

Final Internal Audit Report

Gresham Primary School

April 2022

Distribution: Head Teacher
Chair of Governors
School Business Manager
Corporate Director, Children, Families and Education
Director of Education and Youth Engagement
Corporate Director, Resources and S151 Officer

| Assurance Level | Recommendations Made | |
|-----------------|----------------------|---|
| Substantial | Priority 1 | 0 |
| | Priority 2 | 4 |
| | Priority 3 | 3 |

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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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Executive Summary**1. Introduction**

- 1.1 Gresham Primary School is a Primary School and at the time of audit there were 248 (verified by the School's Business Manager) pupils attending. It has an expenditure budget of approximately £1,380,670 for 2020/21.
- 1.2 The fieldwork for this review was completed during the government measures put in place in response to COVID-19. While our review and testing was performed remotely, we have been able to obtain all relevant documents required to complete the review.
- 1.3 The audit was undertaken as part of the agreed Internal Audit Plan for 2020/21 based on a risk assessment. The objectives, approach and scope are contained in the Audit Terms of Reference at Appendix 1.

2. Key Issues**Priority 2 Recommendations**

Sample testing of 15 purchases identified that that there were four cases where purchase orders were not raised in advance of the corresponding invoices and there was no evidence available to demonstrate urgency (**Recommendation 1**)

Sample testing of 15 purchases identified that for 5 purchases, a goods check was not evidenced (**Recommendation 2**)

The Data Mapping Register has several incomplete fields (**Recommendation 3**)

Review of the school health & safety questionnaire completed by the school identified that, while the school had a good level of compliance, some gaps in compliance existed. (**Recommendation 4**)

Priority 3 recommendations are included under item 4 below.

Acknowledgement

We would like to thank the Head Teacher, the School Business Manager and the Finance and Personnel Officer for their time and contribution to this audit.

3. Actions and Key Findings/Rationale

Audit Area: Procurement

| Priority | Recommendation 1 | Detailed Finding/Rationale | | |
|----------------------------|--|--|----------------------------|-----------------|
| 2 | The School should ensure that, in line with the requirements of the Financial Policies & Procedures Manual, no transactions are initiated until an appropriately authorised official pre-numbered order is raised. | <p>Expected Control</p> <p>The Financial Policies & Procedures Manual 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>Finding</p> <p>Sample testing of 15 purchases (from November 2020 to the time of audit) identified that that there were four cases where purchase orders were not raised in advance of the corresponding invoices and there was no evidence available to demonstrate urgency:</p> <ul style="list-style-type: none"> • PGL Travel Ltd for £7,578.90 • GLS Educational Supplies for £998.03 • GLS Educational Supplies for £14.39AP • Canon (UK) Ltd for £1,128.16 <p>Risk</p> <p>Where purchase 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 could result in inappropriate purchases and poor budgetary control.</p> | | |
| Management Response | | Agreed/Disagreed | Responsible Officer | Deadline |

| | | | |
|--|--------|--------------|-------------|
| Historically only one member of staff who was part time could raise orders; however, we now have a full-time member of staff and are in the process of training another staff member so there is adequate cover. If there is an emergency order required then the reason will be annotated on the original document. | Agreed | Head Teacher | Immediately |
|--|--------|--------------|-------------|

| Priority | Recommendation 2 | Detailed Finding/Rationale |
|----------|--|--|
| 2 | The School should ensure that all goods and services are checked and that this check is evidenced on either the purchase order, goods received note (if provided) or the invoice prior to the invoices being paid. | <p>Expected Control</p> <p>The School's Financial Policies & Procedures Manual details that, '<i>The Admin Assistants must check goods and services on receipt match the order which should be annotated accordingly. This should not undertaken by the person who signed the order.</i>'</p> <p>Finding</p> <p>Sample testing of 15 purchases (from November 2020 to the time of audit) identified that for five of these purchases, a goods check was not evidenced, as follows:</p> <ul style="list-style-type: none"> • AP PGL Travel Ltd for £7,578.9 • AP Shy Coaches for £425 • AP Ildiko Commercial Cleaning Services Ltd for £2,558.4 • AP Canon (UK) Ltd for £ 1,128.16 • AP GLS Educational Supplies for £998.03 – Invoices could only be located for £93.60 & £600.48 within files provided. <p>Risk</p> |

| | Where a goods or service received check is not completed and evidenced, there is a risk that the School may not have received the correct goods or services. | | | |
|---|--|--------------------------|---------------|-------------|
| Management Response | Agreed/Disagreed | Responsible Officer | | Deadline |
| On all invoices going forward, SBM will note goods or services have been received. | Agreed | School Manager / Teacher | Business Head | Immediately |
| Audit comment | | | | |
| Please note that, in line with the School's Financial Policies & Procedures Manual, ' <i>The Admin Assistants must check goods and services on receipt match the order which should be annotated accordingly. This should not undertaken by the person who signed the order.</i> ' While it is accepted that the SBM will now conduct this check, the SBM should not be involved in order or invoice authorisation. The wording in the School's Financial Policies & Procedures Manual should also be reviewed. | | | | |

Audit Area: Information Governance

| Priority | Recommendation 3 | Detailed Finding/Rationale | | |
|---|---|---|-------------------------|----------|
| 2 | The School should review the Data Mapping Register Asset Register to ensure that key information is recorded. | <p>Expected Control</p> <p>The Data Protection Act (DPA) 2018, regulation 61 (1), details that, ‘Each controller must maintain a record of all categories of processing activities for which the controller is responsible.’</p> <p>These records must be in writing or electronic form and the controller must make the record available to the Information Commissioners Office (ICO) on request. An Information Asset Register will be one method of demonstrating compliance with this.</p> <p>Finding</p> <p>A copy of the Data Mapping Register included several data types along with key fields such as reasons for processing data, data final location, data access (internal and external) and resource access security. However, the register has several incomplete fields for instance, data access external, data final location and DP / Privacy checked.</p> <p>Risk</p> <p>Where an Information Asset Register or alternative document is not maintained and updated by the School on a regular basis, the School is unable to demonstrate compliance with the DPA 2018.</p> | | |
| Management Response | | Agreed/Disagreed | Responsible Officer | Deadline |
| Date booked in May 22 for Gresham’s DPO service to visit new SBM to go through this document and training given. Register will be amended / updated after training completed. | | Agreed | School Manager Business | May 2022 |

Audit Area: Health & Safety

| Priority | Recommendation 4 | Detailed Finding/Rationale | | |
|--|---|--|-------------------------------------|-----------|
| 2 | 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>Expected Control</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>Finding</p> <p>Review of the school health & safety questionnaire completed by the school identified that, while the School had a good level of compliance, gaps in compliance existed for the following questions:</p> <ul style="list-style-type: none"> • Have all relevant staff undertaken suitable asbestos awareness training? Evidence has been provided to confirm the School Business Manager has received training however, this is outstanding for the School Caretaker. • Do the school's management have copies of manufacturer's instructions for all of the gas appliances that it owns? The School have confirmed that manuals are obtained for any equipment purchases following the appointment of a new caretaker in February 2020. <p>Risk</p> <p>Where gaps exist on the school health & safety questionnaire, there is a risk that the School is not able to properly safeguard employees, pupils and visitors from harm.</p> | | |
| Management Response | | Agreed/Disagreed | Responsible Officer | Deadline |
| Asbestos training completed for SBM and Caretaker. | | Agreed | School Business Manager / Caretaker | Completed |

Gresham Primary School 2021-22

School has all manufacturer's instructions from Feb 20 (as detailed above) and any missing instructions prior to this date have been printed off now.

| | | | |
|--|--|--|--|
| | | | |
|--|--|--|--|

4. Priority 3 Recommendations

| Recommendation | Findings |
|--|--|
| <p>Governance</p> <p>1) The governor induction pack should be amended to include the Croydon Scheme for Financing Schools.</p> <p><u>No management response</u></p> | <p>In order to help new governors understand their role and responsibilities, they should be provided with an induction pack containing key documents.</p> <p>Examination of the School’s governor induction pack found that this did not include the Croydon Scheme for Financing Schools.</p> |
| <p>Procurement</p> <p>2) Future benchmarking exercises should be discussed with governors and, where appropriate, targets set to help improve income and expenditure.</p> <p><u>Management Response:</u></p> <p>New Finance Governor and SBM received training on benchmarking Jan 22. Benchmarking against different schools completed and a thorough review completed at GB in March 22.</p> | <p>SFVS Question 17 asks, <i>‘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?’</i></p> <p>A benchmarking exercise was completed assessing data across schools of a similar size within the borough. Key areas such as income per pupil, staff costs and operational expenses were reviewed with commentary on how the School’s performance compared. Whilst there are explanations for areas of below average performance, specific targets were not set as a consequence of the benchmarking exercise. It is acknowledged that the benchmarking results were favourable compared to other similar schools.</p> <p>The benchmarking exercise was due to be presented to the full Governing Body on 17 March 2021; however, the corresponding meeting minutes confirm that the report was to be circulated by email rather than discussed within the meeting.</p> <p>Where the School’s benchmarking is not presented to governors and specific targets are not set as a consequence of the exercise, there is a risk that the school does not improve its income or expenditure.</p> |

| Recommendation | Findings |
|---|---|
| <p>Information Governance</p> <p>3) The Business Continuity Plan should be reviewed annually by the Governing Body, and, where appropriate, updated.</p> <p><u>Management Response:</u></p> <p>The above was due to Covid and lack of face to face GB meetings.</p> | <p>Examination of the School's business continuity plan found that this was last reviewed in March 2020. It is good practice to review the business continuity plan annually.</p> |

AUDIT TERMS OF REFERENCE

Gresham Primary School – 2021/22

1. INTRODUCTION & BACKGROUND

- 1.1 This audit was undertaken as part of the Internal Audit Plan for 2020/21, 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 | 0 | 0 |
| Payroll | 0 | 0 | 0 |
| Safeguarding | 0 | 0 | 0 |





| Audit Area | Recommendations Made | | |
|------------------------|----------------------|------------------------|---------------------|
| | Priority 1 (High) | Priority 2 (Medium) | Priority 3 (Low) |
| Procurement | 0 | 2 | 1 |
| Bank Accounts | 0 | 0 | 0 |
| Information Governance | 0 | 1 | 1 |
| Health and Safety | 0 | 1 | 0 |
| Income | 0 | 0 | 0 |
| Totals | 0 | 4 | 3 |

Appendix 2

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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