

REDACTED



## FINAL INTERNAL AUDIT REPORT

### EDUCATION DEPARTMENT

#### REVIEW OF MARJORIE McCLURE SCHOOL

**Issued to:** Mrs R Cottage, Headteacher  
Mrs D Packer, School Business Manager  
Mr A Stammers, Chair of Governors (final only)  
Mr J Nehra, Director of Education (final only)

**Prepared by:** Principal Auditor  
**Reviewed by:** Head of Audit & Assurance

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**Report No.:** PEO/10/2020

## REVIEW OF MARJORIE McCLURE SCHOOL

### INTRODUCTION

1. This report sets out the results of our audit of Marjorie McClure School. The audit was carried out as part of the work specified in the 2021-22 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee. The controls we expect to see in place are designed to minimise the Council's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be addressed by management.
2. The audit review was completed remotely to comply with Government Covid 19 restriction guidelines to work from home where possible. The information required for audit examination was scanned and e-mailed by the School Business Manager (SBM). The standard Internal Audit Questionnaire has been revised for 2021/22 to include the impact and response to COVID-19. The questionnaire forms part of the audit review as a self-assessment. As such the questionnaire, completed by the SBM, was certified by the Headteacher and the Chair of Governors to give an adequate assurance that the return was representative of current working arrangements; the certification was independent of the Finance function.
3. The audit review was originally started in 2020/21 but due to COVID, auditor availability due to other audit priorities and timetabling the review during term time the audit was restarted and completed in September 2021.
4. We would like to thank all staff contacted during this review for their help and co-operation.

### AUDIT SCOPE

5. The original scope of the audit was outlined in the Terms of Reference.
6. The key risks in the areas set are below were examined during the audit review: -
  - **Financial Management Information** including budget monitoring, financial reports and returns to London Borough of Bromley
  - **Primary accounting documentation** including payments, income, contracts, voluntary funds and bank reconciliations
  - **Asset control**
  - **Governance arrangements** including financial delegation, governor minutes, budget approval and business interests

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AUDIT OPINION

7. Our overall audit opinion, number and rating of recommendations are as follows.

AUDIT OPINION	
<b>Reasonable Assurance</b>	(Definitions of the audit assurance level and recommendation ratings can be found in Appendix B)

Number of recommendations by risk rating		
Priority 1	Priority 2	Priority 3
0	4	3

SUMMARY OF FINDINGS

8. The audit review has found evidence to conclude that the controls are in place and working well for Financial Management, Expenditure, Income, Asset Management and Information to Governors. However, the school should consider the findings summarised as follows: -
- Online HMRC assessments had not been completed for the engagement of three individuals who had been paid directly for services delivered.
  - It is acknowledged that the Contract Register is work in progress and that the SBM is reviewing this document. The contract register should include all contractual and service level agreements, and detail annual and whole life values. The register should be reported to Governors annually to allow scrutiny, challenge and periodically test the market to ensure continued value for money when contracts have been rolled over.

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- Two out of 10 payments tested identified contracts extended in 2021 that exceeded the financial thresholds for competitive quotes and in the case of one 3-year contract with a provider, competitive tendering. Similarly, the school's Scheme of Financial Delegation sets out that Governors should approve expenditure exceeding £5K. In neither case was compliance to Financial Regulations and Scheme of Delegation evidenced nor was a waiver process evidenced to support non-compliance.
  - Although there are no current external hiring's the lettings policy needs to be updated; the Council is no longer the school's insurer.
  - The two procurement cards are allocated to the SBM and the Personnel Manager. The SBM completes the reconciliation of expenditure to the monthly card statement to be certified by the Headteacher. The reconciliation should be completed by a third officer, independent to the cardholder, to comply with Financial Regulations 2020 7.5.1 (d)
  - The annual stock take and certification of the asset register has not been completed.
  - Committee minutes do not document the opportunity for Governors to declare any interests at the start of the meeting. Finance and Resources (F&R) minutes of 5/11/2020 show that a governor would meet the SBM and Headteacher prior to committee to discuss the budget; successive minutes have not documented feedback from these meetings. The FGB minutes do not include any feedback from the F&R subcommittee to allow all Governors an overview of financial management.
9. The pre audit questionnaire states that the school's IT provider is responsible for back up and protection of systems. Internal Audit have issued a cyber security awareness self-assessment for the school to complete. The questionnaire should prompt discussion with staff and governors to assign roles and responsibilities and ensure adequate protection should the school be subject to a cyber-attack. This should include any specific insurance cover. Although the responsibility has been passed to the IT provider, the risk remains with the school and given recent ransomware attacks on education establishments the threat is topical and should be reviewed as a priority.
10. The pre audit questionnaire set out the arrangements to account for COVID expenditure and funding. Although this was not reviewed during this audit it was noted that the school had already utilised electronic processes to reduce the handling of paper documents and that signatories had been on site during the pandemic to negate the need for any interim changes to procedures.
11. We would like to thank all staff at the school for their help and cooperation during the audit.

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**DETAILED FINDINGS / MANAGEMENT ACTION PLAN**

12. The findings of this report, together with an assessment of the risk associated with any control weaknesses identified and recommendations are detailed in Appendix A. Appendix B defines the audit opinion and recommendation rating.

1.HMRC – IR35 Payments	
<p><b><u>Finding</u></b></p> <p>From the bank history a sample of 8 payments made to individuals was selected for audit examination. The SBM confirmed that 5 were bursary payments to pupils and therefore excluded from the review. Of the remaining 3, 2 were for supply teachers (£440 and £468) and 1 to an individual to deliver first aid training (£1,600).</p> <p>The HMRC online assessment had not been completed for any of the three.</p> <p>The SBM confirmed that these payments have not been repeated however the procedure to engage off payroll staff must be implemented to ensure compliance to IR35 regulations for all current and future procurement and payments.</p> <p><b><u>Risk</u></b></p> <p>Financial penalty for noncompliance to HMRC Regulations (IR35)</p>	
<p><b><u>Recommendation</u></b></p> <p>For any payments to named individuals the school should complete the online questionnaire on the HMRC website to establish payroll /self-employment status. New regulations effective from April 2021 state that this assessment must be given to the individual to be engaged. For school purposes the assessment should be retained, dated, and certified to support payment to a named individual.</p>	<p><b><u>Rating</u></b></p> <div style="text-align: center; border: 1px solid black; background-color: #ffcc00; padding: 5px; width: fit-content; margin: 0 auto;"> <b>Priority 2</b> </div>
<p><b><u>Management Response and Accountable Manager</u></b></p> <p>To be done in future as and when required by SBM</p>	<p><b><u>Agreed timescale</u></b></p> <p>As and when required.</p>

<b><u>2. Contract Register</u></b>	
<b><u>Finding</u></b>	
<p>It is acknowledged that the Contract Register is work in progress and that the SBM is reviewing this document. As the document is revised and updated all contractual arrangements and agreements should be included so that the contract register becomes a comprehensive document of financial commitment to facilitate financial planning, decision making and an early alert of contracts due for action, extension, or retendering. The current contract register cites most contracts as being “continuous unless cancelled”; periodic market testing should be evidenced to ensure continued value for money. There was no evidence that the register is routinely reported to Governors.</p>	
<b><u>Risk</u></b>	
<p>Inadequate information relating to contractual arrangements is available to allow timely renewal or retendering Lack of market testing and competitive tendering may impact on value for money</p>	
<b><u>Recommendation</u></b>	<b><u>Rating</u></b>
<p>The contract register should include all contractual agreements and service level agreements with annual and whole life contract values. The register should be reported to Governors annually to allow scrutiny, challenge, and periodic market testing to ensure continued value for money specifically for contracts that have been rolled over and not subject to competitive tendering.</p>	<div style="border: 1px solid black; background-color: yellow; padding: 5px; display: inline-block;"><b>Priority 2</b></div>
<b><u>Management Response and Accountable Manager</u></b>	<b><u>Agreed timescale</u></b>
<p>Register to be updated and reported to governors by SBM</p>	<p>By December 2021</p>

<b>3. Payments over £5K</b>	
<p><b><u>Finding</u></b></p> <p>Two of the 10 payments selected for audit examination identified contracts that were extended in 2021. The value of these contracts exceeded the threshold for competitive quotes (£5k to £100K) and in the case of the one contract the threshold for competitive tendering (&gt;£100K). The school's Scheme of Delegation (Financial) sets out that Governors should approve expenditure exceeding £5K. In neither case was compliance to Financial Regulations or the Scheme of Delegation evidenced nor was a waiver process completed.</p> <p><b><u>Risk</u></b></p> <p>Payments may not be made in compliance with Financial Regulations and the School's own procedures Challenge from competing providers for the procurement of goods or services.</p>	
<p><b><u>Recommendation</u></b></p> <p>All expenditure should be processed to comply with Financial Regulations and then to locally agreed conditions set out in the School's Scheme of Delegation. Any exemption to Financial Regulations must be supported by a waiver signed by both the Headteacher and the Chair of Governors</p>	<p><b><u>Rating</u></b></p> <div style="border: 1px solid black; background-color: yellow; padding: 2px; display: inline-block;">Priority 2</div>
<p><b><u>Management Response and Accountable Manager</u></b></p> <p>The contract identified was a specialist provision that was removed by Bromley, so we had to buy in ourselves, however it was not over £100k. This provision must be via the local authority NHC to ensure we have consistency and access to NHS data and records. In future for any such provision the SBM will ensure there is a waiver as we are a specialist school and as such need specialist provision. SBM</p>	<p><b><u>Agreed timescale</u></b></p> <p>As and when required.</p>

<b><u>4. Lettings Policy</u></b>	
<p><b><u>Finding</u></b></p> <p>The Lettings Policy incorrectly states that Council is the school’s insurer. This will need to be updated to show the current insurers and confirm the insurance cover regarding lettings if a hirer does not have their own policy for Public Liability. It is acknowledged that there are currently no external hirings however the application form will also need to be updated with current insurance arrangements before any lettings are accepted.</p> <p><b><u>Risk</u></b></p> <p>The school may be inadequately insured, the school may not have adequate insurance cover for any claim that is received in respect of Public Liability. Income collected may not agree to approved fees and charges</p>	
<p><b><u>Recommendation</u></b></p> <p>The school should contact their insurers and clarify the insurance cover regarding lettings if a hirer does not have Public Liability cover, the application form needs to be revised in line with this advice.</p> <p>The lettings policy, and application form needs to remove any reference to the Council’s Insurers as this is out of date information and inaccurate.</p>	<p><b><u>Rating</u></b></p> <div style="border: 1px solid black; background-color: #90ee90; padding: 5px; display: inline-block;">Priority 3</div>
<p><b><u>Management Response and Accountable Manager</u></b></p> <p>The SBM has revised the lettings policy and it will go to the next F&amp;R committee. Our insurance does cover lettings.</p>	<p><b><u>Agreed timescale</u></b></p> <p>Autumn Term 2021</p>

<b><u>5. Procurement Card</u></b>	
<p><b><u>Finding</u></b></p> <p>The two procurement cards are allocated to the SBM and Personnel Manager secured in the school office. Audit testing for a sample month evidenced supporting documentation for each transaction, summarised on a transaction log and reconciled to the bank statement. The SBM is the primary user of credit card expenditure and completes and certifies the reconciliation prior to the Headteacher authorising the summary document. Financial Regulations 7.5.1 (d) require the reconciliation to be completed by an officer, independent of the cardholder. Having three officers involved in the process also complies to the payment controls also set out in Financial Regulations.</p> <p><b><u>Risk</u></b></p> <p>Unauthorised expenditure incurred by the school</p>	
<p><b><u>Recommendation</u></b></p> <p>The school should consider a third officer to be part of the procurement card process. Given the SBM is the primary cardholder and user this officer would complete the reconciliation of transaction to bank statement and ensure all entries are supported by adequate documentation.</p>	<p><b><u>Rating</u></b></p> <div style="border: 1px solid black; background-color: yellow; padding: 2px; display: inline-block;">Priority 2</div>
<p><b><u>Management Response and Accountable Manager</u></b></p> <p>This will be actioned – Personnel Manager to be the signatory.</p>	<p><b><u>Agreed timescale</u></b></p> <p>Immediate</p>

<b><u>6. Asset Management</u></b>	
<b><u>Finding</u></b>	
<p>Given the audit was completed remotely there was no opportunity to complete physical checks on assets held. The audit relied on the self-assessment declared by the school which confirmed that the asset registers were maintained on the school's finance system and inventory lists and included detailed information relating to serial/model numbers, acquisition date and location. It was also confirmed that there has not been a recent stock take, primarily due to the impact of COVID 19. A stock take will need to be completed as part of the preparation to move to the new build site and at this point the Headteacher should sign the register as an accurate record of all assets held by the school.</p>	
<b><u>Risk</u></b>	
Loss of assets from school premises.	
<b><u>Recommendation</u></b>	<b><u>Rating</u></b>
The annual stock take should be completed when resources are available to allow the Headteacher to certify that all assets are accounted for and that the stock registers accurately reflect assets held by the school. The stock list will be an important document to account for assets when the school transfer to the new site.	<b>Priority 3</b>
<b><u>Management Response and Accountable Manager</u></b>	<b><u>Agreed timescale</u></b>
The SBM has asked office staff to start the process of annual stock take.	Aim to get it completed Autumn term 2021 if not then by Spring Term 2022

<u>7. Governance</u>	
<b><u>Finding</u></b>	
<p>The minutes of the previous 3 committee meetings for Finance &amp; Resources and Full Governing Body were reviewed. The following issues arising: -</p> <ul style="list-style-type: none"> <li>• Committee minutes should document the opportunity for Governors to declare any interests at the start of each meeting</li> <li>• F&amp;R minutes 5/11/2020 state that a governor would be meeting with the SBM and Headteacher prior to committee to discuss the budget but successive minutes have not documented feedback from these meetings</li> <li>• The FGB minutes do not record any feedback from other sub committees including F&amp;R</li> <li>• The Scheme of Delegation was agreed by F&amp;R 25/05/2021 but no evidence that this was presented to the FGB</li> <li>• No reference to the procurement options to extend contracts and exceed agreed thresholds for governor approval.</li> </ul>	
<b><u>Risk</u></b>	
Governors are not updated in a formal, timely manner to allow scrutiny and challenge of decisions regarding financial management and policy.	
<b><u>Recommendation</u></b>	<b><u>Rating</u></b>
The school should consider the format and content of the committee minutes to ensure the issues highlighted above are met.	<b>Priority 3</b>
<b><u>Management Response and Accountable Manager</u></b>	<b><u>Agreed timescale</u></b>
<p>SBM has asked clerk to the governors to re-insert the declaration of interests at the start of each meeting.</p> <p>When the governor meets with Head and SBM it will be documented.</p> <p>The clerk has been asked to ensure that it is minuted at FGB meetings that the F&amp;R and other committee minutes are sent to all governors. The clerk has also been asked to ensure all policies, i.e. scheme of delegation that are presented to governors are listed as such to provide evidence that this has been done.</p> <p>SBM to ensure procurement options are presented for governor approval.</p>	With immediate effect, as and when necessary.

**Assurance Level**

Assurance Level	Definition
<b>Substantial Assurance</b>	There is a sound system of control in place to achieve the service or system objectives. Risks are being managed effectively and any issues identified are minor in nature.
<b>Reasonable Assurance</b>	There is generally a sound system of control in place but there are weaknesses which put some of the service or system objectives at risk. Management attention is required.
<b>Limited Assurance</b>	There are significant control weaknesses which put the service or system objectives at risk. If unresolved these may result in error, abuse, loss or reputational damage and therefore require urgent management attention.
<b>No Assurance</b>	There are major weaknesses in the control environment. The service or system is exposed to the risk of significant error, abuse, loss or reputational damage. Immediate action must be taken by management to resolve the issues identified.

**Recommendation ratings**

Risk rating	Definition
<b>Priority 1</b>	A high priority finding which indicates a fundamental weakness or failure in control which could lead to service or system objectives not being achieved. The Council is exposed to significant risk and management should address the recommendation urgently.
<b>Priority 2</b>	A medium priority finding which indicates a weakness in control that could lead to service or system objectives not being achieved. Timely management action is required to address the recommendation and mitigate the risk.
<b>Priority 3</b>	A low priority finding which has identified that the efficiency or effectiveness of the control environment could be improved. Management action is suggested to enhance existing controls.

