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CROYDON

Final Internal Audit Report

The Hayes Primary School

April 2019

Distribution: Headteacher
Chair of Governors
School Business Manager
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: Up from Limited	Priority 1	0
		Priority 2	5
		Priority 3	2

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.....	10

Appendices

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

1. Introduction

- 1.1. The Hayes Primary School is a community school and at the time of the audit there were 410 pupils attending. It has an expenditure budget of approximately £2m 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 Resources Committee's Terms of Reference had not been evidenced as annually approved by the full Governing Body as required, **(Issue 1)**.

Evidence of medical checks being conducted was not available for any of the three starters sampled. Furthermore, one did not evidence a right to work check, and one did not have any documentation confirming a start date on file, **(Issue 2)**.

Six purchase orders out of the sample of 15 transactions tested were raised retrospectively to the receipt of corresponding invoices, **(Issue 3)**.

Laptop forms were not evidenced to have been agreed by the Head Teacher, **(Issue 4)**.

Examination of the list of school meal debts established that four of these debts were for teachers at the School, **(Issue 5)**.

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 Business Manager



3. Actions and Key Findings/Rationale

Audit Area: Governance

Priority	Recommendation 1	Detailed Finding/Rationale
2	<p>The Governing Body must review and, if appropriate, ratify the Resources Committee terms of reference.</p> <p>The Resources Committee terms of reference should thereafter be annually reviewed by the full Governing Body, which should be evidenced in the relevant minutes.</p>	<p>Expected Control</p> <p>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</p> <p>Examination of the Governing Body minutes for the last 12 months did not evidence that the Resources Committee's terms of reference had been approved in this period. It is noted that the terms of reference was updated in September 2018 and considered by the Resources Committee at its November 2018 meeting; however, these need to be ratified by the full Governing Body.</p> <p>Risk</p> <p>Where the Resources Committee's terms of reference are not annually reviewed by the Governing Body, there is a risk that 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>
<p>Management Response</p>		
<p>All ToR have been ratified in our committees. On 26th March during our BoG meeting, we will ratify all ToRs, now we know that this has to be done at this meeting and not at the committees. We buy-in our Clerk from Octavo, so it is a</p>	<p>Agreed</p>	<p>Full Governing Body</p> <p>26th March 2019</p>
<p>Agreed/Disagreed</p>		<p>Responsible Officer</p>
<p>Deadline</p>		<p>26th March 2019</p>



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shame this was not mentioned to us at the time of setting the agenda.			
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Audit Area: Payroll

Priority	Recommendation 2	Detailed Finding/Rationale	
2	<p>The School should ensure that they retain all pre-employment check information on file, including medical checks.</p>	<p>Expected Control In line with the requirements of the Education (Health Standards) (England) Regulations 2003, all new staff should receive a Health Check from the Council's Medical Officer to check that they are fit to perform their required duties in their role. The document confirming the successful check is sent to the school and should be retained on file.</p> <p>Issue/Finding None of the three new starters tested at the time of audit had medical checks retained on file.</p> <p>Risk Where new staff do not receive a medical check prior to commencing employment, there is a risk that employees are not fit to carry out some specific roles. This could result in a loss of provision of services through long term illness and potentially a financial loss for the School.</p>	
Management Response		Agreed/Disagreed	Responsible Officer
<p>Medical checks: Strictly Ed have these, they are going to email us them asap.</p>		<p>Agreed</p>	<p>School Business Manager / Head Teacher</p>
			<p>Deadline Immediately</p>



Audit Area: Procurement

Priority	Recommendation 3	Detailed Finding/Rationale
2	For all cases, where costs relating to transactions can be identified in advance, management should ensure that purchase orders are raised and appropriately certified in advance of purchases being initiated.	<p>Expected Control The School's Financial Management Policy details that, 'The Head Teacher - or designated deputy - authorises all orders and invoices prior to payment.' All official, pre-numbered orders should be used for all purchases, with written orders being used in emergencies.'</p> <p>Issue/Finding Examination of the documentation for a sample of 15 transactions established that, for four of these, the purchase orders had been raised retrospectively to the receipt of the corresponding invoices.</p> <p>Risk 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>
Management Response		Agreed/Disagreed
<p>*ICO TH180000230 (subscription). Yearly subscription – reminder appeared over summer holidays. Added to system 2/10/2019 as we were awaiting invoice. They however confirmed no invoice issued and to process a non-invoice order. Action: 2019/20 – I will look back at the subscriptions and add these when the new budget opens in April.</p> <p>*TH18000253 quarterly rental on photocopier. Action: as above.</p> <p>*Tribal TH180000255 (subscription): yearly subscription –for Quality Mark renewal. Added to system 2/10/2019. Action:</p>		<p>Agreed</p> <p>Head Teacher/ School Business Manager</p> <p>Immediately</p>
Management Response		Responsible Officer
Management Response		Deadline



office will look back at the subscriptions and add these when the new budget opens in April.

*Chubb TH18000453 (yearly agreement). Office understood that the cost of the fire extinguisher was included in the yearly agreement. **Action:** these have been added in February and fire extinguishers replaced as necessary.



Audit Area: Information Governance

Priority		Recommendation 4		Detailed Finding/Rationale	
2	The School should ensure that the Head Teacher signs all equipment loan forms when a member of staff is provided with a technological device by the School.			Expected Control The Laptop loan process was established through discussion to consist of the completion of a loan form, which is signed by the member of staff and the Head Teacher, allocation of a laptop by the ICT Manager and subsequent documentation of this on a spreadsheet. It was explained that when a member of staff leaves the School, the Head Teacher physically recovers the equipment from the departing individual and they sign the loan agreement for a second time to confirm they have returned the device.	
				Issue/Finding Examination of laptop loan forms in use at the time of audit, established that none had been evidenced as authorised by the Head Teacher.	
				Risk Where equipment loan forms are not authorised by the Head Teacher, there is a risk that equipment is inappropriately being loaned to individuals at the School.	
Management Response		Agreed/Disagreed	Responsible Officer	Deadline	
They are signed.		Agreed	Head Teacher	Immediately	



Audit Area: Income

Priority	Recommendation 5	Detailed Finding/Rationale
2	Staff debt must be strongly discouraged and immediate action should be taken to recover outstanding debts.	<p>Expected Control 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 Examination of the list of school meal debts established that four of the debts belonged to teachers at the School. While not large debts, these debts should not exist.</p> <p>Risk Where school meal charges are not paid in advance and outstanding amounts collected in a timely manner, there is a risk that these amounts may not be recovered.</p>
Management Response		
Four members of staff: £2:20, 60p, £4:40 and £8:80. The HT has written a letter and met with those who had debt (now paid) to stipulate and remind of expectations and the importance that ParentPay is kept in credit. The HT will monitor.	Agreed	<p>Agreed/Disagreed</p> <p>Responsible Officer</p> <p>Head Teacher</p> <p>Deadline</p> <p>Immediately</p>



4. Priority 3 Recommendations

Recommendation	Findings
<p>1) The School should ensure they do not have any unreconciled items older than six months.</p> <p>Management Response: Emailed to chase up payment, still waiting as of 12.3.19.</p>	<p>Examination of the list of unreconciled items at the time of audit identified one item, namely a receipt for £275.00, dating back to May 2018, therefore exceeding the six month guideline.</p> <p>Where unreconciled receipts exist, there is a risk that this money will not be banked resulting in a financial loss.</p>
<p>2) The School should obtain evidence that their request for change of bank signatories has been implemented.</p> <p>Management Response: School's finance can confirm this.</p>	<p>Examination of the School's current list of bank signatories established that the School did not obtain confirmation that their request for change of signatories had been completed.</p> <p>Where the School requests a change of bank signatory without confirming the details have been changed with the bank, there is a risk that old signatories may still be present on the bank mandate belonging to staff members who are no longer employed by the School, therefore providing them with unauthorised access to school funds.</p>

AUDIT TERMS OF REFERENCE

The Hayes 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	1	0
Budgetary Control & Monitoring	0	0	0
Payroll	0	1	0
Safeguarding	0	0	0

Procurement	0	1	0
Bank Accounts	0	0	2
Information Governance	0	1	0
Income	0	1	0
Health and Safety	0	0	0
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.

This report is confidential and must not be disclosed to any third party or reproduced in whole or in part without our prior written consent. To the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation amendment and/or modification by any third party is entirely at their own risk.

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