

Final Internal Audit Report

The Minster Junior School

December 2018

Distribution:

- 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	
Limited Assurance	Direction of Travel from previous audit: No change from Limited	Priority 1	1
		Priority 2	5
		Priority 3	5

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. The Minster Junior School is a Church of England Voluntary Aided School and at the time of audit, there were 436 pupils attending. It has an approved expenditure budget of £2.571m 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

Issue Arising in a Priority 1 Recommendation

Purchase orders for 7 of the sample of 15 transactions tested were raised subsequent to the invoices being received and one purchase order was not available. In addition, two of these showed no evidence of approval. **(Issue 2)**.

Issues Arising in Priority 2 Recommendations

The School's Finance Policy and Procedures Manual, which includes the School's scheme of financial delegation, was last approved by the Governing Body at the meeting held on 7 December 2015 and had not been evidenced as annually reviewed by the Governing Body as required. **(Issue 1)**

A copy of the Schools authorised bank signatures listing was not available at the time of audit. **(Issue 3)**

Testing of the Schools information governance arrangements confirmed that while the School had a number of documents and policies in place, some exceptions were noted. **(Issue 4)**

Some staff had school meal debts. **(Issue 5)**

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, there were some gaps. **(Issue 6)**

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 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 state 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 School's Finance Policy and Procedures Manual, which includes the School's scheme of financial delegation, was last approved by the Governing Body at the meeting held on 7 December 2015. There was no evidence of this being subsequently reviewed, or amended, by the 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>
Management Response		
<p>This will be reviewed on 28th March 2019 at the full Governing Body meeting, but prior to that by the SBM, Finance Officer and Head Teacher</p>	<p>Agreed</p>	<p>Responsible Officer Head Teacher / School Business Manager</p> <p>Deadline 28 March 2019</p>

Audit Area: Procurement

Priority	Recommendation 2	Detailed Finding/Rationale		
1	<p>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>Expected Control The School's Finance Policy and Procedures Policy section D8 states "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 an internal requisition and official pre-numbered purchase order as soon as practically possible."</p> <p>Issue/Finding Purchase orders for 7 of the sample of 15 transactions tested were raised subsequent to the invoices being received. (Two of these were also not evidenced as authorised). Furthermore, the purchase order for one transaction was not available. It was explained that as this was a contract an official order was not raised.</p> <p>Risk 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>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
<p>Staff are reminded regularly that purchase orders are needed before any purchases are made. Sometimes this is unavoidable, in the event of emergency purchases. Finance Officer to ensure compliance by regular reminders.</p>		Agreed	School Business Manager	Summer Term 2019
Audit comment				
<p>Internal Audit would consider emergency purchases to be an acceptable exception; however, the School's Finance Policy and</p>				

Procedures Policy should detail that emergency purchases are an exception and the order for the emergency purchase should be clearly marked/labelled as such.

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Audit Area: Banking

Priority	Recommendation 3	Detailed Finding/Rationale
2	An up-to-date list of current authorised bank signatories should be obtained and held at the School.	<p>Expected Control The Keeping Your Balance Standards for Financial Management in Schools standard G13 states, 'The Head Teacher should maintain a list of all bank and building society accounts held and the signatories for each'. Obtaining the list helps to ensure that only appropriate signatories are associated with the School's bank accounts.'</p> <p>Issue/Finding A copy of the School's authorised bank signatures listing was not available at the time of audit.</p> <p>Risk Where a list of current bank authorised signatories is not held by the School, there is a risk that individuals who are not approved signatories are on the list, and unauthorised individuals on the list are not identified. This may lead to the School being financially liable for unauthorised and fraudulent transactions that could have otherwise been avoided.</p>
Management Response		Deadline
This information was requested from Croydon Council, but only an electronic copy could be produced. The School Business Manager will liaise with the bank to ensure an original signatory list is on file.		<p>Agreed/Disagreed Agreed</p> <p>Responsible Officer School Business Manager</p> <p>Deadline Spring Term 2019</p>

Audit Area: Information Governance

Priority	Recommendation 4	Detailed Finding/Rationale
2	<p>The School's information governance arrangements should be strengthened by:</p> <ul style="list-style-type: none"> - An Information Asset Register (as required by the DPA 2018) being put in place. - All relevant policies being reviewed to ensure that these are in line with requirements of the DPA 2018 and GDPR. - Data Protection Officer should be appointed. - Third party contracts being reviewed and, where appropriate, data sharing agreements included. 	<p>Expected Control</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 be developed and used to track the activities required to comply with DPA 2018 / GDPR.</p> <p>This plan should include where relevant:</p> <ul style="list-style-type: none"> - Development of an Information Asset Register; - Development of Privacy Notices; - Data Protection Officer (DPO) role assigned; - Reviewing the use of consent; - Data Protection Impact Assessments; - Relevant policies and procedures; - 3rd Party Contract Reviews; - Information Security; and - Staff communication and training. <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>Issue/Finding</p> <p>Testing of the School's information governance arrangements confirmed that while the School had a number of documents and policies in place, the following exceptions were noted:</p> <ul style="list-style-type: none"> - The School did not have an Information Asset Register; - Although it was planned to share the role of Data Protection Officer with St Andrews School, this role was not assigned at the time of audit;

	<ul style="list-style-type: none"> - The Schools Data Protection Policy still referred to the DPA 1998; - A privacy notice for Governors was not in place; - HR practices and procedures had not yet been updated to take account of the DPA 2018 (and GDPR), and - Third party contracts had not yet been reviewed to include, where appropriate, data sharing agreements. <p>Risk</p> <p>Where the School's information governance arrangements are not fully up to date for the 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>						
<p>Management Response</p> <p>The School is working with St. Andrews on the shared use of a DPO. This will be formalised in January 2019 and the cost of training will be shared. The above recommendations will then be reviewed.</p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr style="background-color: #4a4a8a; color: white;"> <th style="width: 33%;">Agreed/Disagreed</th> <th style="width: 33%;">Responsible Officer</th> <th style="width: 33%;">Deadline</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Agreed</td> <td style="text-align: center;">School Business Manager</td> <td style="text-align: center;">Spring Term 2019</td> </tr> </tbody> </table>	Agreed/Disagreed	Responsible Officer	Deadline	Agreed	School Business Manager	Spring Term 2019
Agreed/Disagreed	Responsible Officer	Deadline					
Agreed	School Business Manager	Spring Term 2019					

Audit Area: Income

Priority	Recommendation 5	Detailed Finding/Rationale		
2	Staff debt must be strongly discouraged and immediate action should be taken to recover outstanding debts.	<p>Expected Control</p> <p>School meals are required to be paid for in advance. In exceptional circumstances, it is recognised that some payments may be late and these may be paid in arrears, but this should not be normal practice. Staff incurring debt sets a poor example and must be strongly discouraged.</p> <p>Issue/Finding</p> <p>During the testing of the school meal income, it was established that some staff had accrued meal debts, for instance the one member of staff had accrued a debt of £92 and another member of staff had accrued a £42 debt.</p> <p>Risk</p> <p>Where school meal charges are not paid in advance and outstanding amounts collected in a timely manner, there is a risk that these amounts may not be recovered. Where staff accrue school meal debts there is a risk that these may set a bad example.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
The School has had a problem with Parent Pay and adding new staff. This is currently being resolved and staff will find it easier to pay for their meals in future.		Agreed	School Business Manager	February 2019

Audit Area: Health and Safety

Priority	Recommendation 6	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>The School should ensure that all staff members receive appropriate and sufficient training where required to conduct specific tasks requiring careful handling and expertise.</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"> - Working at height; - Responsibility for pressure maintenance; - Maintaining manufacturer's instructions for gas appliances; - Responsibility for maintenance and use of work equipment; - Lack of understanding and application of CDM Regulations to all 'construction' work (including very simple maintenance work); - Staff training with regards to water quality log book standards and asbestos awareness training; - The staff induction training programme was being updated to include fire safety, and fire wardens were not in place and suitably trained; and - A glazing risk assessment was not in place. <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	Agreed/Disagreed	Responsible Officer	Deadline
The above areas have been addressed with the caretaker and the gaps will be closed.	Agreed	School Business Manager and School Caretaker	Summer Term 2019

4. Priority 3 Recommendations

Recommendation	Findings
<p>1) The Governor's Induction Pack should be amended to also include a copy of the school budget, the DfE Governance Handbook and the Croydon Scheme for Financing Schools.</p> <p><u>Management Response:</u> Governor's Induction Pack will now include the suggested documents. They will be circulated, via email, in January 2019. Updates will be provided annually.</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 Governor's Induction Pack provided found that, while this included school general information, it did not include a copy of the school budget, the DfE Governance Handbook or 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) The Finance Committee Terms of Reference should be reviewed to ensure that all key responsibilities are appropriately detailed.</p> <p><u>Management Response:</u> ToR for Finance Committee is to be discussed by FGB on 29th March 2019.</p>	<p>The School Governance (Roles, Procedures and Allowances) (England) Regulation 2013, Part 5 section 22 states "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>Examination of the Finance Committee terms of reference confirmed that this included quorum, membership and frequency of meetings as expected. However, when comparing the key duties detailed against the responsibilities of the Committee Finance Policy and Procedures Manual, it was found that responsibilities regarding tendering or quotations (although achieving value for money is detailed), disposal of assets and virements were not included in the terms of reference.</p> <p>Where the responsibilities detailed in the Committee terms of reference are incomplete, there is a risk that the Committee may not be aware of and may not perform these.</p>
<p>3) Future School budgets must be evidenced as approved by the full Governing Body before being submitted to the Council by 1st May each year.</p> <p><u>Management Response:</u></p>	<p>The 'Croydon Scheme for Financing Schools' paragraph 2.3 Submission of budget plans details that, 'Governing bodies are responsible for agreeing an income and expenditure plan for the coming financial year. The approved signed plan must be submitted to Croydon Council by 1st May, in a format specified by the LA.'</p>

<p>Noted.</p>	<p>Although the Governing Body minutes of 27 March 2018 evidence that the proposed 2018/19 budget was circulated and it was agreed that the Finance Committee will meet with the LA Finance Representative on 26 April 2018 in order to approve the budget, the 2018/19 budget was not evidenced as approved by the full Governing Body as required.</p> <p>Where the School's budget is not formally approved by the Governing Body, there is a risk that the Schools are in breach of the Council's 'Scheme for Financing Schools'.</p>
<p>4) Staff should be reminded to check that the goods/services have been received and to sign delivery notes/invoices accordingly.</p> <p><u>Management Response:</u> Noted. We will use our signing in system and provide a print out of the times professionals visit us to provide a service e.g. CAMHS.</p>	<p>The School's Finance Policy and Procedures Manual, 'D13: Check Goods And Services On Receipt' details that, 'The Finance Assistant must check goods and services on receipt, sign the delivery notes and pass them to the Financial Administrator.'</p> <p>Examination of the documentation relating to a sample of 15 transactions identified an instance where the goods / service received check was not evidenced.</p> <p>Where appropriate evidence of goods or services received checks is not retained, there is a risk that payments are made for goods and services that are not received.</p>
<p>5) The School's future annual benchmarking report should compare both income and expenditure.</p> <p><u>Management Response:</u> Noted.</p>	<p>The School Financial Value Standard, (SFVS) question 14, asks, 'Does the school benchmark its income and expenditure annually against that of similar schools and investigate further where any category appears to be out of line?'</p> <p>The School's benchmarking report was found to only compare expenditure and not income with schools of a similar status.</p> <p>Where a School does not effectively perform benchmarking for income, there is a risk that the School may not be aware of inefficient practices that are applicable for the area of income that the School receives.</p>

AUDIT TERMS OF REFERENCE

The Minster Junior 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	2
Budgetary Control & Monitoring	0	0	1
Payroll	0	0	0

Safeguarding	0	0	0
Procurement	1	0	2
Bank Accounts	0	1	0
Information Governance	0	1	0
Income	0	1	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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