 Budget Plans for the School found that this was signed by the Head Teacher and Chair of Governors on the 25 May 2019.</p> <p>Risk</p> <p>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>	<p>Responsible Officer</p> <p>Headteacher/Governing Body</p>	<p>Deadline</p> <p>Immediately</p>
<p>Management Response</p> <p>To be approved at FGB on November 26th. Governor's decision to have an agenda to have documents signed in a timely manner.</p>		<p>Agreed/Disagreed</p> <p>Agreed</p>	<p>Responsible Officer</p> <p>Headteacher/Governing Body</p>	<p>Deadline</p> <p>Immediately</p>

Audit Area: Payroll

Priority	Recommendation 4	Detailed Finding/Rationale
1	Two written references should be obtained for all candidates, ideally prior to the commencement of employment.	<p>Expected Control</p> <p>The Keeping children safe in education' statutory guidance paragraph 144. Details that, 'Employers should always ask for written information about previous employment history and check that information is not contradictory or incomplete. The purpose of seeking references is to allow the school or college to obtain objective and factual information to support appointment decisions. References should always be obtained from the candidate's current employer. Where a candidate is not currently employed, verification of their most recent period of employment and reasons for leaving should be obtained from the school, college, local authority or organisation at which they were employed.'</p> <p>Furthermore, paragraph 145 details that, 'References should be scrutinised and any concerns resolved satisfactorily, before the appointment is confirmed, including for any internal candidate. Obtaining references before interview, would allow any concerns they raise to be explored further with the referee and taken up with the candidate at interview.'</p> <p>Issue/Finding</p> <p>Examination of the recruitment documentation available for a sample of 3 new starters (all appointed 1 September 2018) identified that there were no references available for two of the starters and that there was only one reference for the remaining starter.</p> <p>Risk</p> <p>Where two references are not obtained prior to employment, there is a risk that the School may hire based upon incomplete information, which could lead to endangerment of children or unqualified personnel obtaining employment.</p>
Management Response		<p>Agreed/Disagreed Responsible Officer Deadline</p>

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Going forward improvement in new personnel.	Agreed	School Business Manager/Headteacher	Immediately
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Audit Area: Procurement

Priority	Recommendation 5	Detailed Finding/Rationale
1	Ensure that transactions are appropriately evidenced as authorised in line with the requirements of the Financial Policies and Procedures Manual, (as this document does not distinguish at what stage the authority is due, this should be at order stage before the School is committed and also at invoice stage prior to payment being made.)	<p>Expected Control The School's Financial Policies and Procedures Manual, Section D2: 'Expenditure limits – Governor's Authorisation' details that, 'prior approval from the Governing Body should be obtained for all expenditure above a predetermined level. Section A3 details that the Head Teacher may approve purchases up to £2,000, Cost Centre Managers up to allocated budget or £5,000 (whichever is lower), the Policy and Finance Committee up to £10,000 and that all other purchases must be approved by the full Governing Body.</p> <p>Issue/Finding Examination of the records relating to a sample of five higher value purchases could not locate evidence of the required approval, (two of which required full Governing Body approval).</p> <p>Risk Where higher value purchases are not appropriately approved, there is an increased risk that inappropriate expenditure may occur.</p>
Management Response		
	Finance Policy & Procedure updated and amended 29/10/19. Approval will be clearly minuted and approved in FGB.	<p>Agreed/Disagreed Agreed</p> <p>Responsible Officer Headteacher/Governing Body</p> <p>Deadline Immediately</p>

Audit Area: Procurement

Priority	Recommendation 6	Detailed Finding/Rationale
1	<p>The Financial Policies and Procedures Manual should be amended to clearly specify the value at which quotes and tenders should be obtained.</p>	<p>Expected Control</p> <p>The Croydon Scheme for Financing Schools, dated October 2016, details under section 2.10 that, ‘...In addition, governing bodies shall determine procedures that should include processes for: - securing quotations - placing orders - keeping records - other appropriate incidental matters. These should include the following thresholds:</p> <ul style="list-style-type: none"> • Three quotations should be obtained for expenditure above £10,000 up to £40,000. • For all purchases above £40,000 four tenders should be sought. • For tenders expected to exceed EU thresholds, schools must comply with EU procurement requirements. • There is no requirement to seek LA officer counter signature for any contract for goods or services. <p>These should be included within the schools own “Financial policy and procedures” document produced in accordance with the Croydon financial documentation on Finance Matters (see Annex A).’</p> <p>Issue/Finding</p> <p>Examination of the Financial Policies and Procedures Manual established that while there were references to a ‘predetermined limit’ for quotes and for tenders, these limits were not specified.</p> <p>Risk</p> <p>Where the transaction values at which quotes or tenders are not specified, staff are not obligated to obtain these and there is a risk that value for money will not be demonstrated. Furthermore, the School is in breach of the Croydon Scheme for Financing Schools.</p>

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Management Response	Agreed/Disagreed	Responsible Officer	Deadline
Finance Policy & Procedure updated and amended 29/10/19.	Agreed	Headteacher/Governing Body	Immediately

Audit Area: Banking

Priority	Recommendation 7	Detailed Finding/Rationale
1	<p>The School should immediately take action to remove the former member of staff as an authorised signatory to the School's bank account.</p> <p>Should any further authorised signatories to the School's bank account leave, the School should ensure that these staff are removed as signatories as soon as possible.</p>	<p>Expected Control The School's Financial Policies and Procedures Manual, Section G13 'List of bank accounts and signatories' details the members of staff that should be signatories to the School's bank account.</p> <p>Issue/Finding Examination of the listing of bank signatures and other documentation held at the School identified that a former member of staff (who left in April 2019) was still included as an authorised signatory to the School's bank account.</p> <p>Risk Where former members of staff are still authorised signatories to the School's bank account, there is an increased risk that unauthorised withdrawals from the School's bank account may occur.</p>
Management Response		Agreed/Disagreed
Actioned, updated and filed.		Agreed
		Responsible Officer
		School Business Manager/Headteacher
		Deadline
		Immediately

Audit Area: Health and Safety

Priority	Recommendation 8	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>Expected Control The Health & Safety at Work Act 1974, its subordinate legislation, The Regulatory Reform (Fire Safety) Order 2005, Control of Asbestos Regulations 2012 and other related legislation, place responsibilities on school governing bodies for the appropriate management of building-related risks.</p> <p>Issue/Finding 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 including:</p> <ul style="list-style-type: none"> • Asbestos awareness training for the caretaker; • Water quality training for the caretaker; • Weekly water temperature monitoring, and • Staff/visitors/contractors shown asbestos register and evidence of signatures in the log. <p>Risk 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		<p>Agreed/Disagreed</p> <p>Responsible Officer</p> <p>Deadline</p>

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A checklist will be drawn up. Training will be given as part of CPD.	Agreed	Headteacher	Immediately
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4. Priority 3 Recommendations

Recommendation	Findings
<p>1) The most current list of training available to governors should be included in the Governor's Induction pack.</p>	<p>The School did not include a list of the training available to governors in the Governor's Induction Pack.</p> <p>Where the School does not include the list of available training to governors in the Governor's Induction Pack, there is a risk that the Governors will not be appropriately trained to govern the School efficiently.</p>
<p>2) The School's staffing structure should be reviewed annually and this should be formally shared with governors.</p>	<p>Schools Financial Value Standard (SFVS) Question #7 asks, <i>'Does the school review its staffing structure regularly?'</i> The SFVS support notes on the DfE website explain that, <i>'Structures should be reviewed annually in line with curriculum, improvement and as part of workforce planning. Staffing costs make up 70 to 80% of an average school's expenditure. Regular reviews enable the school to invest in the right mix of staff, and in high quality professional development, to maximise pupil outcomes and value for money. They also ensure the structure matches as closely as possible the current and future needs of the school, which will change over time.'</i></p> <p>Discussion with the Head Teacher established that informal staff restructuring discussions were held, but not documented. Further, although staff structure was not covered in Governing Body meetings, actions with regards to restructuring had been carried out.</p> <p>Where the School does not review staff structure on a regular basis, there is a risk that the optimum mix of staff is not in place.</p>
<p>3) The Business Continuity Plan should be regularly reviewed, preferably on at least an annual basis.</p>	<p>It is good practice to regularly review the School's Business Continuity Plan.</p> <p>The Schools Business Continuity Plan was last reviewed in February 2018.</p> <p>Where the Business Continuity Plan is not regularly reviewed, there is an increased risk that appropriate actions are not carried out, as staff may be following processes and information that are out of date.</p>

Recommendation	Findings
<p>4) The equipment loan forms should be amended to specify the duration of the loan.</p>	<p>Examination of the Schools Laptop Loan forms in use identified that these did not specify a loan period.</p> <p>Where equipment loan forms do not clearly specify the duration of the loan, there is a risk that any loaned equipment may be difficult to retrieve from the individual.</p>
<p>5) Ensure that future benchmarking includes income as a criteria.</p>	<p>Examination of the Schools latest benchmarking established that, while expenditure was included, income was not included as a criteria.</p> <p>Where income is not used as a criteria to benchmark against other Schools, there is an increased risk that there is no gauge on financial performance.</p>
<p>6) Ensure that the School maintains its registration with the ICO.</p>	<p>Under the Data Protection Act 2018, all data controllers must notify the Information Commissioner's Office (ICO) about how they process personal information. Each individual school is a data controller and so must register with the ICO. Failure to do so is a criminal offence.</p> <p>The School was not registered with the ICO at the time of audit, but immediately rectified this by registering at the time of audit, (i.e. 25 September 2019.)</p> <p>Where the School has not registered with the ICO, they may be found guilty of a criminal offence.</p>

AUDIT TERMS OF REFERENCE

Beulah Juniors 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.
- 2.2 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	1	1	1
Budgetary Control & Monitoring	0	1	0
Payroll	1	0	1

Audit Area	Recommendations Made		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Safeguarding	0	0	0
Procurement	2	0	1
Banking	1	0	0
Information Governance	0	0	3
Health and Safety	0	1	0
Income	0	0	0
Totals	5	3	6

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:

Priority 1 (High)	Fundamental control weaknesses that require immediate attention by management to action and mitigate significant exposure to risk.
Priority 2 (Medium)	Control weakness that still represent an exposure to risk and need to be addressed within a reasonable period.
Priority 3 (Low)	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.

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