

## Final Internal Audit Report St Mary's Catholic High School April 2018

**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	
<b>Limited Assurance</b>	Direction of Travel from previous audit: Down from Substantial	Priority 1	2
		Priority 2	6
		Priority 3	8

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1. Terms Of Reference
2. Definitions For Audit Opinions And Recommendations

### 1. Introduction

- 1.1. St Mary's Catholic High School is a Catholic Voluntary Aided School and at the time of audit there were 546 pupils attending. It has an expenditure budget of approximately £3.7m for the current financial year.
- 1.2. The audit was undertaken as part of the agreed Internal Audit Plan for 2017/18 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 1 Recommendations

Sample testing identified invoices totalling £26,400 where payments had been made directly to individuals, who the HMRC would deem as employees, without NI and Tax deductions being made, (Rec 5).

One of the signatories on the School's bank mandate was no longer an employee of the School, (Rec 8).

#### Priority 2 Recommendations

Three recent Governing Body minutes had not been signed by the Chair of Governors as required, (Rec 1).

Regular (termly) meetings of the Resources Committee were not held, (Rec 2).

The School's Financial Policies and Procedures Manual, which includes the School's scheme of financial delegation, had not been approved by the Governing Body, (Rec 3).

Only two Governors and one staff member had completed a skills matrix to assess their financial skills, (Rec 4).

Evidence of medical clearance was obtained for only one out of five new starters sampled, (Rec 6).

Sample testing identified three transactions where the order had been raised after the date and receipt of the corresponding invoices, (Rec 7).

The priority 3 recommendations are included 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	Agreed/Disagreed	Responsible Officer	Deadline
2	The Chair of the Governing Body should be reminded to ensure that meeting minutes are signed as true and accurate at the next meeting and that copies of these signed minutes are readily available at the School.	<p><b>Expected Control</b></p> <p>The School Governance (Roles, Procedures and Allowances) (England) Regulations 2013 Part 5 require that minutes of a proceedings of a governing body or committee are drawn up and are signed by the chair of the next meeting.</p> <p><b>Issue/Finding</b></p> <p>The minutes for the Governing Body meetings held on 10 May, 20 September and 13 December 2017 were not signed by the Chair of Governors, despite there being subsequent meetings.</p> <p><b>Risk</b></p> <p>Where Governing Body minutes are not signed to confirm that these are a true and accurate record the School is in breach of the School Governance (Roles, Procedures and Allowances) (England) Regulations 2013 and there is a risk that errors or omissions may not be identified and unauthorised initiatives may be implemented.</p>	Agreed	Head Teacher /School Business Manager	Immediate
<b>Management Response</b>					
This was an administration oversight. New staff and systems are now in place and copies of all minutes draft and signed are all stored in a central location.					

Priority	Recommendation 2	Detailed Finding/Rationale			
2	The Resources Committee should meet at least once a term in line with its terms of reference.	<p><b>Expected Control</b></p> <p>The Terms of Reference of the Resources Committee, dated 31 December 2017, require that the Committee meets at least once a term.</p> <p><b>Issue/Finding</b></p> <p>Only minutes of the Resources Committee meetings held on 28 June 2016, 31 January and 21 June 2017 were provided. A meeting was scheduled to be held on 29 November 2017, but was cancelled and not reconvened.</p> <p><b>Risk</b></p> <p>Where the Resources Committee does not meet regularly, there is a risk that it the Committee is not able to effectively discharge its responsibilities and that the School's finances may not be appropriately managed.</p>	<p><b>Agreed/Disagreed</b></p> <p>Agreed</p>	<p><b>Responsible Officer</b></p> <p>School Business Manager / Chair of the Resources Committee</p>	<p><b>Deadline</b></p> <p>Immediate</p>
<p><b>Management Response</b></p> <p>Due to sickness of the previous SBM numerous meetings were postponed. Changes in staffing from January 2018 rectified this.</p>					

Priority	Recommendation 3	Detailed Finding/Rationale		
2	<p>Management should ensure that the School's Financial Policies and Procedures Manual, which includes the School's scheme of financial delegation, is ratified by the full Governing Body. Approval should be clearly minuted in meeting minutes and it should be approved annually thereafter.</p>	<p><b>Expected Control</b></p> <p>The School Governance (Roles, Procedures and Allowances) (England) Regulations 2013 paragraph 18. (3) states that, 'The governing body must review the exercise of functions they have delegated, annually.'</p> <p><b>Issue/Finding</b></p> <p>There was no evidence that the School's Financial Policies and Procedures Manual, which includes the School's scheme of financial delegation, had been reviewed and approved by the full Governing Body within the last 12 months</p> <p><b>Risk</b></p> <p>Where the School's Financial Policies and Procedures Manual, which includes the School's scheme of financial delegation, is not reviewed and formally approved annually, the School is in breach of the School Governance (Roles, Procedures and Allowances) (England) Regulations 2013 and there is a risk that decisions may be made without the appropriate delegated authority and of inadequate control over the financial management of the School.</p>		
<b>Management Response</b>		<b>Agreed/Disagreed</b>	<b>Responsible Officer</b>	<b>Deadline</b>
This was approved on the 31 <sup>st</sup> January 2018		Agreed	Full Governing Body	Immediate

Priority	Recommendation 4	Detailed Finding/Rationale		
2	<p>The Governing Body and staff who have financial responsibilities should complete an assessment of their financial skills, which should be reviewed on an annual basis.</p>	<p><b>Expected Control</b></p> <p>The School Financial Value Standard Question 1 asks whether, 'In the view of the governing body itself and of senior staff, does the governing body 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?' Question 6 further asks, 'Does the school have access to an adequate level of financial expertise, including when specialist finance staff are absent such as sick leave?'</p>	<p><b>Issue/Finding</b></p> <p>It was confirmed that the School had completed a skills matrix assessment of financial skills, but only for two governors and the School business manager and not all governors and not all staff with financial responsibilities as required.</p>	<p><b>Risk</b></p> <p>Where the School does not complete a skills matrix assessment of financial skills for all governors and all staff with financial responsibilities, there is a risk that governors collectively may not have the adequate skills to perform their role effectively and that staff may not be able to operate effectively in the event of staff absence.</p>
<b>Management Response</b>		<b>Agreed/Disagreed</b>	<b>Responsible Officer</b>	<b>Deadline</b>
<p>The previous SBM did not have tight record keeping. Changes in staff have rectified this. Skills matrix has now been circulated to all Governors for completion and will be completed by July 2018 (next FGB).</p>		Agreed	School Business Manager	July 2018

**Audit Area: Payroll**

Priority	Recommendation 5	Detailed Finding/Rationale			
1	<p>The School should immediately desist from paying individuals, who would be deemed employees of the School by HMRC, directly without NI and tax deductions being made.</p> <p>In order to prevent future re-occurrences, a robust procedure should be included in the School's Financial Policy and Procedures Manual detailing the checks (including the use of HMRC's status indicator tool) that should be conducted to determine whether individuals engaged by the School are employees or not and to pay them accordingly.</p>	<p><b>Expected Control</b></p> <p>HM Revenue and Customs (HMRC) may regard someone as self-employed for tax purposes even if they have a different status in employment law. HMRC require all payments to employees to be paid through the payroll and be subject to deductions for National Insurance and Income Tax. Individuals and their employers may have to pay unpaid tax and penalties, or lose entitlement to benefits, if their employment status is wrong.</p> <p>Recent legislation commonly known as the intermediaries' legislation or IR35 came into operation since April 2017 to restrict workers in the public sector who are paid through their own personal service company to be off payroll.</p> <p><b>Issue/Finding</b></p> <p>Sample testing of the Schools expenditure records identified a number of payments to individuals, where NI and tax had not been deducted. It is held that HMRC would deem these individuals to be employees and that these payments should have been subject to NI and tax deductions.</p> <p><b>Risk</b></p> <p>Where payments are made to individuals, who are deemed to be employees by HMRC, without NI and PAYE deductions being made, there is a risk that the School will be held liable for the PAYE and NI for these payments and may be fined.</p>	<b>Agreed/Disagreed</b>	<b>Responsible Officer</b>	<b>Deadline</b>
<b>Management Response</b>					
Systems are now in place to ensure all people are paid via our payroll. We ceased to pay anybody directly before the Audit ceased. It was discussed during the audit that the invoices for		Agreed	Head Teacher /School Business Manager	Immediate	



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the website services were for a particular service over a set timeframe therefore outside of the IR35 regulations.

**Audit comment:** The invoices detailed are all sequential, i.e. EMS013 and 014; 001, 002 and 003; and PT1 and PT2, and were paid based on days delivered, thus the timeframe and that that these may have been for a particular service do not in this instance impact on the 'employed / self-employed' assessment.

Priority	Recommendation 6	Detailed Finding/Rationale		
2	Evidence of occupational health checks should be obtained for all staff prior to employment.	<p><b>Expected Control</b></p> <p>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><b>Issue/Finding</b></p> <p>Examination of the documentation held for a sample of five new starters was unable to locate any evidence that the required medical clearance had been obtained for one of these.</p>	<p><b>Risk</b></p> <p>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>
<b>Management Response</b>		<b>Agreed/Disagreed</b>	<b>Responsible Officer</b>	<b>Deadline</b>
Changes have been made in staffing and systems in place to ensure these are all obtained before employees start work.		Agreed	School Business Manager / Head Teacher	Immediate

**Audit Area: Procurement**

Priority	Recommendation 7	Detailed Finding/Rationale			
2	For all cases where costs relating to transactions can be identified in advance, management should ensure that orders are raised and appropriately certified in advance of purchases being initiated.	<p><b>Expected Control</b></p> <p>The St Mary's High School Financial Policy and Procedures Manual section D8 states that 'Official, pre-numbered orders from the FMS6 system must be used for all goods and services except utilities, rents, rates, payroll and HR support costs and petty cash payments.'</p> <p><b>Issue/Finding</b></p> <p>Examination of the documentation relating to a sample of fifteen transactions identified that in three instances the orders had been raised subsequent to the corresponding invoices being received by the School.</p> <p><b>Risk</b></p> <p>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>	<b>Agreed/Disagreed</b>	<b>Responsible Officer</b>	<b>Deadline</b>
<b>Management Response</b> Changes in staffing and training for members of staff will ensure this will not happen in the future.		Agreed	School Business Manager / Head Teacher	Immediate	

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## Audit Area: Banking

Priority	Recommendation 8	Detailed Finding/Rationale						
1	The School should liaise with Schools Finance to ensure that only current employees are included as bank signatories.	<p><b>Expected Control</b> The Croydon Scheme For Financing Schools section 3.5.1 states that, "it is anticipated that signatories for bank accounts would be employees of the school..."</p> <p><b>Issue/Finding</b> Examination of the list of bank signatories provided at the time of audit identified that one of the signatories was not an employee of the School.</p> <p><b>Risk</b> Where the current bank authorised signatories includes signatories who are not school employees, the School is in breach of the Croydon Scheme For Financing Schools. Furthermore, there is a risk of inappropriate access to the School's bank account.</p>						
Management Response								
	School Finance Office was contacted on the 5 <sup>th</sup> March 2018 to request that signatories were updated.	<table border="1"> <thead> <tr> <th>Agreed/Disagreed</th> <th>Responsible Officer</th> <th>Deadline</th> </tr> </thead> <tbody> <tr> <td>Agreed</td> <td>School Business Manager / Head Teacher</td> <td>Immediate</td> </tr> </tbody> </table>	Agreed/Disagreed	Responsible Officer	Deadline	Agreed	School Business Manager / Head Teacher	Immediate
Agreed/Disagreed	Responsible Officer	Deadline						
Agreed	School Business Manager / Head Teacher	Immediate						

## 4. Priority 3 Recommendations

Recommendation	Findings
<p>1) The New Governor Induction pack should include the Croydon Scheme for Financing Schools, the School's delegation of authorisation levels, the School's 2017/18 Budget and a list of training available for Governors.</p>	<p>The DfE recommends that schools provide new governors with an induction pack that gives adequate guidance and that their roles and responsibilities have been explained.</p> <p>Examination of the New Governor Induction pack indicated that this did not include a copy of the Croydon Scheme For Financing Schools, the School's delegation of authorisation levels, the School's 2017/18 Budget or a list of training available for Governors.</p>
<p>2) The School should revise its Resources Committee's Terms of Reference to reflect the requirements of SFVS.</p>	<p>The School's Terms of Reference of the Resources Committee dated 31 December 2017 still refers to FMSiS (Financial Management Standard in Schools), although SFVS (Schools Financial Value Standard) replaced FMSiS in September 2011.</p>
<p>3) The identified governor should be formally reminded to provide an appropriately completed pecuniary interest form.</p>	<p>The Croydon Scheme for Financing Schools, Section 2.9, states that, 'Governing bodies shall maintain a register which lists for each member of the Governing Body, the Head Teacher and budget holders, any pecuniary interests they or any member of their immediate family have. The register is to be kept up to date with changes being made as they occur and by means of an annual review of entries.'</p> <p>The signed pecuniary interest form held for one of the governors was dated 2016 and thus was not current at the time of the audit.</p> <p>Where not all relevant governors and staff have signed declarations of pecuniary interests, there is a risk that conflicts of interest may not be detected and that the School is unable to demonstrate openness, transparency and good governance.</p>
<p>4) The Chair of Governors should ensure that the declaration of business interests is a standing opening item at each Governing Body meeting.</p>	<p>The SFVS Guidance for Question 5 states that, 'Declarations of interest' should be a standing item at the beginning of the agenda for every governing body meeting to help identify potential conflicts of interest and if any updating or further action is needed.'</p> <p>The Governing Body minutes for the meeting held on 10 January 2018 did not contain a reminder that a declaration of pecuniary interests must be made, although it was noted that all previous meetings had included such a reminder.</p>

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	<p>Where declarations of business interest are not a standing opening item at committee meetings, there is a risk that conflicts of interest may take place and go undetected. There is also a risk that the School may not be able to demonstrate that 'fair' and 'open' decisions have been made for the benefit of the School.</p>
<p>5) The School's Whistle Blowing Policy should be reviewed and, where appropriate, amended. The Whistle Blowing Policy should be prominently displayed to ensure that staff are aware of it, (preferably on the staff notice board).</p>	<p>Paragraph 11.10 'of Croydon Council's scheme For Financing Schools contains guidance for Whistle Blowing' and states that, 'Persons working at a school or school governors who wish to complain about financial propriety at the school are asked to follow the London Borough of Croydon Whistle Blowing Procedure for schools.'</p> <p>The School's Whistle Blowing Policy is dated 12 March 2015 and does not evidence any subsequent review. Furthermore, the Policy is not prominently displayed to ensure that staff are aware of it.</p> <p>If the School does not have an appropriate Whistle Blowing Policy which is prominently displayed for staff, there is a risk that where staff have concerns that they do not report these, allowing poor practices or wrong doings to continue.</p>
<p>6) Copies of documents obtained as part of the recruitment process 'right to work in the UK verification checks' should be marked 'original seen', signed and dated.</p>	<p>The advice on the GOV.UK website states that, 'You must check that a job applicant is allowed to work for you in the UK before you employ them. You must see the applicant's original documents. You must check that the documents are valid with the applicant present. You must make and keep copies of the documents and record the date you made the check. You could face a civil penalty if you employ an illegal worker and haven't carried out a correct right to work check.'</p> <p>A sample of five recent staff appointments was examined. Although evidence of 'right to work in the UK' checks in the form of copies of passports being retained was available, these documents were not marked 'Original seen' to confirm that the original copies of these were seen or signed and dated.</p>
<p>7) All future high value purchases should be supported by a sufficient number of quotes or tenders where required.</p>	<p>The St Mary's High School Financial Policy and Procedures Manual D1 states that 'Three written quotations should be obtained for all expenditure above £10,000.'</p> <p>Examination of a sample of fifteen purchases identified one transaction that exceeded £10,000. However, only two quotations instead of the required three had been obtained for this transaction.</p>

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	<p>Where the School cannot demonstrate that appropriate quotes have been received, there is a risk that the School is not achieving value for money, resulting in overspending for the procurement of goods and services</p>
<p>8) Equipment loan forms should clearly explain responsibility for the item/s borrowed.</p>	<p>The laptop loan form does not contain a requirement not to leave the borrowed iPad in an unattended car, where it is not covered by the School's insurance policy.</p> <p>Where the laptop loan agreement does not clearly specify the obligations of the borrower, there is a risk that a loss might occur and the School may not be able to recover the cost from the employee.</p>

**Agreed Terms of Reference**

**St Mary's Catholic High School – 2017/18**

**1. INTRODUCTION & BACKGROUND**

1.1 This audit is being undertaken as part of the agreed Internal Audit Plan for 2017/18.

**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	4	5







Budgetary Control & Monitoring	0	0	0
Payroll	1	1	1
Safeguarding	0	0	0
Procurement	0	1	1
Bank Accounts	1	0	0
Information Governance	0	0	1
Income	0	0	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:

<b>Priority 1 (High)</b>	Fundamental control weaknesses that require immediate attention by management to action and mitigate significant exposure to risk.
<b>Priority 2 (Medium)</b>	Control weakness that still represent an exposure to risk and need to be addressed within a reasonable period.
<b>Priority 3 (Low)</b>	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.