

# Final Internal Audit Report

## Christ Church C of E Primary School

### February 2019

**Distribution:**

- Executive Head Teacher
- Chair of Governors
- School Business Manager
- Executive Director, Children, Families and Education (Final Only)
- Director of Finance, Investment and Risk (Final Only)
- Director of Education and Youth Engagement (Final Only)

Assurance Level		Recommendations Made	
<b>Substantial Assurance</b>	Direction of Travel from previous audit: No change from Substantial	Priority 1	0
		Priority 2	3
		Priority 3	7

#### 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.

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**1. Introduction**

- 1.1. Christ Church C of E Primary School is a Christian Voluntary Aided School and at the time of audit there were 391 pupils attending. It has an expenditure budget of £1,916,905 for the 2018/19 year.
- 1.2. The audit was undertaken as part of the agreed Internal Audit Plan for 2018/19 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 Priority 2 Recommendations**

The School's Personnel and Finance Committee Terms of Reference was not evidenced to have been reviewed in the last 12 months, **(Issue 1)**.

A copy of the Schools current bank mandate/ list of signatories was not available at the time of audit, **(Issue 2)**.

ParentPay income reconciliations were not signed by the Finance Officer who conducted these or evidenced as checked, **(Issue 3)**.

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 Governing Body must annually review the terms of reference for Personnel and Finance Committee, which should be evidenced in the relevant Governing Body minutes.</p>	<p><b>Expected Control</b>                      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><b>Issue/Finding</b>                      Examination of the Governing Body minutes could not evidence review of the terms of reference for Personnel and Finance Committee within the last 12 months. It was noted that these terms of reference were on the agendas for the October and November 2018 Governing Body meetings but were postponed for approval following initial review of these terms of reference by the Committee.</p> <p>It was also noted that the terms of reference did not include the responsibility of the Committee for the disposal of assets, tendering/obtaining quotations, or approving contracts.</p> <p><b>Risk</b>                      Where the information detailed in the Committee terms of reference is incomplete, there is a risk that the Committee may not be aware of all the components which fall under the Committee's responsibilities, and may not adequately fulfil all duties required.</p>
Management Response		Agreed/Disagreed
<p>The first personnel and finance meeting of the year was held on the 11th October after the first full governing body meeting. The minutes of this October meeting show discussion and approval of the ToR". Unfortunately between this meeting and</p>		<p>Agreed</p>
Management Response		Responsible Officer
		<p>Executive Head Teacher</p>
Management Response		Deadline
		<p>28 February 2019</p>

<p>the next FGB on 29/11/18 the CoF resigned and as a result not all papers were passed to the FGB for the November meeting. The November meeting of the FGB minutes noted that these had not been received and should come to the next meeting of the FGB. A self- review meeting of the FGB was held on the 29/1/19 and was not intended for business. The next FGB business meeting is to be held on the 28/2/19. Every Year prior to this the ToR has been reviewed in timely manner and it was an unfortunate circumstance that allowed this to be missed.</p> <p>Following the guidance from audit the ToR has been updated to include the responsibility of the Committee for the disposal of assets, tendering/ obtaining quotations, or approving contracts.</p>			
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**Audit Area: Banking**

Priority	Recommendation 2	Detailed Finding/Rationale						
2	The School should obtain a copy of the current bank mandate/ list of signatories.	<p><b>Expected Control</b></p> <p>The Croydon Scheme for Financing School's section '3.5.1 Restrictions on accounts' details that, 'It is anticipated that signatories for bank accounts would be employees of the school and would not include governors unless they are also employees of the school. . The school will also not use debit cards or in any other way bypass the requirement for two signatories for any transaction.'</p> <p>The Audit Commission guidance 'Keeping Your Balance, Standards for Financial Management in Schools' standard G3 also details that, 'The head teacher should maintain a list of all bank and building society accounts held and the signatories for each.'</p> <p><b>Issue/Finding</b></p> <p>The School did not evidence that it had a current bank mandate/ list of bank signatories at the time of audit, although a copy of a request for a change of signatories, along with the confirmation of this being actioned, was provided.</p> <p><b>Risk</b></p> <p>Where the School does have a current bank mandate/ list of signatories, there is a risk that former members of staff are still authorised to access the School's bank account.</p>						
<b>Management Response</b>		<table border="1"> <thead> <tr> <th data-bbox="983 994 1054 1379">Agreed/Disagreed</th> <th data-bbox="983 607 1054 994">Responsible Officer</th> <th data-bbox="983 219 1054 607">Deadline</th> </tr> </thead> <tbody> <tr> <td data-bbox="1054 994 1149 1379">Agreed</td> <td data-bbox="1054 607 1149 994">Executive Head Teacher</td> <td data-bbox="1054 219 1149 607">Immediately</td> </tr> </tbody> </table>	Agreed/Disagreed	Responsible Officer	Deadline	Agreed	Executive Head Teacher	Immediately
Agreed/Disagreed	Responsible Officer	Deadline						
Agreed	Executive Head Teacher	Immediately						

**Audit Area: Income**

Priority	Recommendation 3	Detailed Finding/Rationale	
2	The monthly ParentPay reconciliations should be signed by the person conducting these and evidenced as reviewed in line with the School's Finance Policy and Procedures Manual.	<p><b>Expected Control</b> Section F9 of the School's Finance Policy and Procedures Manual, 'Reconciliation of collections and deposits' details that reconciliations should be completed monthly by the School Business Manager and then be reviewed by the Executive Head Teacher / Head of School.</p> <p><b>Issue/Finding</b> Copies seen of monthly ParentPay income reconciliations confirmed that these were conducted by the Finance Officer; however, the Finance Officer did not sign these reconciliations and there was no evidence of these being reviewed.</p> <p><b>Risk</b> Where income reconciliations are not signed by the person conducting these and are not evidenced as reviewed, there is a risk of a lack of accountability and that any errors or omissions may not be identified.</p>	
Management Response	Agreed/Disagreed	Responsible Officer	Deadline
No management response was provided.	Agreed	Executive Head Teacher	28 February 2019

#### 4. Priority 3 Recommendations

Recommendation	Findings
<p>1) The Chair of the Personnel and Finance Committee should be formally reminded of the requirement to sign the minutes of previous meetings held.</p> <p><u>Management Response:</u> <i>Agreed - this usually happens.</i></p>	<p>The School Governance (Roles, Procedures and Allowances) (England) Regulations 2013 paragraph 26 (7) details that, '(7) Minutes of the proceedings of a meeting of a committee must be drawn up by the clerk to the committee or the person acting as the clerk for the purposes of the meeting; and must be signed (subject to the approval of the committee) by the chair at the next meeting of the committee.</p> <p>Examination of the minutes of meetings of the Personnel and Finance Committee for the last year found that the minutes of the meeting held on 12 July 2018 meeting were not signed as required.</p> <p>Where committee minutes are not signed as required, the School Governance (Roles, Procedures and Allowances) (England) Regulations 2013 are not being complied with and there is a risk that these minutes may not be an accurate record of the meeting held.</p>
<p>2) Any recommendations relating to the Head Teacher's pay should be ratified by the full Governing Body, (or delegated Committee).</p> <p><u>Management Response:</u> <i>The performance of the EHT was discussed and is shown at the October 11<sup>th</sup> FGB minutes in item 8. When discussed at P&amp;F on Jan 24<sup>th</sup> 2019 – see minutes, governors in this committee recalled the CoG saying the EHT had successfully met the objectives and would move a point up the pay scale. However although the successful completion of the objectives was recorded, it is agreed that the movement up the pay scale was not noted in the minutes.</i></p>	<p>In line with the Department for Education's School Teachers' Pay and Conditions document (2018), Guidance on School Teachers' Pay and The Education (School Teacher's Appraisal) (England) Regulations 2012, the Head Teachers performance should be annually reviewed by a performance review committee/group and a recommendation made about the Head Teachers pay before 31 December each year. The Governing Body should ratify the recommendation.</p> <p>It was confirmed that the Executive Head Teacher's performance was reviewed in September 2018 by the Executive Head Teacher's Performance Review Committee and a recommendation regarding the Head Teachers pay communicated by the Chair of Governors on 23 September 2018. There was; however, no evidence in the Governing Body (or delegated Committee) minutes of this being ratified.</p> <p>Where recommendations relating to the Executive Head Teacher's pay by the Executive Head Teacher's Performance Review Committee are not properly ratified, there is a risk that these recommendations are not valid.</p>



Recommendation	Findings
<p>3) The School's staffing structure should be available to staff in an open document.</p> <p><u>Management Response:</u>  <i>There is a document in the staff Google drive. The photo board which was in process of being upgraded at the time of audit – most photos taken 15/10/18 and board is now in place. The remaining photos were due to be taken 25/1/19. We have not displayed it on the school's website.</i></p>	<p>Question 7 of the 2018/19 SFVS support notes 'Review of Staffing Structure' details that the, 'staffing structure itself should be described in an open document, or documents, for all staff to see. It should be clear and accurate, and identify roles and responsibilities attached to posts. It is also good practice to display staff details and roles via the school's website and notice boards, to give pupils and parents a clear picture of who is working at the school.'</p> <p>Whilst staffing is frequently discussed at Personnel and Finance Committee meetings, the School does not have a document representing the staffing structure which is available to staff.</p>
<p>4) Staff resignations should be acknowledged in writing, with the last working day formally confirmed. A copy of the letter should be retained on the individuals file.</p> <p><u>Management Response:</u>  <i>Agreed we will put this in place going forward.</i></p>	<p>It is good practice that staff resignations are acknowledged in writing, with the last working day formally confirmed.</p> <p>The School does not formally acknowledge letters of resignation in writing.</p> <p>Where the School does not have letters of acknowledgement of resignation from the Head Teacher on file for leavers at the School, there is a risk that the final leaving date may be disputed.</p>
<p>5) The School should ensure that goods received checks are clearly distinguishable from the invoice authorisation.</p> <p><u>Management Response:</u>  <i>Each signatory has a clearly defined role that can be traced back within the finance policy. However a 'goods received' stamp with space for signatory has been ordered to satisfy this requirement.</i></p>	<p>The School's Finance Policy (2018) section D13: Check goods and services on receipt details that, 'The Finance Officer or relevant budget holder must check goods and services on receipt to match against the order which should be annotated accordingly. They should not be undertaken by the person who signed the order.'</p> <p>Where delivery notes are not received, the goods received checks are evidenced on the invoice by the person performing the check signing the invoice. However, there was no differentiation between the signatures for the goods received check or signatures for the invoice authorisations.</p> <p>Where it is difficult to differentiate between the signatures for the goods received checks and invoice authorisation, there is a risk of confusion and the required checks not being conducted.</p>

Recommendation	Findings
<p>6) The School should ensure they do not have outstanding unreconciled items for periods greater than six months.</p> <p><u>Management Response:</u>  <i>Agreed P&amp;F will agree cancellation of cheques after 6 months.</i></p>	<p>Examination of the December 2018 unreconciled items list found that the School had five unreconciled items which were greater than six months old, namely payment to L. Robertson, for £25.71, dating back to the 12 January 2018, M. Wheeler, for £85.00, dating back to 02 March 2018, P. Jones, for £13.50, dating back to 18 April 2018, and two payments to H. Boyd for £8.97 and £8.08, dating back to 13 June 2018 and 15 June 2018, respectively.</p> <p>Where the School has outstanding unreconciled items for periods greater than six months, there is a risk that cheques to be received or paid may not be accepted by the bank.</p>
<p>7) The checklist of the various responsibilities and duties under current health and safety legislation should be reviewed by the School with a risk assessment conducted on pedestrian gates as soon as possible.</p> <p><u>Management Response:</u>  <i>Agreed – Risk assessment will be completed.</i></p>	<p>The Health &amp; 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 they 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, they did not have a risk assessment for the School's externally powered pedestrian gates.</p>

## AUDIT TERMS OF REFERENCE

### Christ Church C of E School – 2018/19

#### 1. INTRODUCTION & BACKGROUND

- 1.1 This audit is being undertaken as part of the Internal Audit Plan for 2018/19, 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	0	0
Payroll	0	0	3
Safeguarding	0	0	0

Procurement	0	0	1
Bank Accounts	0	1	1
Information Governance	0	0	0
Income	0	1	0
Health and Safety	0	0	1
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.

## **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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