

Final Internal Audit Report

Coulsdon Church of England Primary School

December 2018

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	
Limited Assurance	Direction of Travel from previous audit: Down from Substantial	Priority 1	1
		Priority 2	2
		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. Coulsdon Church of England Primary School is a Christian Voluntary Aided School and at the time of audit, there were 210 pupils attending. It has an expenditure budget of £1,090,568 for the 2018/19 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 Issues

Issue Arising in a Priority 1 Recommendation

Examination of the School's central single record found that this did not include a newly appointed governor (appointed on 10 July 2018) and thus there was no evidence that their DBS check had been completed as required, (**Issue 3**).

Issues Arising in Priority 2 Recommendations

The Governing Body minutes did not detail the approval and review of individual policies. Furthermore, the School's Financial Procedures Manual containing the School's Scheme of Delegation, and the Finance Committee Terms of Reference, were not evidenced to have been reviewed and approved by the Full Governing Body in the last 12 months as required, (**Issue 1**).

The School's completed SFVS self-assessment for 2017-18 was not evidenced as approved by the full Governing Body as required, (**Issue 2**).

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: Governance

Priority	Recommendation 1	Detailed Finding/Rationale
2	<p>The Governing Body should ensure that it lists which specific policies are being approved and reviewed and that these are properly recorded in the minutes.</p> <p>The Full Governing Body should annually review the School's 'Financial Procedures Manual' and the 'Finance Committee's 'Terms of Reference'.</p> <p>This should be clearly minuted in Governing Body meeting minutes.</p>	<p>Expected Control</p> <p>The School Governance (Roles, Procedures and Allowances) (England) Regulations 2013 paragraph 18 (3) details that, 'The governing body must review the exercise of functions they have delegated, annually' and paragraph 22 (1) details that, 'The governing body must determine the constitution, membership and terms of reference of any committee they decide to establish and review them annually.'</p> <p>Issue/Finding</p> <p>The Governing Body minutes do not detail the approval and review of individual policies including, for example, the Finance, Whistleblowing and Pay Policies, making it difficult to determine which individual policies are subjected to review/ approval.</p> <p>The School's Financial Procedures Manual containing the School's Scheme of Delegation, and the Finance Committee terms of reference, although evidenced as reviewed by the Finance Committee, were not evidenced to have been reviewed and approved by the Full Governing Body in the last 12 months as required.</p> <p>Risk</p> <p>Where the Governing Body minutes do not detail which policies are being reviewed and approved, the School is not being open and transparent and there is a risk that it is unable to evidence which policies have been approved or to keep track of which policies and documents require approval and review.</p> <p>Where the School's 'Financial Procedures Manual', which includes the School's Scheme of Financial Delegation, and the Terms of Reference for the Finance Committee have not been approved by the Full Governing Body in the last 12 months, the School is in breach of the School Governance (Roles, Procedures and Allowances) (England)</p>

Regulations 2013 and there is a risk that the policies in place are inappropriate to manage the School's finances.			
Management Response	Agreed/Disagreed	Responsible Officer	Deadline
<p>All policies are reviewed by the Governing Body subcommittees. The Full Governing Body ('FGB') Standing Agenda Items List includes annual review of the Finance and Premises Committee Terms of Reference ('TOR'), Financial Regulations and the School Scheme of Delegation.</p> <p>The FGB minutes dated 17 November 2017 (para 7) state FGB approval was given to delegate approval of the Terms and Reference and policies of the Finance and Premises committee to said subcommittee.</p> <p>The FGB minutes of 19 September 2018 (para 9) states all subcommittee Terms of Reference are to be circulated and approved at the next FGB Meeting, which occurred on 22 November 2018.</p> <p>A rolling programme of Governing Board policy approval was introduced from 19 September 2018.</p> <p>All required policies were available of the school website and hard copies are available to members of the public on request to ensure openness and transparency.</p> <p>We therefore consider appropriate approval was in place and that this recommendation has already been addressed.</p>	Disagreed	Headteacher	Immediate

Audit comment

While the Governing Body may delegate approval of some policies to a committee, governor or head teacher, some policies (such as the Financial Procedures Manual because it includes the School's Scheme of Delegation) and the committee terms of reference have to be initially approved by the Governing Body and then be annually reviewed by the Governing Body.

Examination of the Governing Body meeting minutes available at the time of audit, namely those for September and November 2017 and March and July 2018 did not evidence approval by the Governing Body of the Financial Procedures Manual or the Finance Committee terms of reference. As this issue existed at the time of audit, this stands as a recommendation.

Audit Area: Governance

Priority	Recommendation 2	Detailed Finding/Rationale		
2	The School should ensure that the annual SFVS self-assessment is approved by the full Governing Body.	Expected Control	The 'Croydon Scheme for Financing Schools' paragraph 2.16 details that, 'it is for the school to determine at what time in the year they wish to complete the [SFVS] 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.'	
		Issue/Finding	A copy of the School's completed SFVS self-assessment for 2017-18 was obtained, which had been signed by the Chair of Governors on 29 March 2018. However, this SFVS self-assessment was not evidenced to have been approved by the full Governing Body as required, although the minutes of the Governing Body meeting held on 15 March 2018 do detail that, 'School Financial Value (SFVS) for 31 March 2018. This was almost completed and would go for signature by the Chair and Head.'	
		Risk	Where the School fails to evidence the appropriate approval of 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 not properly aware of the School's control environment and where additional resources should be focused for improvement and prevention.	
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
Full Governing Board approval of the SFVS 2017-18 was obtained by the Chair of Governors by email prior to submission (30 March 2018). Please see attached emails.		Disagreed	Headteacher	Immediate
Audit comment				

Governing body approval can only be obtained at a meeting formally convened in line with the requirements of the School Governance (Roles, Procedures and Allowances) (England) Regulations 2013 and should be formally minuted in the meeting minutes.

As governing bodies have formal responsibility for the financial management of their schools, the SFVS is primarily aimed at them and it is important that Governors not only properly consider and review this document and any actions arising, but are seen to do so.

On occasions, the chair may need to take chair's action in an emergency, but any such action must be reported to a meeting of the whole governing body as soon as possible, where the decision should be ratified. The minutes of the Governing Body meeting held on 10 July 2018 do evidence that, 'SFVS: This had been completed and signed by the Chair and Head and submitted on time.'

The response to the draft audit report by the School included a copy of an e-mail from the Chair of Governors to all the members of the Governing Body, asking for their vote to approve the SFVS 2017-18. As this was not a meeting of the full Governing Body, this approval is not valid.

The Chair was entitled to take 'chairs action' but this needed to be reported back to the full Governing Body at the next meeting. It was reported, but it was not reported as chairs action and nor was this ratified. Governing bodies of maintained schools have formal responsibility for the financial management of their schools, and so it is important that governors are in agreement with the annual SFVS self-assessment and that they monitor any assessments that are 'in-part' or 'no'.

Audit Area: Payroll

Priority	Recommendation 3	Detailed Finding/Rationale
1	<p>The outstanding governor DBS check should be progressed as soon as possible.</p> <p>DBS checks for all future governors should be applied for within 21 days of their appointment and this should be recorded in the School's central single record.</p>	<p>Expected Control</p> <p>School Staffing (England) Regulations 2003, as amended, paragraph 11 (3) details that for all new appointments, 'An enhanced criminal record certificate issued pursuant to Part V of the Police Act 1997 must be obtained in respect of any such person before or as soon as practicable after his appointment'. It is the school's responsibility to ensure that DBS checks are renewed every three years in line with Council policy.</p> <p>The School Governance (Constitution and Federations) (England) (Amendment) Regulations 2016 makes DBS checks mandatory for governors in maintained schools. It states '16A.— (2) Where a governor is elected or appointed on or after 1st 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.' Governors appointed before this date are required to have their DBS check in place before 01/09/2016.</p> <p>Issue/Finding</p> <p>Examination of the School's central single record found that this did not include a newly appointed governor (appointed on 10 July 2018) and thus there was no evidence that their DBS check had been completed as required.</p> <p>Risk</p> <p>Where DBS checks are not requested within 21 days of new governors being appointed the School is in breach of the School Governance (Constitution and Federations) (England) (Amendment) Regulations 2016 and there is a risk that an inappropriate individual may have been selected, potentially giving rise to a safeguarding risk to the children.</p>
<p>Management Response</p>		
<p>The Governor in question was appointed on the 15 July 2018 at the final FGB meeting for 2017/18.</p>	<p>Disagreed</p>	<p>Headteacher</p> <p>Immediate</p>

<p>The Clerk (who was retiring) emailed the School Business Manager ('SBM') during the school summer holiday (22 July 2018) to advise of the appointment of 2 new Governors, stating that they would be bringing in the relevant documents in to school to be checked.</p> <p>One Governor was unable to produce their documents as she went on maternity leave immediately after the appointment (she had her baby on the 21 August 2018).</p> <p>Safeguarding is a key priority for our school. To ensure no risk to any child she had no access to the school and no contact with children during this period. She was escorted onto the premises to attend the Full Governors AGM in September which was out of school hours.</p> <p>She commenced her full Governor responsibilities on the week commencing 12 November 2018 following her maternity leave and was not allowed onto the premises unless escorted until her DBS was in place (which it now is).</p> <p>The exceptional circumstances of this situation were discussed and accepted by the auditor during the audit to the extent that this was not raised as a matter in our exit meeting.</p> <p>We disagree that this is a Priority 1 matter given the exceptional circumstances, appropriate measures taken and that there was no safeguarding risk to any child.</p>			
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Audit comment

The legislation is very clear stating that an enhanced criminal records check must be applied for with 21 days of appointment. The minutes of the Full Governing Body meeting held on 10 July 2018 clearly detail that the governor was in attendance at that meeting, at which time she should have completed her application for an enhanced DBS check.

4. Priority 3 Recommendations

Recommendation	Findings
<p>1) An appropriate formal glazing risk assessment should be conducted.</p> <p><u>Management response:</u> Disagreed. The school has completed an internal risk assessment as appropriate. An external glazing assessment is being scheduled.</p> <p><u>Audit comment:</u> This is still in progress and therefore stands as a recommendation.</p>	<p>The Workplace (Health, Safety and Welfare) Regulations (1992) includes the requirement for a glazing risk assessments to be conducted.</p> <p>Whilst the School has conducted an assessment of glazing, a formal glazing risk assessment was not in place.</p> <p>Where a formal glazing risk assessment is not in place, the School may not be able to demonstrate compliance with the Workplace (Health, Safety and Welfare) Regulations (1992).</p>
<p>2) The School should ensure that the most current version of the School's budget is included in the Governor's Induction pack.</p> <p><u>Management response:</u> Disagreed. The Induction Pack is comprehensive and compliant with Southwark Board of Education guidance. Budget information is available at the Spring Governing Board meeting, or earlier if requested.</p> <p><u>Audit comment:</u> The governor induction pack is about helping make governors aware of all relevant information when they commence their roles. As Governing bodies of maintained schools have formal responsibility for the financial management of their schools, the current budget is a key document.</p>	<p>The School did not include a copy of their 2018/19 budget in their Governor's Induction Pack.</p> <p>Where the School does not include the current School budget in the Governor's Induction Pack, there is a risk that the Governors will be unable to govern the School's finances efficiently.</p>
<p>3) Where costs relating to transactions can be identified in advance, management should ensure that details of the financial commitments</p>	<p>In accordance with the requirements of Keeping Your Balance, Standards for Financial Management in School's and Section E10 of the Croydon Schools Financial Handbook, an official order should be created to support all expenditure where the costs can be identified in advance. The School's Financial Procedures document</p>

<p>are subject to purchase orders prior to initiating the purchases.</p> <p><u>Management response:</u> The Keston invoice was verbally discussed and was signed by both the Head Teacher and the Deputy Head Teacher (Fiona Lee). Both of the purchase orders referred to were authorised by signature by the Head Teacher, hence there was no risk of inappropriate purchases or poor budgetary control.</p>	<p>states "It is recognised that occasions will occur when emergency action requires immediate purchase before an order can be raised and authorised. This is permitted and a note will be added to the order raised subsequently to authorise the action taken and signed by the Head Teacher.</p> <p>Two of the purchase orders for the sample of 15 transactions tested were found to have been raised retrospectively without a note detailing any justification of special circumstances for doing so. (These were for PGL travel for £1,500.00 and Keston Primary School for £224.25).</p> <p>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>
<p>4) The review of the contracts with third parties should be completed to ensure that these include data sharing agreements in compliance with the Data Protection Act 2018.</p> <p><u>Management response:</u> Disagreed. This recommendation was already in the process of being addressed to ensure compliance.</p> <p><u>Audit comment:</u> This is still in progress and therefore stands as a recommendation.</p>	<p>The School was in the process of reviewing their contracts with third party suppliers with their externally sourced Data Protection Officer at the time of audit and therefore did not, at the time of audit, have data sharing agreements in their third party contracts.</p> <p>Where the School does not currently have data sharing agreements in third party contracts, there is a risk that they are non-compliant with the Data Protection Act 2018.</p>
<p>5) The School should ensure that current public liability insurance is held for all current lettings.</p> <p><u>Management response:</u> Copies of the insurance had not been placed on the files in error, however all public liability insurance was current and in place and there was no risk to the school at any time as a result. We consider this to be a level 3 finding.</p>	<p>For all school lets, there should be an up-to-date copy of the hirer's public liability insurance to help ensure that the School is not liable to pay for any damage occurring as a result of these lets.</p> <p>Examination of the documentation for a sample of three lettings, found that for two (Dramabuds and Coulsdon Chess Fellowship) the public liability insurance was not current.</p> <p>Where out of date public liability insurance is held for current lets, there is a risk that any damage caused to School property would not be able to be paid by the hirers and so damage would have to be covered by the School's own insurance policy.</p>

A lettings file checklist has now been set up to prevent this occurring in the future.

AUDIT TERMS OF REFERENCE
Coulsdon C of E 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	2	1
Budgetary Control & Monitoring	0	0	0

Payroll	1	0	0
Safeguarding	0	0	0
Procurement	0	0	1
Bank Accounts	0	0	0
Information Governance	0	0	1
Income	0	0	1
Health and Safety	0	0	1
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:

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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