

Final Internal Audit Report

Margaret Roper Primary School

June 2020

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

Assurance Level	Recommendations Made	
Limited Assurance	Priority 1	3
	Priority 2	5
	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 Margaret Roper Primary School is a Community School and at the time of audit there were 240 pupils attending. The School's 2019/20 budget submitted to the Council on 3 April 2019 had an estimated year end cumulative deficit of £36,086. (The expenditure budget is approximately £1.22).
- 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

Issues resulting in Priority 1 Recommendations

Sample testing identified payments to an individual, where NI and PAYE deductions had not been made and the HMRC Employment Status Service tool check had not been conducted. **(Recommendation 3)**

For one purchase in our sample testing, the transaction was authorised after the date of the invoice. It was also found that there were six transactions where there is no evidence of authorisation or date of when the purchase was made. It was found that three transactions were authorised by inappropriate members of staff. **(Recommendation 4)**

There were no goods or services received checks evidenced for eight of the 15 transactions selected for testing, and one check was carried out by a member of staff not delegated this responsibility in the School's Finance Policy and Procedures Manual. **(Recommendation 5)**

Issues resulting in Priority 2 Recommendations

A financial skills assessment had not been carried out for all Governors. **(Recommendation 1)**

The School's annual safeguarding self-assessment was not submitted to the local authority by the 31 October deadline. **(Recommendation 2)**

A number of control weaknesses were found in the management for the schools lettings. **(Recommendation 6)**

Five staff were identified as having had school meal debts. **(Recommendation 7)**

The school fund account had not been audited since 2017. **(Recommendation 8)**

Priority 3 recommendations are included under section 4 below.

Acknowledgement

We would like to thank the Head Teacher and Finance Officer for their time and contribution to this audit:

3. Actions and Key Findings/Rationale

Audit Area: Budgetary Control and Monitoring

Priority	Recommendation 1	Detailed Finding/Rationale		
2	A financial skills audit for all governors should be conducted annually and for all new Governors to identify where training is required.	<p>Expected Control</p> <p>The Schools Financial Value Standard (SFVS) question 1 asks, ‘1. <i>In the view of the governing body itself and of senior staff, does the governing body have adequate financial skills among its members to fulfil its role of challenge and support in the field of budget management and value for money?</i>’. The SFVS support notes provided on the DfE website further explains that, ‘<i>Schools should analyse their governing body’s skills on a regular basis to identify any skills gaps. The governing body’s skills should be reviewed whenever appropriate, for example, if there are significant changes to the membership or to individual governors’ roles and responsibilities. A good way for a school to assess their governing body’s current skills is to use a matrix that summarises the main financial management skills that the governing body should have. The matrix will help governors identify the skills they have and those that collectively they need to acquire.</i>’</p> <p>Issue/Finding</p> <p>Discussion with the Finance Officer established that the School has only conducted a skills matrix for those who sit on the Finance and Premises Committee, and not the full Governing Board. Furthermore, there is one member of the Finance and Premises Committee who had not yet carried out the skills matrix at the time of audit.</p> <p>Risk</p> <p>Where the financial skills of all governors are not assessed, the School is not compliant with SFVS and there is a risk that governors cumulatively do not have the right mix of financial skills and that appropriate training to help remedy this is not taken up.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline

<p>Noted – we had understood that only members of the Finance Committee needed to complete the form and as such felt we had complied with requirements of SFVS. We acknowledge that one member’s form was missing, this has now been received. Going forward we will obtain audit forms for all Governors if this is the recommended requirement.</p>	<p>Agreed.</p>	<p>Head Teacher</p>	<p>Immediately</p>
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Audit Area: Safeguarding

Priority	Recommendation 2	Detailed Finding/Rationale		
2	An annual safeguarding audit should be conducted by the School and submitted to the Council within the timeframe requested.	<p>Expected Control</p> <p>Schools are required to complete an annual safeguarding self-assessment and submit this to the Council in September each year as part of compliance with the Department for Education's statutory guidance (Keeping Children Safe in Education). This year the Local Authority asked schools to send their safeguarding audit by 31 October.</p> <p>Issue/Finding</p> <p>Discussions with the Head Teacher established that the safeguarding audit was submitted to the Local Authority on 25 November 2019, thus missing the 31 October deadline.</p> <p>Risk</p> <p>Where safeguarding audits are not completed and submitted to the Council within the allotted timeframe, there is a risk that the school will not be complying with Statutory Requirements to fulfil their duty to safeguard and promote the welfare of children.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
The annual safeguarding audit will be submitted within the timeframe requested. An agenda item will be added to the September FGB agenda to ensure this is in hand and to involve the Safeguarding Governor to monitor the timeline.		Agreed.	Head Teacher	31 October 2020

Audit Area: Procurement

Priority	Recommendation 3	Detailed Finding/Rationale		
1	The HMRC 'view' of the employment status of the individual should be obtained by using the Employment Status Indicator (ESI) tool, and NI and PAYE deductions, where appropriate, should be made from payments.	<p>Expected Control</p> <p>The guidance on the HMRC website details that, 'A worker's employment status that is whether they are employed or self-employed, is not a matter of choice. Whether someone is employed or self-employed depends upon the terms and conditions of the relevant engagement.' The Employment Status Indicator (ESI) tool < https://www.tax.service.gov.uk/check-employment-status-for-tax/setup > on the HMRC website can be used to determine the employment status of individuals. Where someone is determined to be employed, PAYE and NI deductions must be made at source.</p> <p>Issue/Finding</p> <p>Examination of documentation available for a sample of fifteen transactions identified that one of the transactions was a payment to an individual; however, there was no evidence that the HMRC Employment Status Service tool had been used or any other check of self-employment and no PAYE or NI deductions had been made as required.</p> <p>Risk</p> <p>Where payments are made to individuals and the employment status of these individuals is not confirmed, there is a risk that these individuals may be defined as employees by HMRC and the School fined and held liable for the NI and PAYE deductions plus interest charges.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
This arrangement was an 'emergency' arrangement to cover caretaker absence. It is noted that in future, any payments to individuals will be subject to an HMRC Employment Status Service Tool check prior to engagement.		Agreed.	Head Teacher	Immediately

Priority	Recommendation 4	Detailed Finding/Rationale
1	<p>The School should 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> <p>The School should consider the use of an internal requisition form when a member of staff requests to purchase goods or services, which requires an appropriate member of staff to date and sign and which contains the costs and details of the purchase, to ensure there is an official audit trail for transactions. If implemented, the Finance Policy and Procedures Manual should be updated with processes and procedures to be followed with regards to the use of the requisition form. The Full Governing Body should approve the amendments made to the manual.</p>	<p>Expected Control</p> <p>The School's Financial Policies and Procedures Manual, Section A3: 'Financial limits of delegated authority' details that the Head Teacher may approve purchases up to £2,000, Assistant Head Teachers up to £500 and that the Finance Officer and School Bursar have not been delegated the ability to authorise any purchases.</p> <p>The School Finance Policy and Procedures Manual also in section 'D8: Use of written pre-numbered order forms', details that <i>'Official, pre-numbered orders from the FMS Accounts 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'</i> and in section 'D10: All orders signed by authorised signatory' details that <i>'All orders must be signed by a member of staff approved by the Governing Body and the school should maintain a list of such staff (Head teacher, Assistant Head teacher, Finance Officer, Bursar and School Secretary).'</i></p> <p>Issue/Finding</p> <p>It was established that, while the School does use pre-numbered order forms from the FMS Accounts System, transactions are evidenced as authorised using emails. These email threads are then retained with the invoice and the pre-numbered order form. Examination of 15 transactions identified that:</p> <ul style="list-style-type: none"> • There was one transaction where the purchase was authorised after the invoice was received; • For six transactions there was no email evidence of who ordered or authorised the purchase, nor when the purchase was made; • The Finance Officer had authorised one purchase for £224; • The School Bursar had authorised one purchase; and • The Assistant Head Teacher authorised a purchase for an amount above their delegated authorisation limit. <p>Risk</p>

		Where purchase orders are not evidenced as appropriately authorised 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.		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
Whilst we note that the printed evidence was not retained adequately on file for these cases, each purchase was known to and had been approved by the HT (albeit perhaps verbally and not adequately recorded). Going forward we will utilise internal requisition forms for every purchase to ensure that the official audit trail is adequate and that HT signs off each item. We plan to include a short item for staff at the next INSET day to reiterate due process / practice.		Agreed.	Head Teacher	Immediately

Priority	Recommendation 5	Detailed Finding/Rationale		
1	An appropriate goods received check should be evidenced for all transactions prior to these being paid. This should not be conducted by the person who signed the order or who approves the invoice for payment.	<p>Expected Control</p> <p>The School's Finance Policy and Procedures Manual section 'D13: Check goods and services on receipt', details that <i>'The School Secretary or Finance Officer must check goods and services on receipt match the order which should be annotated accordingly. This should not be undertaken by the person who signed the order.'</i></p> <p>Issue/Finding</p> <p>Testing of a sample of 15 transactions identified that:</p> <ul style="list-style-type: none"> • There was no goods or services received check evidenced for eight of the transactions; and • For one transaction, the goods and services received check was carried out by a school teacher. <p>Risk</p> <p>Where appropriate evidence of goods or services received checks is not retained for each purchase made by the School, there is a risk that payments are made for goods and services that are not received.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
Whilst we acknowledge that the paper evidence trail may not have been clear for each one of the sample transactions, in all cases the goods / services had been received. One concerned a set of lockers that were on site and one a coach service as part of school trip. It was taken as read that these items were received but noted that our paperwork needs further clarity.		Agreed.	Head Teacher	Immediately

Audit Area: Income

Priority	Recommendation 6	Detailed Finding/Rationale		
2	<p>The public liability insurance of any hirers of the School facilities should be confirmed prior to any lets being agreed. Evidence of this check should be retained.</p> <p>For all current and future lettings, the hirer should sign a lettings agreement.</p> <p>The Head Teacher should approve the letting of facilities, unless they elect to delegate this function. In which case, this delegation should also be recorded.</p>	<p>Expected Control</p> <p>When school facilities are let to those outside of the school, a booking form is filled out and the hirer signs to confirm that they have public liability insurance. The lettings should also be authorised by the Head Teacher. Governors should review and approve the Lettings Policy regularly.</p> <p>Issue/Finding</p> <p>Testing of the documentation for a sample of two lettings found that:</p> <ul style="list-style-type: none"> • For both lettings, the School had not obtained any evidence of the hirers public liability insurance; • Neither letting had been authorised by the Head Teacher, and • There was no hirers agreement for one of the lettings. <p>Risk</p> <p>The above issues expose the School to a variety of risks including:</p> <ul style="list-style-type: none"> • Where the public liability insurance of hirers is not confirmed, there is a risk that School facilities are let to users that do not have appropriate insurance and, if there were any damage caused to property and facilities or injury to persons, this could result in large financial costs to the School. • Where the Head Teacher has not approved the letting, there is an increased risk that school facilities are let out for inappropriate use. • Where there is no lettings agreement signed by the hirer, there is a risk that the hirer may not feel bound to the conditions included in the agreement. 		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
Comments noted, and whilst the HT approval was not evident on the paperwork, all lettings were approved. We will ensure appropriate sign off in future. We will check PL Insurance arrangements will be established for future		Agreed.	Head Teacher	Immediately

lettings and agreements will be signed off and retained for file.			
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Priority	Recommendation 7	Detailed Finding/Rationale		
2	Staff debt must be strongly discouraged and immediate action should be taken to recover outstanding school meal debts identified at the time of audit.	<p>Expected Control</p> <p>School meals are required to be paid for in advance. In exceptional circumstances, it is recognised that some payments may be late and these may be paid in arrears, but this should not be normal practice. Staff incurring debt sets a poor example and must be strongly discouraged.</p> <p>Issue/Finding</p> <p>Analysis of a list of school meal debts established that five teachers had school meal debts. Although evidence was provided that these debts had been chased by the School and the amounts are relatively low, staff should not have meal debts.</p> <p>Risk</p> <p>Where school meal charges are not paid in advance and outstanding amounts not collected in a timely manner, there is a risk that these amounts may not be recovered. Where staff accrue school meal debts there is a risk that these may set a bad example.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
The amounts outstanding are low and as such manageable for the school. Staff are reminded to clear debts regularly.		Agreed.	Head Teacher	Immediately

Audit Area: School Fund

Priority	Recommendation 8	Detailed Finding/Rationale		
2	The School should carry out an audit of the School fund account and present the results to the full Governing Body.	<p>Expected Control</p> <p>The Schools Financial Policies and Procedures Manual in Section '12: Registered with Charity Commission', details that, '<i>Voluntary fund accounts must be certified by an auditor who is completely independent of the school. Additionally where the schools' voluntary funds exceeds income or expenditure over £1,000, it will be registered with the Charity Commission.</i>' Section 16: Audited accounts, also details that, '<i>The Head teacher will present the audited accounts, the auditor's certificate and a written report on the accounts to the Governing Body as soon as possible after the year-end.</i>'</p> <p>Issue/Finding</p> <p>Discussions with the Finance Officer established that the School fund has not been audited since 2017. The School fund had a reported balance of £29,521.35 at the time of audit in March 2020.</p> <p>Risk</p> <p>Where the school fund account has not been audited and no audit results are presented to governors annually, there is a risk that these funds may be mismanaged and that the Governing Body may not be able to demonstrate appropriate stewardship.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
Noted – the School Fund paperwork is currently with auditors for review.		Agreed.	Head Teacher	31 May 2020

4. Priority 3 Recommendations

Recommendation	Findings
<p>1) The School should review the Terms of Reference for the Finance and Premises Committee to ensure that these appropriately detail the responsibilities designated to the committee.</p>	<p>The Terms of Reference (ToR) for the Finance and Premises Committee did not include the following responsibilities:</p> <ul style="list-style-type: none"> • Delegation of authorities to the Head Teacher; • Budget virements; and • Disposal of Assets <p>Where responsibilities of the Finance and Premises Committee are not included in the ToR, there is an increased risk that during meetings, the Committee does not discuss fundamental matters of finance.</p>
<p>2) The School should ensure the Business Continuity Plan is reviewed, updated and approved by the Governing Body annually.</p>	<p>The Governing Body has not reviewed and approved a Business Continuity Plan for the School since July 2018. However, discussions established that the plan has been reviewed by the Ethos Committee in the month of the audit and would be presented at the next Governing Body meeting for approval.</p> <p>Where the business continuity plan is not reviewed regularly (at least every twelve months), there is an increased risk that the School's continuity plan may not be up to date.</p>
<p>3) The checklist of the various responsibilities and duties under current health and safety legislation should be reviewed by the School with the identified gap 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 appropriate management of building-related risks.</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, it was noted that the School did not have a Glazing Risk Assessment.</p> <p>Where the School does not review its responsibilities and duties under current health and safety legislation and carry out works to ensure that it is compliant, there</p>

Recommendation	Findings
	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

Margaret Roper Primary School – 2019/20

1. INTRODUCTION & BACKGROUND

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

2. AUDIT OBJECTIVES AND METHODOLOGY

2.1 To provide an independent and objective opinion on the degree to which the Council’s internal control environment supports and promotes the achievement of the Council’s objectives. The internal control environment comprises the policies, procedures and operations in place to:

- establish, and monitor the achievement of the service's objectives;
- identify, assess and manage the risks to achieving the services objectives;
- facilitate policy and decision making;
- ensure the economical, effective and efficient use of resources;
- ensure compliance with established policies (including behavioural and ethical expectations), procedures, laws and regulations;
- safeguard the service's assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption; and
- ensure the integrity and reliability of information, accounts and data, including internal and external reporting and accountability processes.

2.2 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	0	1
Budgetary Control & Monitoring	0	1	0
Payroll	0	0	0

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

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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