

Final Internal Audit Report

Thomas More Catholic School

June 2023

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

Assurance Level	Recommendations Made	
Limited Assurance	Priority 1	1
	Priority 2	4
	Priority 3	2

Confidentiality and Disclosure Clause

This report ("Report") was prepared by Mazars LLP at the request of the 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 Thomas More Catholic School is a mixed, voluntary-aided Secondary Comprehensive Catholic School for children aged 11 to 18 in Purley, Croydon. At the time of the audit there were 582 pupils attending and the school’s 2022/23 budget approved by Governors in April 2022 had expenditure of nearly £5.2m and was forecast a cumulative deficit of £393,212. Internal Audit have previously raised a Priority 1 recommendation regarding reducing the cumulative deficit position. While the deficit is unlikely to be cleared in 2024/25, the financial position is anticipated to improve with the implementation of the new funding formula. The School has maintained dialogue with the Council’s Finance Team.
- 1.2 The School has been led by the current Head Teacher since September 2018. There are 12 members within the school’s Governing Body. The School’s finance, budget and administration was managed by the Director of Finance who is assisted by a Financial Assistant.
- 1.3 The most recent Ofsted inspection was in May 2019 and the school was awarded - ‘good’ - for overall effectiveness.
- 1.4 This audit is being undertaken as part of the Internal Audit Plan for 2022/23, as agreed by the Council’s Audit Committee.
- 1.5 The objectives, approach and scope are contained in the Audit Terms of Reference in Appendix 1.

2. Key Issues

Priority 1 Recommendation

Sample checking found an employee on the April 2022 Salary Report not on the School’s Single Central Record. There was therefore a lack of evidence of recruitment and safeguarding checks for this employee. **(Recommendation 2)**

Priority 2 Recommendations

The School had not formally assessed the skills and competencies for staff with financial responsibilities. **(Recommendation 1)**

A review of goods received checks found that there were no signatures to demonstrate a separation of duties used when goods were received and just a stamp being used to mark goods as received. **(Recommendation 3)**

The School could not evidence that quotes were received for two high value purchases (over £10k) and a further two purchases did not include the purchase order number. **(Recommendation 4)**

An examination of monthly bank reconciliations found that the reconciliations are not signed by the staff members completing and also those reviewing the document. **(Recommendation 5)**

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:

- Director of Finance;
- Financial Assistant;
- IT Manager; and,
- School Office Manager.

3. Actions and Key Findings/Rationale

Audit Area: Budget Planning, Monitoring and Reporting

Priority	Recommendation 1	Detailed Finding/Rationale		
2	The School should assess the financial competencies of all staff with financial responsibilities to ensure that they have the required skills / experience of financial matters.	<p>Expected Control</p> <p>The Schools Financial Value Standard (SFVS) Question 1 asks whether the members of Governing Body and senior staff have adequate financial skills to fulfil its role of challenging and supporting matters related to budget management and value for money.</p> <p>Finding</p> <p>Internal Audit confirmed that a skills assessment was completed for members of the Governing Body during September 2021. However, the School's Director of Finance confirmed that no such assessment was completed for members of staff with financial responsibilities.</p> <p>Risk</p> <p>Where the School is not assessing the financial competencies of staff with financial responsibilities, this can lead to an increased risk of errors.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
The LA advisor has provided a skills assessment which will be completed by all members of the finance team and two members of the SLT. Suitable CPD will be identified for staff to address skills gaps.		Agreed	Head Teacher	May 2023

Audit Area: Payroll

Priority	Recommendation 2	Detailed Finding/Rationale		
1	<p>The School should ensure all employees are listed on the single central record and that these are checked to confirm all safeguarding checks have been performed.</p>	<p>Expected Control</p> <p>The Keeping Children Safe in Education 2022 statutory guidance details that, ‘<i>Schools and colleges must maintain a single central record of pre-appointment checks, referred to in the Regulations as “the register” and more commonly known as “the single central record”.</i>’ Furthermore that, ‘<i>The single central record must cover the following people: • for schools, all staff, including teacher trainees on salaried routes (see paragraph 296), agency and third-party supply staff, even if they work for one day.</i>’</p> <p>Finding</p> <p>Internal Audit compared a sample of ten employees from the April 2022 payroll listing with the April 2022 staff list. One instance was found where an employee was included within the April 2022 payroll listing; however, they were not listed as part of the School’s Single Central Record (SCR) as a result safeguarding information for this employee was not retained within the SCR.</p> <p>Risk</p> <p>Where employees are not listed on the single central record, there is a risk that mandatory safeguarding checks have not been completed and evidenced.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
<p>This has flagged a weakness in our system. The member of staff had worked with us and retired and came back as a tutor for maths. We had an in date DBS but this had not been added. The HR director is off sick. A Deputy Head will now oversee this to ensure that the spreadsheet is updated.</p>		Agreed	Head Teacher	May 2023

Audit Area: Procurement

Priority	Recommendation 3	Detailed Finding/Rationale		
2	The School should ensure that the officer checking goods/services received is independent of the person responsible for the administration of orders and payments. The School should evidence the separation of duties using signatures alongside the goods /service received stamp.	<p>Expected Control</p> <p>According to Croydon Scheme for Financing Schools, schools should demonstrate sound systems of financial controls, including appropriate provisions for the division of duties. Officers checking goods received by the school should be independent of the person responsible for the administration of orders and payments.</p> <p>Finding</p> <p>Review of a sample of 15 invoices between June 2021 and July 2022 confirmed that, although each of the invoices were stamped to evidence goods received, there were no signatures to identify who performed the goods received check.</p> <p>Risk</p> <p>Where, goods received notes are not signed, it will be difficult to confirm whether the officer receiving goods was independent of the officer responsible for orders and administration.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
We need to review the procedure when goods are delivered both in and out of School hours and develop a more robust system.		Agreed	Head Teacher	31 July 2023

Priority	Recommendation 4	Detailed Finding/Rationale		
2	The School should ensure that all orders are raised appropriately with a purchase order. For all orders of high value (above £10,000) quotations should be obtained and retained on file.	<p>Expected Control</p> <p>Official orders should be raised on SIMS (the school's accounting system). All orders should have an official purchase order number and be appropriately authorised by a certifying officer and a signed copy of the official order should be retained on file.</p> <p>Finding</p> <p>Review of the documentation for a sample of 15 transactions found two instances where a purchase order was not evidenced and, out of the three high value orders, two instances were found where no evidence of the required number of quotations being sought was evident.</p> <p>Risk</p> <p>Where there is no purchase order, there is a risk that orders are not adequate for the School's use resulting in overspending. Where quotations are not obtained, there is risk that the School is not maximizing value for money, leading to financial loss.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
<p>We will amend the policy for systems such as: CPOMS and SIMS that are over £10K subscription.</p> <p>These will be ratified annually by the Governing body.</p>		Agreed	Head Teacher	Annually

Audit Area: Banking

Priority	Recommendation 5	Detailed Finding/Rationale		
2	Bank reconciliations should be signed by the officer performing the bank reconciliation and the Head Teacher upon approving these.	<p>Expected Control</p> <p>The School Finance Policy 2021/22 states that ‘All bank reconciliations are performed within five working days of the month end and are reviewed by the Headteacher.’</p> <p>Finding</p> <p>Internal Audit reviewed bank reconciliations from January 2022 to July 2022 and confirmed that these were neither signed by the officer completing the reconciliation (Director of Finance/HR) nor the Head Teacher approving these.</p> <p>Risk</p> <p>Where bank reconciliations are not signed by dedicated officers upon preparation and review, there is a risk that potential errors are not detected and resolved on a timely basis resulting in confusion. Segregation of duties also cannot be evidenced.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
Ongoing staff issues in finance and change in Headteacher has resulted in the bank reconciliations not being done in a timely manner. The LA advisor has trained a member of the team to do the bank reconciliations and now that we are up to date, the Head Teacher will sign these off at monthly meetings with Finance.		Agreed	Head Teacher	ASAP

4. Priority 3 Recommendations

Recommendation	Detailed Finding/Rationale
<p>5) Procurement</p> <p>The School should ensure that the Governors induction pack includes current year's approved budget to ensure all financial aspects and necessary information is available to new Governors.</p> <p>School's Response</p> <p>Agreed</p> <p>Deadline</p> <p>Immediate</p>	<p>Expected Control</p> <p>According to SFVS Q1, the Governors should be made aware of their responsibilities and understanding of their financial management roles, responsibilities as well as those of others. New governors should have access to relevant resources and guidance to ensure they have an adequate understanding of the financial position of the school.</p> <p>Finding</p> <p>Internal Audit reviewed the Governors Induction Pack for 2022/23 and confirmed that there was no evidence of the current year's budget included in the induction pack.</p> <p>Risk</p> <p>Where new Governors are not given adequate guidance material, this may result in a lack of understanding of the school's financial position, making it difficult to take well informed decisions.</p>
<p>6) Banking</p> <p>The School should ensure that an unreconciled item listing report is retained in order to ensure that there are no unusual or long-standing unreconciled items listed.</p> <p>School's Response</p> <p>Agreed</p> <p>Deadline</p> <p>Immediate</p>	<p>Expected Control</p> <p>All transactions in the schools account should be reconciled between the data held on SIMS/RM Finance and the bank statement on at least a monthly basis. An unreconciled item listing report from SIMS/ RM Finance should be retained and checked periodically to ensure that there are no unusual or long-standing unreconciled items listed.</p> <p>Finding</p> <p>Internal Audit received confirmation from the Schools Finance Manager that there are no outstanding unreconciled items. However, we were not provided with the SIMS item listing report and therefore we were unable to verify there were no items outstanding.</p> <p>Risk</p> <p>Where an unreconciled item listing report is not retained, there is a risk of a lack of oversight regarding unreconciled transactions, leading to these transactions not being picked up and potential financial loss.</p>

AUDIT TERMS OF REFERENCE

Thomas More Catholic School 2022/23

1. INTRODUCTION & BACKGROUND

- 1.1 This audit is being undertaken as part of the Internal Audit Plan for 2022/23, as agreed by the Council's Audit Committee.
- 1.2 With Covid-19 and the consequent restrictions in place, we are adopting a hybrid approach with this audit being conducted remotely.

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	0
Budget Planning, Monitoring & Reporting	0	1	0
Payroll	1	0	0
Safeguarding	0	0	0
Procurement	0	2	1
Banking	0	1	1
Information Governance	0	0	0
Income	0	0	0
Health and Safety	0	0	0
School Fund Accounting	0	0	0
Totals	1	4	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 area 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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