

Final Internal Audit Report

Park Hill Infant School

January 2019

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	
Substantial Assurance	Direction of Travel from previous audit: No change from Substantial	Priority 1	0
		Priority 2	3
		Priority 3	1

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. Park Hill Infant School is a community school and at the time of audit there were 269 pupils attending. It has an approved expenditure budget of £1.385m for the current financial 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 Recommendations and Issues

Issues Arising in Priority 2 Recommendations

The Finance Committee terms of reference had not been approved by the full Governing Body in the last 12 months as required, **(Issue 1)**.

The Finance Policy and Procedures Manual, which includes the School's scheme of financial delegation, although approved by the Finance Committee, was not approved in the last 12 months by the full Governing Body as required, **(Issue 2)**.

Review of a checklist of the various responsibilities and duties under current health and safety legislation noted that, whilst the School has a satisfactory overall level of compliance, some gaps were noted, **(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	The Governing Body should review all committee terms of reference annually as required by the School Governance (Roles, Procedures and Allowances) (England) Regulations 2013.	<p>Expected Control</p> <p>The School Governance (Roles, Procedures and Allowances) (England) Regulations 2013 part five section 22 (1) states 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>Issue/Finding</p> <p>Examination of the Governing Body meeting minutes established that the Finance Committee terms of reference was last approved by the Governing Body in September 2017, over a year ago, (although the agenda for the Governing Body September 2018 meeting references approval for the terms of reference document for committees).</p> <p>Risk</p> <p>Where committee terms of reference are not annually reviewed by the Full Governing Body as required, the School is in breach of the School Governance (Roles, Procedures and Allowances) (England) Regulations 2013 and there is a risk that the roles and responsibilities of these Committees may no longer be appropriate.</p>						
Management Response								
	All ToRs will be agreed at the first Full Governing Body meeting each academic year. For this academic year, the ToR will be an item on the next Full Governing Body meeting on 19.03.2019.	<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/ Clerk to Governors</td> <td>19.03.2019 This is the date of the next Full Governing Body meeting.</td> </tr> </tbody> </table>	Agreed/Disagreed	Responsible Officer	Deadline	Agreed	School Business Manager/ Clerk to Governors	19.03.2019 This is the date of the next Full Governing Body meeting.
Agreed/Disagreed	Responsible Officer	Deadline						
Agreed	School Business Manager/ Clerk to Governors	19.03.2019 This is the date of the next Full Governing Body meeting.						

Priority	Recommendation 2	Detailed Finding/Rationale				
2	<p>The Finance Policy and Procedures Manual, which includes the School's scheme of financial delegation, should be reviewed annually by the Governing Body.</p>	<p>Expected Control</p> <p>The School Governance (Roles, Procedures and Allowances) (England) Regulations 2013 paragraph 18 detail that, 'the governing body may delegate any of its functions to— (a) a committee; (b) any governor other than a governor who is the head teacher; or (c) where the function being delegated does not directly concern the head teacher, the head teacher (whether or not that person is a governor). (2) Where the governing body has delegated functions, this does not prevent the governing body from exercising those functions. (3) The governing body must review the exercise of functions they have delegated, annually.'</p> <p>Issue/Finding</p> <p>The Finance Policy and Procedures Manual, which includes the School's Scheme of Financial Delegation, was not evidenced as approved by the full Governing Body in the last 12 months as required (although it is acknowledged that this was approved by the Finance Committee in January 2018, not the Full Governing Body).</p> <p>Risk</p> <p>Where the School's Finance Policy and Procedures Manual, which includes the School's scheme of financial delegation, is not reviewed annually by the Governing Body, the School is in breach of the School Governance (Roles, Procedures and Allowances) (England) Regulations 2013 and there is a risk that the policies in place are not appropriate to manage the School's finances.</p>	<p>Agreed/Disagreed</p> <p>Agreed</p>	<p>Management Response</p> <p>The Financial Policies and Procedures Manual will be reviewed each January, amendments made where applicable and taken to the Full Governing Body meeting at the end of each financial year. Amendments have been made to the current Manual to include the IR35 checks procedure.</p>	<p>Responsible Officer</p> <p>School Business Manager</p>	<p>Deadline</p> <p>19.03.2019</p> <p>This is the date of the next Full Governing Body meeting.</p>

Audit Area: Health and Safety

Priority	Recommendation 3	Detailed Finding/Rationale
2	<p>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>	<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 correct management of building-related risks.</p> <p>Issue/Finding</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, a number of gaps were noted including:</p> <ul style="list-style-type: none"> - For responsibility for working at height, the School does not keep records of inspections for at least three months. - School does not have copies of manufacturer's instructions for all gas appliances (said needed to check). - For maintenance and use of work equipment, the School does not keep maintenance, inspection, examination or testing of 'work equipment'. - The School does not have a traffic management plan. - The School's management does not understand and apply the Construction (Design and Management) (CDM) Regulations to all 'construction' work including very simple maintenance work. <p>Risk</p> <p>Where the School does not review its responsibilities and duties under current health and safety legislation and carry out works to ensure that it is compliant, there is an increased risk that all required maintenance is not identified and completed, leading to a risk that harm could come to children and staff when present in the School grounds.</p>
Management Response		<p>Agreed/Disagreed Responsible Officer Deadline</p>

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<p>1) Working at Height training was completed by the caretaker on 03.11.2018. This course was CPD and RoSPA certified. Further guidance will be sought from Croydon Council's H&S Consultancy as to inspection records.</p> <p>2) Manufacturer's instructions for the gas appliances are held by the school.</p> <p>3) Guidance and template inspection checklist obtained on 19.11.2018 from Croydon Council H&S Consultancy. Health and Safety Policy will be amended to detail the timescales for the work equipment checks / maintenance schedule (once every half term).</p> <p>4) On request, Croydon Council's H&S Consultancy have issued guidance in this area. We will implement this over the next term.</p> <p>5) CDM Training has been arranged for the SBM and Caretaker. This training will be delivered by Croydon Council's H&S Consultancy.</p>	<p>Agreed</p>	<p>School Manager</p>	<p>Business</p>	<p>1) 19.03.2019 2) N/A 3) 19.03.2019 4) 28.02.2019 5) 31.01.2019</p>
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4. Priority 3 Recommendations

Recommendation	Findings
<p>1) The governors' induction pack should be amended to also include a copy of the School budget, and the Croydon Scheme for Financing Schools.</p>	<p>The Department for Education produces a governance handbook as an essential resource for governors and trustees designed to outline the roles and responsibilities for governors including the legal duties of the governing board for all state schools in England. This pack should be supplemented with up-to-date information about the School of which the governors are being inducted into.</p> <p>Examination of the copy of the governors' induction pack provided found that, while this included some financial information, it did not include a copy of the School's budget for the current financial year, nor the Croydon Scheme for Financing Schools.</p> <p>Where the governor's induction pack is incomplete, there is a risk that governors may not be properly informed regarding their duties and the School.</p>
<p>2) Third party contracts being reviewed and, where appropriate, data sharing agreements included.</p>	<p>The Data Protection Act (DPA) 2018 came into force on 25th May 2018 and enshrined the General Data Protection Regulations (GDPR) into UK law. In order to prepare for GDPR and the DPA 2018, it is expected that for all schools a DPA 2018 / GDPR plan is developed and used to track the activities required to comply with DPA 2018 / GDPR. This plan should include, where relevant, 3rd Party Contract Reviews.</p> <p>The Data Protection Act 2018 has two categories for breaches of GDPR, acts deemed to be a lesser breach hold a maximum fine of €10 million or two per cent of a company's annual revenue, whichever is greater, and for more severe breaches, the maximum fine is €20 million or four per cent of a company's annual revenue, whichever is greater.</p> <p>Contracts with third parties were in the process of review at the time of audit, and the School should ensure that these include data sharing agreements.</p> <p>Where the School's information governance arrangements are not fully up to date for the Data Protection Act (DPA) 2018 and GDPR, there is a risk that the school is not compliant with the DPA 2018 or GDPR, and could be liable for significant fines should a data breach occur.</p>

Recommendation	Findings
<p>3) For all cases, where costs relating to transactions can be identified in advance, management should ensure that purchase orders are raised and appropriately certified in advance of purchases being initiated.</p> <p><u>School Response:</u></p> <p>Where costs relating to transactions can be identified in advance a purchase order is always raised prior to invoice.</p> <p>On some occasions where costs are unknown (i.e. Croydon Council's appeals service) we are unable to adhere to this procedure.</p> <p>In relation to one instance, the purchase order was raised on 24.04.2018 after the invoices (19.03.2018 & 31.03.2018) as we were waiting for authorisation from Premises Team Business Support Officer at Croydon Council to pay.</p> <p>In relation to another instance, the booking for the service was made on 12 June 2018 for a production in December 2018. A purchase order was raised on 13 June 2018 and cancelled due to a price amendment. The booking form they sent enclosed a deposit invoice which was then queried as the company gave the wrong performance time. A second purchase order was raised for this service on 27.06.2018 with the correct costing and once the correct time had been detailed on the booking form.</p>	<p>The School's Finance Policy and Procedures Manual section D8 details that, 'Official, pre-numbered orders from FMS6 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 with a subsequent written order.'</p> <p>Purchase orders for three of the sample of 15 transactions tested were raised subsequent to the invoices being received.</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>

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Recommendation	Findings
<p>We were unable to raise a purchase order until the company could actually confirm that they were able to deliver the service at the correct time. In future, a revised invoice will be requested to ensure that a purchase order is raised prior to invoice.</p>	

AUDIT TERMS OF REFERENCE

Park Hill Infant 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	2	1
Budgetary Control & Monitoring	0	0	0
Payroll	0	0	0

Safeguarding	0	0	0
Procurement	0	0	1
Bank Accounts	0	0	0
Information Governance	0	0	1
Income	0	0	0
Health and Safety	0	1	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:

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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