



M A Z A R S

CROYDON

Final Internal Audit Report

Orchard Way Primary School

March 2019

Distribution: Headteacher
Chair of Governors
Executive Director, Children, Families and Education (Final Only)
Director of Education and Youth Engagement (Final Only)
Director of Finance, Investment and Risk (Final Only)

Assurance Level		Recommendations Made	
Substantial Assurance	Direction of Travel from previous audit: No change from Substantial	Priority 1	0
		Priority 2	3
		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.

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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.

Contents

Page

Executive Summary

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

Detailed Report

3. Actions and Key Findings/Rationale	3
4. Priority 3 Recommendations.....	8

Appendices

1. Terms Of Reference
2. Definitions For Audit Opinions And Recommendations
3. Statement Of Responsibility

Executive Summary

1. Introduction

- 1.1. Orchard Way Primary School is a community school and at the time of the audit there were 209 pupils attending. It has an expenditure budget of approximately £1.1m for the current financial year.
- 1.2. The audit was undertaken as part of the agreed Internal Audit Plan for 2018/19 based on a risk assessment. The objectives, approach and scope are contained in the Audit Terms of Reference at Appendix 1.

2. Key Recommendations and Issues

Priority 2 Recommendations

The Finance Committee terms of reference were not evidenced as annually reviewed by the full Governing Body as required, **(Issue 1)**.

The School's Financial Policies and Procedures Manual, which includes the School's scheme of financial delegation, was not evidenced as annually reviewed by the full Governing Body as required, **(Issue 2)**.

The purchase orders for 13 of the sample of 15 transactions tested were raised retrospectively to the receipt of the corresponding invoices. It was; however, identified that the School had implemented the use of requisitions in January 2019 to evidence the prior approval of these transactions. This process was still being embedded, **(Issue 3)**.

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:

- Headteacher
- School Admin and Finance Officer

Detailed Report

3. Actions and Key Findings/Rationale

Audit Area: Governance

Priority	Recommendation 1	Detailed Finding/Rationale
2	<p>The Governing Body should evidence the review and approval of the Finance Committee terms of reference annually.</p>	<p>Expected Control The School Governance (Roles, Procedures and Allowances) (England) Regulations, 2013, 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 Examination of the Governing Body minutes for the last year, (March, July, September, December 2018 and January 2019) did not evidence the review and approval of the Finance Committee terms of reference.</p> <p>Examination of the Finance Committee terms of reference noted that did not include the responsibility of the Committee for the disposal of assets or for tendering/ quotations.</p> <p>It is acknowledged that, subsequent to the audit fieldwork being completed, but prior to this draft report being issued, the amended Finance Committee terms of reference were reviewed and approved by the full Governing Body at the meeting held on 21 March 2019.</p> <p>Risk Where the Finance Committee's terms of reference are not annually reviewed by the Governing Body, the School is in breach of the School Governance (Roles, Procedures and Allowances) (England) Regulations and there is a risk that the terms of reference may not be in line with the Governing Body expectations.</p>
Management Response		<p>Agreed/Disagreed Responsible Officer Deadline</p>

<p>Following our Audit on 18-19 March, the Finance Committee Terms of Reference (TOR) were reviewed and now include the disposal of assets and tendering/quotations. These TOR were reviewed and agreed by the Full Governing Board meeting on 21st March 2019. It was also shared at this meeting that the TOR needs to be reviewed and agreed by the Full Governing Board annually.</p>	<p>Agreed</p>	<p>Chair of Finance Committee and Chair of Governors</p>	<p>Completed</p>
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Priority	Recommendation 2	Detailed Finding/Rationale
2	<p>The full Governing Body should annually review and approve the Financial Policy and Procedures Manual.</p>	<p>Expected Control</p> <p>The School Governance (Roles, Procedures and Allowances) (England) Regulations 2013 paragraph 18 state 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>Issue/Finding</p> <p>The School's Financial Policies and Procedures Manual, which includes the School's scheme of financial delegation, was not evidenced in the Governing Body minutes examined (March, July, September, December 2018 and January 2019) as being reviewed in the last 12 months.</p> <p>Examination of the School's Financial Policies and Procedures Manual found that this detailed it as being reviewed in March 2019 and due for next review in March 2021. It was established that the Finance Committee had reviewed the Financial Policies and Procedures Manual.</p> <p>It is acknowledged that, subsequent to the audit fieldwork being completed, but prior to this draft report being issued, the Financial Policies and Procedures Manual was reviewed and approved by the full Governing Body at the meeting held on 21 March 2019.</p> <p>Risk</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 this may not be in line with the Governing Body expectations.</p>

Management Response	Agreed/Disagreed	Responsible Officer	Deadline
<p>Following the audit that took place on 18-19 March, the Financial Policy and Procedures Manual's review date was changed from March 2021, to March 2020 – in 12 months' time. This policy was reviewed at the Full Governing Board meeting on 21.3.19 and will be reviewed annually by this committee moving forward.</p>	<p>Agreed</p>	<p>Chair of Finance Committee and Chair of Governors</p>	<p>Completed</p>

Audit Area: Procurement

Priority	Recommendation 3	Detailed Finding/Rationale		
2	<p>Purchase orders (or requisitions) should be raised and authorised prior to any purchases being made at the School, in line with the requirements of the School's Financial Policies and Procedures Manual.</p>	<p>Expected Control</p> <p>The School's Financial Policies and Procedures Manual paragraph 'D8: Use of written pre-numbered order forms', details that, 'Official, pre-numbered orders from the FMS6 system must be used for all 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.'</p>	<p>Issue/Finding</p> <p>Examination of a sample of 15 purchases established that 13 transactions had been raised retrospectively to the receipt of the corresponding invoices. None of these were detailed as being urgent.</p>	<p>It is acknowledged that, for the two more recent purchases, requisition forms had been used, which evidenced the required approval in advance. It was established that use of these requisition forms had been recently introduced in January 2019 and for this reason, this has not been raised as a priority 1 recommendation.</p> <p>Risk</p> <p>Where the School does not raise purchase orders in advance, there is a risk that the authorisation and commitment processes are by-passed which may result in inappropriate purchases and poor budgetary control.</p>
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
<p>Expected Control</p> <p>Requisition forms are now used to evidence the required approval in advance. These are agreed and signed off by the Head teacher and staff will be unable to make any orders without first seeking approval.</p>		Agreed	Head Teacher	On-going

4. Priority 3 Recommendations

Recommendation	Findings
<p>1) Staff resignations should be acknowledged in writing, with the last working day formally confirmed, and these should be retained on file.</p> <p>Management Response: All staff resignations, including Teaching Assistants and other members of support staff, will be acknowledged in writing by the Head Teacher.</p>	<p>It is good practice that staff resignations are acknowledged in writing, with the last working day formally confirmed.</p> <p>A written acknowledgement of the individual's resignation was not on file for one of the sample of three new leavers tested.</p> <p>Where the School does not retain acknowledgement letters of resignation, there is a risk that the final leaving date may be disputed.</p>
<p>2) The School should ensure they do not have any unreconciled items older than six months.</p> <p>Management Response: Person involved was asked to present cheque and did so 2 weeks ago. Moving forward, staff will be asked to present cheques if they have not been presented within 3 months of being issued.</p>	<p>Procedures should be in place to ensure that the bank account is being maintained efficiently and monitored regularly.</p> <p>Examination of the School's unreconciled items list established that there was one unreconciled item older than six months old, (£85.63 from 17 September 2018).</p> <p>Where there are unreconciled items older than six months, there is a risk that where cheque payments are being made, these will not be accepted by the bank.</p>
<p>3) The School should ensure that their consent forms are reviewed as soon as possible to ensure that these are compliant with GDPR.</p> <p>Management Response: School are currently in the process of updating the following consents:</p> <p><u>Who</u> <u>Deadline</u> Staff use of IT equipment: end April 2019</p>	<p>The Data Protection Act (DPA) 2018 came into force on 25th May 2018 and enshrined the General Data Protection Regulations (GDPR) into UK law. In order to prepare for GDPR and the DPA 2018 it is expected that for all a DPA 2018 / GDPR plan is be developed and used to track the activities required to comply with DPA 2018 / GDPR. This plan should include where relevant a review of the use of consent;</p> <p>The Data Protection Act 2018 has two categories for breaches of GDPR, acts deemed to be a lesser breach hold a maximum fine of €10 million or two per cent of a company's annual revenue, whichever is greater, and for more severe breaches,</p>

<p>Parents re photo consent: end April 2019 Parents re pupils' use of IT: end April 2019</p>	<p>the maximum fine is €20 million or four per cent of a company's annual revenue, whichever is greater.</p> <p>There was no evidence available that the School had reviewed its consent forms since the introduction of GDPR on 25 May 2018 and these therefore may require updating.</p> <p>Where consent forms are not reviewed to comply with the General Data Protection Regulation, there is a risk that the School may be liable for a large fine from the Information Commissioner's Office and reputational damage.</p>
<p>4) The School should amend equipment loan forms and processes to detail the responsibilities of the individual upon receiving the equipment, and to specify the duration of the loan.</p> <p><u>Management Response:</u></p> <p>Review equipment loan forms to be reviewed to include authorisation by a senior leader, detail the duration of the loan, and clearly state the responsibilities of the individual to whom the equipment is being loaned and their signature to confirm their understanding.</p> <p>Deadline end April 2019</p>	<p>Equipment loan forms should be authorised by an appropriate officer, detail the duration of the loan, and clearly state the responsibilities of the individual to whom the equipment is being loaned and their signature to confirm their understanding.</p> <p>Examination of laptop loan forms currently in use at the School established that, whilst the forms are authorised by an appropriate officer, the responsibility of the individual of whom the equipment is being loaned to, and the duration of the loan are not specified.</p> <p>Where equipment loan forms do not clearly state the responsibility of the individual receiving the equipment, or specify the duration of the loan, there is a risk that School equipment may be inappropriately looked after and may be difficult to retrieve from the individual.</p>
<p>5) 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 & 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</p>

Management Response:

The school will conduct a glazing risk assessment as part of its Health and Safety monitoring.

Deadline end April 2019

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, it had responded to the question regarding a glazing risk assessment as 'not applicable' despite this being a statutory requirement.

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.

AUDIT TERMS OF REFERENCE

Orchard Way Primary 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 It is intended that the following areas will be examined:





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

Information Governance	0	0	2
Income	0	0	0
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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