

Final Internal Audit Report Selston Primary School November 2017

Distribution: Executive Head Teacher
Chair of Governors
Senior Administration Officer
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	4
		Priority 3	5

Contents

Page

Executive Summary

1. Introduction.....	2
2. Key Issues.....	2

Detailed Report

3. Actions and Key Findings/Rationale	3
4. Priority 3 Recommendations.....	7

Appendices

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

1. Introduction

- 1.1. Selsdon Primary School is a Community School and at the time of audit there were 564 pupils attending. It has an expenditure budget of approximately £2.6m 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 2 Recommendations

Some authorisation limits in the Schools Financial Policies and Procedures manual differed to those within the Resources Committee Terms of Reference. **(Rec 1).**

The Head Teacher's performance was not reviewed before 31 December 2016, **(Rec 2).**

One official order was after the date and receipt of the corresponding invoice, **(Rec 3).**

Checks of procurement card statements found that one was not evidenced as being conducted in a timely manner, **(Rec 4).**

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
- Senior Administrative Officer

3. Actions and Key Findings/Rationale

Governance and Leadership

Priority	Recommendation 1	Detailed Finding/Rationale	Agreed/Disagreed	Responsible Officer	Deadline
2	The School should ensure that the Terms of Reference (ToR) for the Schools Resources Committee is in line with that of the Schools Financial Policies and Procedures manual.	<p>Expected Control</p> <p>The School Financial Management Standard, question 3 'Definition of responsibilities of governing body and school staff' asks, 'Is there a clear definition of the relative responsibilities of the governing body and the school staff in the financial field?'</p> <p>Issue/Finding</p> <p>It was confirmed that the School had a Financial Policies and Procedures manual; however, examination of this identified that the authorisation limits for the Deputy Headteacher, the Executive Head Teacher and the Full Governing Body differed to those in the Terms of Reference (ToR) for the Schools Resources Committee.</p> <p>Risk</p> <p>Where appropriate procedures and guidance are not available to staff, there is a risk that not all essential duties are carried out and that staff may not fully understand their responsibilities or limits in respect of financial management and thus may not be properly held accountable for how they carry these out.</p>	Agreed	Executive Head Teacher	November 2017
Management Response					
The TOR for the Resources Committee have been updated for 2017/18 and are now in line with the delegated authority limits in our Finance Policy and Procedures (April 2017).					

Audit Area: Payroll

Priority	Recommendation 2	Detailed Finding/Rationale		
2	Annually review the pay of all teachers by 31 October and the Head Teacher by 31 December.	<p>Expected Control</p> <p>In accordance with the School Teachers Pay and Conditions document, all decisions regarding the pay progression for teachers, including the leadership group should be made without undue delay. These should be completed prior to or on 31 October for teaching staff and prior to or on 31 December for the Head Teacher.</p> <p>Issue/Finding</p> <p>The Head Teacher's performance was not reviewed until June 2017. The Head Teacher is an Executive Head Teacher and is responsible for two schools.</p> <p>Risk</p> <p>Where performance reviews are not undertaken in line with set guidelines there is a risk that any instances of poor performance may not be identified in a timely manner. Furthermore, there is an impact on budget management with the Head Teacher's pay being backdated to September.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
<p>We aim to ensure that all teacher, and headteacher appraisals are completed by the 31st October each year.</p> <p>We aim to ensure that the headteacher appraisal is completed by the 31st December each year.</p>		Agreed	Resources Committee	31 st December 2017

Audit Area: Procurement

Priority	Recommendation 3	Detailed Finding/Rationale					
2	All purchase orders are to be raised when procurement transactions are initiated and prior to receipt of the invoice.	<p>Expected Control</p> <p>The School's Financial Policies and Procedures Manual in paragraph D8 on page 16 states "Official pre-numbered orders from the FMS6 system must be used for all goods and services" and at paragraph D12 states "When an order is placed, the estimated cost must be committed against the appropriate budget allocation so that it features in subsequent budget monitoring."</p>	<p>Issue/Finding</p> <p>From a sample of 15 purchase orders recorded in the School's financial system extracted for examination from purchases made in the 12 months prior to the audit, one instance was identified where the purchase order had been raised after the date and receipt of the invoice, where the order date was 19 April 2016 and the invoice date was 4 April 2016.</p> <p>Risk</p> <p>Where purchase orders are not raised prior to goods/services and/or invoices received there is a risk that the authorisation and commitment processes are bypassed which could result in inappropriate purchases and poor budgetary control (commitment accounting) over financial resources.</p>				
<p>Management Response</p> <p>The finance officer has been asked to ensure that, except for emergencies, that all orders must be put on the system before the order is authorised and an invoice submitted. In the case mentioned, invoices will not be paid by the School without a school order number.</p>		Agreed	Agreed/Disagreed	Responsible Officer	Executive Head Teacher/ Finance Officer	Deadline	November 2017

Priority	Recommendation 4	Detailed Finding/Rationale		
2	<p>Monthly checks and reconciliations of procurement card statements should be independently conducted.</p>	<p>Expected Control In order to help detect the inappropriate use of procurement cards or account errors, monthly checks and reconciliations of procurement card statements should be independently conducted.</p> <p>Issue/Finding Audit testing identified that the August 2016 procurement card statements were only evidenced as checked by the Executive Head Teacher on 6 January 2017.</p> <p>Risk Where monthly checks and reconciliations of procurement card statements are not conducted, there is a risk that any errors or inappropriate expenditure may not be detected in a timely manner.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
<p>The Executive Headteacher checks the procurement card reconciliations and statements on a monthly basis. The August 2016 reconciliations were checked by our Finance Officer from Octavo, and were not included in the monthly paperwork that was checked by the Executive Headteacher. This was not picked until January 2017, when they were then checked and signed.</p> <p>The school's finance officer has a system in place to ensure that this does not happen again.</p>		Agreed	Executive Head Teacher / Finance Officer	November 2017

4. Priority 3 Recommendations

Recommendation	Findings
<p>1) The New Governor Induction pack should include the Croydon Scheme for Financing Schools and the, Governor's Guide to School Governance.</p>	<p>The Department of Education 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: The Croydon Scheme For Financing Schools or the Governor's Guide to School Governance.</p>
<p>2) Employee's right to work in the UK verification checks carried out as part of the recruitment process, are to be dated and signed to confirm acceptance and to satisfy any inspection that may be carried out by the UK Visa and Immigration Service.</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 signed 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 three recent staff appointments from eight new starters since 1 April 2016 was examined. Although evidence of right to work in the UK in the form of copies of passports and a residence permit was obtained, and retained in the personnel files, these documents were not signed and dated to evidence that the original copies of these were seen.</p> <p>Where the School employs an illegal worker and is unable to demonstrate that the appropriate checks were conducted, there is a risk that the School could face a civil penalty.</p>
<p>3) Management controls should be established to ensure that unreconciled payments and receipts shown on the accounting system are periodically reviewed and cleared when over six months old.</p> <p>The items currently shown on the 'Unreconciled Items Listing', the payment to Croydon Council,</p>	<p>It is banking practice that banks will only honour a cheque payment into a bank account if the item is less than six months old. In performing bank reconciliations, accounting standards recommend that all unreconciled items over six months old should be investigated and cleared off the system.</p> <p>Examination of an 'Unreconciled Items Listing' established that there was one unreconciled item over six months old dated 5th January 2017 for £7,131.71.</p>

CROYDON

<p>should be investigated and, where appropriate, cancelled.</p>	<p>Where unreconciled items are not removed from the system, there is a risk that the School's financial position may appear distorted and of non-compliance with accounting regulations.</p>
<p>4) The School should attach the Information and Records Management Society's Toolkit for Schools as an appendix to its Records Management Policy.</p>	<p>The School has a Records Management Policy dated May 2017. However, this Policy does not contain the Information and Records Management Society's Toolkit for Schools as an appendix to its policy. If the School does not have detailed document retention guidance in place, there is a risk that the staff may not be aware of and not comply with the required practices and as a consequence the Data Protection Act 1998 may be breached.</p>
<p>5) Equipment loan forms should clearly explain responsibility for the item/s borrowed.</p>	<p>The Council's insurance policy does not provide for items left unattended in a motor vehicle. The School's laptop loan form does not make mention that laptops left unattended in vehicles are not provided for.</p>

Agreed Terms of Reference

Selsdon Primary 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	1	1
Budgetary Control & Monitoring	0	0	0
Payroll	0	1	1

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

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.