

Final Internal Audit Report

Beulah Junior School

March 2023

Distribution: Head Teacher
Chair of Governors
School Business Manager
Corporate Director of Children, Young People and Education Interim (Final only)
Director of Education
Interim Head of Finance - Education
Corporate Director Resources and S151 Officer

Assurance Level	Recommendations Made	
Substantial Assurance	Priority 1	0
	Priority 2	2
	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.

The Report was prepared solely for the use and benefit of London Borough of Croydon and 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, re-interpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, re-interpretation, amendment and/or modification by any third party is entirely at their own risk.

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	6

Appendices

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

1. Introduction

- 1.1 Beulah Junior School is a junior school based in the London Borough of Croydon. The School has 336 pupils and an expenditure budget of £1,779,994 for 2022/23.
- 1.2 The most recent Ofsted inspection was in October 2018 and the School was accessed as 'Good' for overall effectiveness.
- 1.3 While our review and testing were performed remotely, we have been able to obtain all relevant documents required to complete the review.
- 1.4 The audit was undertaken as part of the agreed Internal Audit Plan for 2022/23 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

Goods or services received checks had not been performed for two of the sample of 15 transactions tested. **(Issue 1)**

For one high value purchase (over £10,000), review and approval had not been sought from the Governing Body. **(Issue 2)**

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
- Finance and Personnel Officer

3. Actions and Key Findings/Rationale

Audit Area: Procurement

Priority	Recommendation 1	Detailed Finding/Rationale		
2	The School should ensure that goods/services received checks are undertaken and recorded for all transactions by an officer independent to the ordering and payment process.	<p>Expected Control</p> <p>The School's Financial Policies and Procedures Manual states that goods and services must be checked on receipt to the order which should be annotated accordingly. This should not be undertaken by the person who signed the order.</p> <p>Finding</p> <p>Testing of a sample of 15 transactions, selected from the School's Bank History Report for the last 12 months, found two instances where there was no evidence that goods or services received checks had been performed. These were:</p> <ul style="list-style-type: none"> • Playdowns £8,480.04 (BJ021246) • TTS Group £21.53 (BJ22000127) <p>Risk</p> <p>Where appropriate goods/services received checks are not undertaken, there is a risk that payments are made for goods or services that have not been received.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
<p>Playdowns</p> <p>Artificial grass was installed on the Monday 14th February 2022. There was no delivery note but the invoice was signed off. Please see attached guarantee.</p>		Disagreed	SBM	Already in place prior to the November 2022 Audit.

TTS Group No delivery note was sent with goods as invoice was emailed 2 days before goods were received. On receipt of goods, invoice was signed.	Disagreed	Finance Officer	Already in place prior to the November 2022 Audit.
---	-----------	-----------------	--

Internal Audit Comment

Whilst we were able to confirm that invoices were signed as approved and, in the case of the artificial grass, a guarantee was provided, the School should also confirm that the goods have been received to a satisfactory standard. This confirmation can be recorded on the purchase order or on the invoice when a delivery note is not received and should be undertaken separately by an officer independent of the approval of the order or invoice payment. The School's Financial Policies and Procedures Manual is clear in this regard.

Audit Area: Procurement

Priority	Recommendation 2	Detailed Finding/Rationale		
2	The School should ensure that purchases with a value above £10,000 are reviewed and discussed by the Governing Body prior to approval to ensure that value for money has been considered. This review should be formally documented within meeting minutes.	<p>Expected Control</p> <p>The School's Financial Policy and Procedures Manual states that, <i>"For goods and services from £10,000 up to £40,000, the School will obtain three quotes from contractors from which a final decision will be made; this should be agreed by Governors and minuted."</i></p> <p>Issue/Finding</p> <p>Testing of a sample of seven contracts/SLAs utilised by the School during the previous 12 months identified one case (namely OpenAir Systems £16,531) where, although the School had obtained sufficient quotes to demonstrate value for money, there was no evidence that approval of the procurement had been sought from (and been given by) the Governing Body.</p> <p>Risk</p> <p>Where comparative quotes are not obtained and shared with the Governing Body for their review and approval, there is a risk that value for money may not been achieved and that procurements do not align with the School's current need.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
<p>OpenAir Systems</p> <p>The 2022-2023 budget was approved on 26/04/2022, going forward named companies (from £10,000 up to £40,000) will be documented in the minutes</p>		Agreed	Head Teacher	FGB Budget Sign Off 25.4.2023

4. Priority 3 Recommendations

Recommendation	Findings
<p>3) Governance and Leadership</p> <p>The School should ensure that, in line with Q4 of the SFVS, Declaration of Pecuniary Interest forms are obtained from all Governors and signed annually.</p> <p><u>School's response</u></p> <p>Forms for 2023-2024 has already been signed by all Governors and in file in Head Teachers room.</p>	<p>Expected Control</p> <p>In compliance with the School Standards and Framework Act 1998, and Q4 of the Schools Financial Value Standard (SFVS), declarations of pecuniary interests should be held for all members of the Governing Body.</p> <p>Finding</p> <p>A review of the School's declaration of pecuniary interest forms noted that one Governor had not completed theirs within the previous 12 months.</p> <p>Risk</p> <p>Where declaration of pecuniary interest forms are not completed for each Governor annually, there is a risk conflicts of interest may not be detected and therefore that the School is unable to demonstrate that financial decisions have been made in the best interest of the School.</p>
<p>4) Budgetary Control & Monitoring</p> <p>The School should undertake a regular pupil number projection to allow the budget to be revised in the event that projections differ from actual pupil enrolments.</p> <p><u>School's response</u></p> <p>Our funding for 23/24 is based on the Autumn 2022 census and we had a fall in pupils which we had picked up when we did our forward plan. This is how we planned and projected our pupil numbers.</p>	<p>Expected Control</p> <p>Q11 of the SFVS requires the School to be realistic in their pupil number projections and make sure they can quickly recast the budget if the projections and reality are different.</p> <p>Issue/Finding</p> <p>The School had not undertaken a pupil projection exercise in order to determine potential income levels. It was explained that this was due to the School being reliant on the pupils currently enrolled within the affiliated infant school moving up to the junior school.</p> <p>Risk</p>

Recommendation	Findings
	<p>Where the School does not undertake a complete and efficient income project exercise, where pupil projections are considered, there is a risk that the School may not be able to formulate a complete and accurate budget for future academic years.</p>
<p>5) Payroll</p> <p>The School should ensure that payroll reports are reviewed and approved by the Headteacher, with these signed and dated as evidence of review, prior to the payment run.</p> <p><u>School's response</u></p> <p>As explained during the Audit, all staff are on leave every August and the school is closed. All staff return to work on 1st September each year when the school re-opens.</p> <p>In an attempt to aid this, we contacted our payroll provider to see if we could receive the draft report for August in July (prior the school closing for August and all staff going on leave). Unfortunately, we have been told that even the end of July is too early to run the draft payroll for August.</p> <p>Moving forward, we will continue to sign and date the August Pay Roll on 1st August each year.</p>	<p>Expected Control</p> <p>Payroll reports should be reviewed and signed by the Headteacher before the payment run to help ensure that payments made are appropriate and accurate. Checks should ensure that only persons employed at the School are paid and that the amounts paid are correct.</p> <p>Issue/Finding</p> <p>Review of the School payroll reports for August, September and October 2022, identified that, whilst the September and October reports had been signed and dated by the Headteacher on the respective days of the payment runs, for the August 2022 payment run, the report was signed and dated on 1 September 2022 several days after the run date. It was; however, noted that this occurred during the School's summer holidays.</p> <p>Risk</p> <p>Where the payroll reports are not reviewed prior to the payment run, there is a risk that inaccuracies and errors within the payroll data may not be identified and actioned in a timely manner leading to potential errors with staff payments.</p>
<p>6) Information Governance</p> <p>Individuals using the School's IT system should receive reminders on a regular basis to change their password.</p> <p><u>School's response</u></p> <p>This has been implemented and already in place.</p>	<p>Expected Control</p> <p>Computer systems used for School management should be protected by password security to ensure that only authorised staff have access. Passwords should be changed regularly.</p> <p>Finding</p>

Recommendation	Findings
Passwords are changed every 30 days.	<p>Whilst users need to be formally authorised with a username and password required for users to access the School's system, we were advised that the system and the School do not prompt users to change passwords on a regular basis.</p> <p>Risk</p> <p>Key systems and information may be accessed by inappropriate individuals.</p>

AUDIT TERMS OF REFERENCE

Beulah Junior Primary School – 2022/23

1. INTRODUCTION & BACKGROUND

- 1.1 This audit was undertaken as part of the Internal Audit Plan for 2022/23, 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	1
Payroll	0	0	1
Safeguarding	0	0	0

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

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.

Registered office: 30 Old Bailey, London EC4M 7AU, United Kingdom. Registered in England and Wales No 0C308299.