

Final Internal Audit Report

Greenvale Primary School

December 2020

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	
Substantial Assurance	Priority 1	0
	Priority 2	6
	Priority 3	4

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 Greenvale Primary School is a Community School and at the time of audit there were 220 pupils attending. It has an expenditure budget of approximately £1.22M for 2020/21.
- 1.2 The audit was undertaken as part of the agreed Internal Audit Plan for 2020/21 based on a risk assessment. The objectives, approach and scope are contained in the Audit Terms of Reference at Appendix 1.
- 1.3 The fieldwork for this internal audit was completed during the government measures put in place in response to COVID-19. While our review and testing was performed remotely, we have been able to obtain all relevant documents required to complete the review.

2. Key Issues

Priority 2 Recommendations

The School's SFVS self-assessment completed for 2019/20 was not formally agreed by the full Governing Body as required prior to being submitted to the Council. **(Recommendation 1)**

Although the Head Teacher and School Business Manger reviewed the finances monthly on SIMs (The Schools finance system), this review was not evidenced and formal monthly budgeting reports containing budget vs. actual performance were not produced. **(Recommendation 2)**

A copy of a Disclosure Barring Check (DBS) had been retained for over 6 months, which may be in breach of the Data Protection Act 2018. **(Recommendation 3)**

Sample testing of 15 payments found that two invoices predated the corresponding purchase orders raised by the School. **(Recommendation 4)**

Examination of monthly bank reconciliations for the last 5 months found that none of these had been evidenced as independently checked. **(Recommendation 5)**

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 through completion of the checklist by the School that a good overall level of compliance was reported, some gaps were noted. **(Recommendation 6)**

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
- Finance and Personnel Officer

3. Actions and Key Findings/Rationale

Audit Area: Governance and Leadership

Priority	Recommendation 1	Detailed Finding/Rationale
2	The Schools SFVS self-assessment must be properly agreed by Governing Body prior to submission to the Council in future years.	<p>Expected Control</p> <p>The Croydon Scheme for Financing Schools 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 31st March and annually thereafter.’</p> <p>Issue/Finding</p> <p>Although the School’s 2019/20 completed SFVS self-assessment was submitted to the Council on 5th February 2020, this was not discussed and agreed by the full Governing Body until the 29th April 2020. There was also no evidence within the meeting minutes of the Governing Body that this had been agreed through Chair’s action.</p> <p>The School explained that the 2019/20 SFVS self-assessment had been agreed via email before being sent to the Council. This was supported by the minutes of the Finance Committee held on 22 January 2020, which detailed that ‘since the next FGB wasn’t until 01/04/2020 so the approval of the SFVS would need to take place via email before the deadline of 31/03/2020.’ and also copies of the e-mail correspondence provided by the Head Teacher. This e-mail agreement is not; however, valid. Governing Body decisions can only be agreed at properly constituted meetings or via Chair’s action (so long as the Chairs action is ratified at the next Governing body meeting following that action).</p> <p>Risk</p> <p>Where the School’s SFVS self-assessment is not properly considered by the full Governing Body as required, the School is in breach of the Croydon Scheme for Financing Schools and is a risk that this may not be accurately completed.</p>

Management Response	Agreed/Disagreed	Responsible Officer	Deadline
Management acknowledge this finding. The Governing Body structure has since changed, meaning that it meets more frequently and would therefore provide additional opportunities for this to be agreed prior to the deadline of 31 st March	Agreed	Clerk to the GB	At next review

Audit Area: Budgetary Control & Monitoring

Priority	Recommendation 2	Detailed Finding/Rationale		
2	Produce monthly budget monitoring reports and have these evidenced as checked by the Head Teacher.	<p>Expected Control</p> <p>The School Financial Value Standard support notes to question 12 detail that, ‘School staff should monitor the budget on a monthly basis so that they can alert the governing body as soon as they become aware that the end year outturn may be significantly different from the budget projections. If it appears that there may be significant variances, these should be reported immediately to the governing body. The school should not wait for the next meeting to report.’</p> <p>Issue/Finding</p> <p>Although it was explained that the Head Teacher and School Business Manger reviewed the finances monthly on SIMs (The schools finance system), this review was not evidenced and formal monthly budgeting reports containing budget vs. actual performance not produced. Budget monitoring reports help enable a more comprehensive comparison of expenditure and committed expenditure against each budget code and also provide an overall budget position.</p> <p>Risk</p> <p>Where monthly budget monitoring reports are not produced and evidenced as checked, there is a lack of evidence of due diligence and a risk that budget variances are not detected in a timely manner.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
The School will keep a monthly record of finances ensuring that these have been shared with and signed by the Head Teacher.		Agreed	Finance Director / Head Teacher	Monthly

Audit Area: Payroll

Priority	Recommendation 3	Detailed Finding/Rationale		
2	<p>The School should check the personal files to ensure that copies of DBS checks have not been retained for more than 6 months.</p> <p>Any copies of DBS checks obtained in the future should not be retained longer than 6 months.</p>	<p>Expected Control</p> <p>Keeping Children Safe in Education September 2020, section 171 details that, ‘<i>Schools and colleges do not have to keep copies of DBS [Disclosure Barring Service] certificates in order to fulfil the duty of maintaining the single central record. To help schools and colleges comply with the requirements of the Data Protection Act 2018, when a school or college chooses to retain a copy, it should not be retained for longer than six months.</i>’</p> <p>Issue/Finding</p> <p>While examining the staff personal files for a sample of three staff that commenced employment in the last year an instance was noted where a photocopy of the DBS had been held for more than 6 months.</p> <p>Risk</p> <p>Where the School retains copies of DBS checks for longer than 6 months, there is a risk of breach of the Data Protection Act 2018 and consequent fines.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
This is acknowledged and has already been actioned. The Admin Officer is clear on the guidelines.		Agreed	School Administrator	November 2020

Audit Area: Procurement

Priority	Recommendation 4	Detailed Finding/Rationale		
2	The School should ensure that all purchase orders are appropriately authorised in line with the School's Finance Policy before committing to purchases.	<p>Expected Control</p> <p>The School's Finance Policy states, <i>"The officer completing the order ensures that the order specifies the nature and quantity of the works, goods or services required and any relevant contract or agreed prices to facilitate accurate checking of deliveries, invoices and entering payment on the financial management system.</i></p> <p><i>The authorised members of staff check that the goods ordered are appropriate and needed, and that there is adequate budget provision before signing the order.</i></p> <p><i>Prior approval from the Governing Body is obtained for all expenditure above the limit determined.</i></p> <p><i>All orders are entered on the school's financial system by a member of the office staff or the resources administrator to ensure commitments recorded against budgets can be monitored."</i></p> <p>Issue/Finding</p> <p>Testing a sample of 15 transactions, noted two instances where the Purchase Order (PO) was dated after the invoice. These were:</p> <ul style="list-style-type: none"> • 1. £4,060.00 – The PO was dated 22 September 2020 and the invoice was dated 8 September 2020. • 2. £4,958.90 – The PO was dated 4 November 2020 and the invoice was dated 30 April 2020. <p>Risk</p> <p>Where purchase orders/internal requisition forms are not raised and authorised prior to purchases being made, there is a risk that the authorisation and commitment processes are by-passed which could result in inappropriate purchases and poor budgetary control.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline

<p>Both of the two highlighted transactions are for services that have already been discussed and approved by the FGB.</p> <p>We will ensure in future that such purchases are signed off as an authorisation by two members of the SLT.</p>	<p>Agreed</p>	<p>School Administrator</p>	<p>As and when purchase orders are raised</p>
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Audit Area: Banking

Priority	Recommendation 5	Detailed Finding/Rationale		
2	Ensure that for all bank reconciliations evidence is retained of who conducted and who independently checked these.	<p>Expected Control</p> <p>The School's Finance Policy details that, '<i>The Business Manager and the Finance Assistant work alongside school's financial advisor (JCA) to:</i></p> <ul style="list-style-type: none"> - <i>Process journals</i> - <i>Reconciliation of both FMS 6 and any other school-related monies with relevant bank statements'</i> <p>Issue/Finding</p> <p>Examination of the monthly bank reconciliations from 30 April to 30 September 2020 found that none of these had been signed by the preparer of this or the reviewer. The School explained that since the COVID-19 lockdown was instituted that the bank reconciliations had not been signed due to the school's financial advisor working off site.</p> <p>However based on our experience in other organisations, even with the School's financial advisor not physically present, the bank reconciliations could still be signed and scanned with the preparer and reviewer signature or the e-mail transmitting the bank reconciliations could be retained as an electronic signature.</p> <p>Risk</p> <p>Where bank reconciliations do not evidence who conducted these or whether these have been independently checked, there is a risk that they have not been checked and that errors or omissions may have occurred.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
The School accept this finding. In future, we will ensure that these are signed off on behalf of JCA and the School.		Agreed	JCA Finance / Finance Director	Monthly

Audit Area: Health & Safety

Priority	Recommendation 6	Detailed Finding/Rationale		
2	The identified gaps in the checklist of the various responsibilities and duties under current health and safety legislation should be addressed as soon as possible.	<p>Expected Control</p> <p>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</p> <p>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 through completion of the checklist that the School has a good overall level of compliance, some gaps were noted including:</p> <ul style="list-style-type: none"> • Outstanding fire risk assessment actions being addressed (This was being addressed by the Council at the time of audit), and • A lack of a glazing risk assessment. <p>Risk</p> <p>Where gaps in the checklist of the various responsibilities and duties under current health and safety legislation are not addressed, 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	Responsible Officer	Deadline
<p>All points on the latest fire risk assessment that the Council believe are necessary have been actioned.</p> <p>The Council will be signing off the works completed and acknowledging that not all in the</p>		Agreed	School Business Manager	February 2021

risk assessment have been carried out. They are happy to sign this off.

We have already contacted the Council regarding the glazing assessment. They do not have anybody who would be able to provide this. The School are currently seeking this from an external supplier.

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4. Priority 3 Recommendations

Recommendation	Findings
<p>1) The governor’s induction pack should be amended to include the Croydon Scheme for Financing Schools.</p>	<p>The School’s governors’ induction pack did not include the Croydon Scheme for Financing Schools.</p> <p>Where the governors’ induction pack is incomplete, there is a risk that the Governors will not be aware of important aspects of the School and its governance.</p>
<p>2) The cashflow forecast should be monitored on a monthly basis and updated when necessary.</p>	<p>A cashflow forecast was conducted as part of the budget setting process. However, this was not regularly monitored or updated during the year.</p> <p>Where the School does not regularly monitor and update its cashflow forecast there is a risk that cash flow shortages will not be detected in a timely manner.</p>
<p>3) Ensure all procurement card expenditure reconciliations are signed and dated.</p>	<p>It was confirmed that regular (monthly) reconciliations are conducted for procurement card expenditure by an independent member of staff. However, these checks were not evidenced.</p> <p>Where procurement card reconciliations are not signed there is a risk that these have not have been checked and there is also a lack of an audit trail.</p>
<p>4) Formally review and, if appropriate update, the lettings policy.</p>	<p>The School’s lettings policy was dated January 2019. As this includes the fees and charges to be levied, this should be regularly reviewed (at least annually).</p> <p>Where the lettings policy is not regularly reviewed and, where appropriate updated, there is a risk that fees and charges levied may no longer be appropriate.</p>

AUDIT TERMS OF REFERENCE

Greenvale Primary School – 2019/20

1. INTRODUCTION & BACKGROUND

- 1.1 This audit was undertaken as part of the Internal Audit Plan for 2020/21, 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	1	1
Budgetary Control & Monitoring	0	1	1
Payroll	0	1	0
Safeguarding	0	0	0

Audit Area	Recommendations Made		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Procurement	0	1	0
Bank Accounts	0	1	1
Information Governance	0	0	0
Health and Safety	0	1	0
Income	0	0	1
Totals	0	6	4

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.

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