

Final Internal Audit Report

Kenley Primary School 2019/20

September 2019

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	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.

Contents

Page

Executive Summary

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

Detailed Report

3. Actions and Key Findings/Rationale	3
4. Priority 3 Recommendations.....	13

Appendices

1. Terms of Reference
2. Definitions for Audit Opinions and Recommendations
3. Statement of Responsibility

1. Introduction

- 1.1. Kenley Primary School is a Community School and at the time of the audit there were 220 pupils attending. It has an expenditure budget of £1,200,559 for the 2019/20 year.
- 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 Arising in a Priority 1 Recommendation

Transactions were identified where payments were made to an individual for services and there was no evidence of their employment status for tax purposes being checked, **(Recommendation 6)**.

Issues Arising in Priority 2 Recommendations

There was no evidence in the Governing Body minutes of the terms of reference for the Audit & Resources Committee being reviewed in the last 12 months as required, **(Recommendation 1)**.

Although the School's 2019/20 budget plan was signed by the Chair of Governors and the Head Teacher in April 2019, there was no evidence in the Governing Body minutes examined of this being approved, **(Recommendation 2)**.

The School's staffing structure had not been reviewed within the last 12 months, **(Recommendation 3)**.

A high value transaction was identified that had not been evidenced as approved by the full Governing Body or Audit & Resources Committee as required, **(Recommendation 4)**.

A transaction was identified where there was no evidence of the goods/services received check by the admin staff or the check by the School Business Manager, **(Recommendation 5)**.

While it was confirmed that the School had benchmarked itself against other schools using the DfE data and that this had been reported to the Audit and Resources Committee in July 2018, this benchmarking was limited in the types of expenditure looked at and there was no analysis provided or any action plan arising, **(Recommendation 7)**.

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 Terms of Reference for the Audit & Resources Committee should be approved by the full Governing Body, and this should be explicitly stated in the minutes of the meeting.</p>	<p>Expected Control The School Governance (Roles, Procedures and Allowances) (England) Regulations 2013 part five section 22 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 meeting minutes from 26 April 2018 to 24 April 2019 could not find evidence of the terms of reference of the Audit & Resources Committee being reviewed. Discussion with the Head Teacher established that the terms of reference was approved via email rather than at a full Governing Body meeting.</p> <p>Risk Governing Body decisions can only be made at proper meetings of the full Governing Body (i.e. that are quorate and have been scheduled in line with Regulations) and must be recorded in the minutes. The Regulations do allow for 'chairs' action in an emergency, but any such actions must be ratified at the subsequent full Governing Body meeting. The approval of terms of reference would not constitute an emergency and therefore these must be agreed at a full Governing Body meeting.</p> <p>Where the Audit & Resources Committee terms of reference has not been approved at a full Governing Body meeting and this is not evidenced in the minutes of the meeting, any changes to the terms of reference are not valid and there is a risk that the Governing Body is unable to demonstrate compliance with Regulations.</p>
Management Response		Agreed/Disagreed
		Responsible Officer
		Deadline

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<p>The ToR were completed but they appeared to be inconsistent within the format e.g. The finance committee is now called A&R, however it refers to both A&R and Finance. The school currently have 1 ToR in place for all committees but following this audit, it has been recommended that we have them separated. The ToR are currently being updated via our Governors' Services and should be available to agree at our FGB meeting, which is being held 24/9/19.</p>	Agree	COG	31/10/2019
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Audit Area: Budget Planning, Monitoring and Reporting

Priority	Recommendation 2	Detailed Finding/Rationale
2	<p>Either:</p> <ul style="list-style-type: none"> The minutes of the full Governing Body meeting held on 29 April 2019 be amended to properly reflect the approval of School's 2019/20 budget plan, or The Governing Body formally review and approve the School's 2019/20 budget plan at its next meeting. 	<p>Expected Control</p> <p>The 'Croydon Scheme for Financing Schools' paragraph 2.3 'Submission of budget plans' details that, '<i>Governing bodies are responsible for agreeing an income and expenditure plan for the coming financial year. The approved signed plan must be submitted to Croydon Council by 1st May, in a format specified by the LA.</i>'</p> <p>Issue/Finding</p> <p>Examination of the School's 2019/20 budget plan confirmed that this was agreed by the full Governing Body at its meeting held on 29 April 2019 and had been signed by the Head Teacher and Chair of Governors. However, examination of the Governing Body meeting minutes for the meeting held on 29 April 2019 could find no mention of the 2019/20 budget plan being approved by the full Governing Body as required, although the minutes did detail that, '2019-2020 budget had been distributed to FGB for discussion.'</p> <p>It is acknowledged that the above minutes are still draft, to be ratified at the next meeting scheduled for 16 July 2019.</p> <p>Risk</p> <p>Where the School's budget is not evidenced as formally approved by the Governing Body, there is a risk that the Schools are in breach of the Council's 'Scheme for Financing Schools'.</p>
Management Response		
	The 29/4/19 minutes are in draft, however they will reflect the approval of the 19/20 budget.	<p>Agreed/Disagreed</p> <p>Agree</p> <p>Responsible Officer</p> <p>COG</p> <p>Deadline</p> <p>30/09/2019</p>

Audit Area: Payroll

Priority	Recommendation 3	Detailed Finding/Rationale
2	<p>The School's staffing structure should be reviewed annually and this should be formally shared with governors.</p>	<p>Expected Control Schools Financial Value Standard (SFVS) Question #7 asks, 'Does the school review its staffing structure regularly?' The SFVS support notes on the DfE website explain that, 'Structures should be reviewed annually in line with curriculum, improvement and as part of workforce planning. Staffing costs make up 70 to 80% of an average school's expenditure. Regular reviews enable the school to invest in the right mix of staff, and in high quality professional development, to maximise pupil outcomes and value for money. They also ensure the structure matches as closely as possible the current and future needs of the school, which will change over time.'</p> <p>Issue/Finding Through examination of Governing Body minutes and discussion with the Head Teacher, it was established that staff structure had not been reviewed within the last 12 months.</p> <p>Risk Where the School does not review staff structure on a regular basis, there is a risk that the optimum mix of staff is not in place.</p>
Management Response		Agreed/Disagreed
<p>The staff structure has been reviewed and is reviewed continuously throughout the year for the purposes as stated, however there is no evidence within the FGB minutes, going forward we will ensure this happens. The staff structure has been reviewed this year and has been approved within the 16/7/19 FGB minutes.</p>		<p>Responsible Officer HT/DH</p> <p>Deadline 30/09/2019</p>

Audit Area: Procurement

Priority	Recommendation 4	Detailed Finding/Rationale		
2	Higher value purchases should be evidenced as approved in line with the requirements of the School's Finance Policy.	<p>Expected Control</p> <p>In accordance with the levels of authorisation detailed in the School's Finance Policy, purchases of a value between £5,000 and £10,000 should be authorised by the Audit & Resources Committee and purchases exceeding a value of £10,000 should be authorised by the full Governing Body.</p> <p>Issue/Finding</p> <p>Sample testing identified a higher value transaction relating to the purchase of school play equipment totalling £7,977.54, which was not evidenced as approved by either the Audit & Resources Committee or the full Governing Body.</p> <p>It was explained that this transaction was funded through PTA fund raising, however, as the transaction was processed through the School's accounts, the requirements of the Schools Finance Policy should have been applied.</p> <p>Risk</p> <p>Where transactions of significant value are made without the approval of the appropriate certifying officer or group, there is a risk that inappropriate purchases are made.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
The PTA had done some fundraising for playground equipment, which we ordered on their behalf. Discussions were held between A&R and FGB but it appears not to have been minuted. PO was raised and signatories were obtained for authorisation and as the cheque is over 5k it is also signed and approved by the A&R however in future, if this was to happen again we will ensure the FGB minutes reflect this.		Agree	HT	Immediate effect

Priority	Recommendation 5	Detailed Finding/Rationale		
2	<p>Goods / service received checks and the School Business Manager checks should be evidenced for all transactions prior to these being processed for payment.</p> <p>(To demonstrate segregation of duties the person signing for goods/services should be independent of the ordering and payment process).</p>	<p>Expected Control</p> <p>The School's finance Policy details that, 'The admin staff will sign for the receipt of goods' and that, 'Goods received will be checked against each order by the SBM'.</p> <p>Issue/Finding</p> <p>Examination of a transaction confirmed that while the Head Teacher had signed the requisition, order and invoice as required, there was no evidence of the goods/services received check by the admin staff or the check by the School Business Manager.</p> <p>Risk</p> <p>Where appropriate evidence of goods or services received checks is not retained, there is lack of evidence of appropriate segregation of duties and a risk that payments are made for goods and services that are not received.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
<p>The SLA this refers to is for the 5 year lease of the photocopiers. The SLA is approved accordingly through the A&R and FGB. PO, are raised on an annual basis and signed in accordance with our finance policy. There would be no delivery note received as the Photocopiers are already on site. The invoice is stamped and approved accordingly before payment is met. However, I was not aware I was required to stamp each invoice to say the photocopiers are in school and all in working order. In future I will endeavour to ensure I do this.</p>		Agree	SBM	With immediate effect

Priority	Recommendation 6	Detailed Finding/Rationale		
1	<p>Where direct payment to an individual is warranted, HMRC's ESI (Employment Service Indicator) tool should be used to establish employment status and retained as evidence.</p>	<p>Expected Control In accordance with IR35, it is the responsibility of the public authority to decide if the off payroll working rules apply by relying on the working practices of the engagement. This can be accomplished using HRMC's ESI tool.</p> <p>Issue/Finding Examination of a sample of 15 expenditure transactions identified a payment made to an individual for afterschool lessons. A further two payments to the individual were also identified. It could not be evidenced that the ESI tool had been used to establish employment status.</p> <p>Risk Where the ESI is not used to review payments to individuals, there is a risk that the School is in breach of IR35. This could result in a financial penalty.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
<p>I will use the ESI in future; this was an oversight on my behalf. We do not trade with this person, they operate as an independent after school club where they liaise directly with the parents for all bookings and payment etc... We are not responsible for anything they provide, like time, hours or equipment and if cancelled are not responsible to find a replacement. However as an exception the school subsidised a PPG child to attend the class which resulted in the payment.</p>		Agree	SBM	Immediate effect

Priority	Recommendation 7	Detailed Finding/Rationale
2	<p>The School should annually benchmark itself against other similar schools, across all aspects of school expenditure and income. This should include an appropriate analysis to explain differences and, where appropriate, areas for improvement.</p>	<p>Expected Control</p> <p>SFVS question 14 asks, 'Does the school benchmark its income and expenditure annually against that of similar schools and investigate further where any category appears to be out of line?'</p> <p>The SFVS support notes on the DfE website detail that, 'Schools should report their findings from benchmarking to the governing body' and that, 'Care should be taken when interpreting comparative income and expenditure data. This information describes the position of a school relative to others – it does not explain why a school is in this position or indicate whether it should be. There may be good reasons for a school to have relatively high or low figures. What is important is that the school reviews the differences, questions the reasons for them and aims to make changes where there are not adequate reasons for their income or spending being out of line in a particular category.'</p> <p>Issue/Finding</p> <p>It was confirmed that the School had benchmarked itself against other schools using the DfE data and that this was reported to the Audit and Resources Committee in July 2018. However, this benchmarking was limited to detailing the total staffing costs for different categories of staff, the total income, total expenditure and workforce (headcount) against four other similar schools. There also was no analysis provided or any action plan arising.</p> <p>To supplement the benchmarking data presented, the minutes of the meeting detail that further data was being sought from the cluster group; however, the subsequent minutes do not evidence this being obtained.</p> <p>Risk</p> <p>Where the benchmarking performed is limited and not appropriately analysed, there is a risk that the School does not improve or bring about change and raise standards.</p>
<p>Management Response</p>		
<p>We do benchmark – however as the financial data is not up to date (est 12 months behind) it is very</p>	<p>Agree</p>	<p>Responsible Officer SBM</p> <p>Deadline 31/10/2019</p>

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<p>difficult to analyse due to changes and cost increases. It was discussed at our local cluster group that perhaps some of us would be willing to share our most up to date financial information to try and provide a more accurate analysis. This is still up in the air and not sure if it will happen. In the meantime, I will return to how we have provided benchmarking in the past.</p>			
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Priority 3 Recommendations

Recommendation	Findings
<p>1) The Governors Induction Policies and Procedure document should be updated to include an outline of the following:</p> <ul style="list-style-type: none"> • The Croydon Scheme For Financing Schools • The School's delegation of authorisation levels • The Governance Handbook 	<p>Question 3 of the Schools Financial Values Standard (SFVS) asks if there is a clear definition of the relative responsibilities of the governing body and the school staff in the financial field.</p> <p>The Governors Induction Policies and Procedure document which outlines the process of inducting new governors does not highlight the following information which should form part of the governors understanding of their role and responsibilities:</p> <ul style="list-style-type: none"> • The Croydon Scheme For Financing Schools • The School's delegation of authorisation levels • The Governance Handbook <p>Where the School does not clearly define the role and responsibilities of governors, there is a risk that newly inducted governors do not have a proper understanding of their role within the School.</p>
<p>2) An assessment of the financial competencies of all staff with financial responsibilities should be undertaken.</p>	<p>Schools Financial Value Standard (SFVS) Question asks whether the governing body and senior staff 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. In this regard the skills of all governors and staff with financial responsibilities should be assessed.</p> <p>Although it was confirmed that all governors had been subject to a financial skills audit, senior members of staff, and in particular Business Manager, had not.</p> <p>Where financial skills assessments are not completed for all staff with financial responsibilities, there is a risk that these staff may not have appropriate skills to perform their roles effectively.</p>
<p>3) 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 these relate to the maintenance, statutory compliance and 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, a some gaps were noted including:</p> <ul style="list-style-type: none"> • A glazing risk assessment has not been completed. • The school does not have a traffic management plan. <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 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>	
<p>The Schools Finance Policy details that, 'All lettings must be authorised by the Head Teacher within a framework determined by the Governing Body and should be recorded in a register or diary.'</p> <p>Examination of the Football club lettings agreement identified that there was no evidence of authorisation by the Head Teacher.</p> <p>Furthermore, although approved by the Governing Body, the Lettings Policy did not include a list of fees/charges and thus the fees for the Football Club letting could not be confirmed.</p> <p>Discussion with the Head Teacher established that the School have only ever entered one letting agreement. It was explained that because the School had experienced some issues as a result of the school grounds being let, the Head Teacher has decided not to consider any further lettings.</p> <p>Where lettings charges have not been established and approved by governors, there is a risk that charges are no appropriate and where lettings agreements are not evidenced as agreed by the Head Teacher, there is a risk that inappropriate lettings occur.</p>	<p>4) Should the School enter into future lettings, these should be evidenced as authorised by the Head Teacher and the Schools Letting Policy should be updated to include a list of fees.</p>

AUDIT TERMS OF REFERENCE
Kenley 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	1	1
Budgetary Control & Monitoring	0	1	1

Payroll	0	1	0
Safeguarding	0	0	0
Procurement	1	3	0
Banking	0	0	0
Information Governance	0	0	0
Income	0	0	1
Health and Safety	0	0	1
School Fund	0	0	0
Totals	1	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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