

Final Internal Audit Report

Elmwood Infant School 2019/20

July 2019

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		
Substantial Assurance	Direction of Travel from previous audit: Up from Limited.	Priority 1	0
		Priority 2	4
		Priority 3	2

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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. Elmwood Infant School is a Community School and at the time of audit there were 406 pupils attending. It has an expenditure budget of approximately £2.2m for 2019/20.
- 1.2. The audit was undertaken as part of the agreed Internal Audit Plan for 2019/20 based on a risk assessment. The objectives, approach and scope are contained in the Audit Terms of Reference at Appendix 1.

2. Key Issues

Priority 2 Recommendations

Examination of recent payroll listings established that these were last evidenced as reviewed by the Head Teacher in January 2019, **(Recommendation 1)**.

Examination of the full Governing Body minutes could not evidence ratification of the Head Teachers pay rise confirmed in December 2018. **(Recommendation 2)**

Examination of a sample of 15 transactions identified two purchases where the orders were raised retrospective to the corresponding invoices, **(Recommendation 3)**.

A written agreement between the Business Manager and the School could not be located for the use of the School procurement card, **(Recommendation 4)**.

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: Payroll

Priority	Recommendation 1	Detailed Finding/Rationale	Agreed/Disagreed	Responsible Officer	Deadline
2	The monthly payroll invoices should be signed by the Head Teacher, as evidence of the monthly payroll listings being checked.	<p>Expected Control Keeping Your Balance Standards for financial management in schools, standard H8 details that, 'The headteacher should obtain regular reports on payroll transactions and check them against the school's documentation on staffing and pay to ensure that they match.'</p> <p>In this regard, the School's practice involves the monthly payroll listing from Liberata being reviewed by the Head Teacher before the payment demand is signed to confirm agreement.</p> <p>Issue/Finding Examination of recent payroll invoices identified that, while these were signed up to and including the January 2019 invoice, subsequent invoices were not signed by the Head Teacher.</p> <p>Risk Where the monthly payroll invoices are not signed, there is a lack of evidence of these and monthly payroll listings being reviewed by the Head Teacher and there is a consequent risk that incorrect payments may be made.</p>	Agreed	Office Manager	This action has been implemented already.
Management Response					
The Headteacher reviews the monthly payroll listings but these have not been printed due to advice from our Budget Adviser in respect of GDPR. In future, upon receipt of the monthly payroll invoice, these will be signed.					

Priority	Recommendation 2	Detailed Finding/Rationale		
2	<p>Any recommendations relating to the Head Teacher's pay should be ratified by the full Governing Body, (or formally delegated Committee).</p>	<p>Expected Control 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>Issue/Finding Examination of the full Governing Body minutes could not evidence ratification of the Head Teachers pay rise confirmed in December 2018. Discussion with the Business Manager established that the pay increase was ratified by the Pay Committee via WhatsApp on 13 December 2018.</p> <p>Risk Where an increase in Head Teachers pay is not ratified by the full Governing Body, there is a risk that any recommended increases are not valid.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
<p>Lots of correspondence relating to the pay recommendations for the Headteacher took place between the members of the HT performance committee which included the Chair and Vice Chair of the Governing Board. The Clerk has now included this as a standing item for the autumn agenda so that it will always be ratified in future. Ratification of the 2019 pay award for the Headteacher will be completed at the next FGB in the autumn term.</p>		Agree	Clerk to Governors/Chair of Governing Board	Sep 2019 – FGB meeting.

Audit Area: Procurement

Priority	Recommendation 3	Detailed Finding/Rationale
2	<p>Where costs relating to transactions can be identified in advance, management should ensure that details of the financial commitments are subject to purchase orders prior to initiating the purchases.</p> <p>Notwithstanding, all transactions should be evidenced as being authorised prior to funds being committed.</p>	<p>Expected Control</p> <p>The 'Financial Policies and Procedures Manual for ELMWOOD INFANT SCHOOL' part 'D8: Use of written pre-numbered order forms' details that, 'Official, pre-numbered orders from the FMS6 system 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 by a written order.' Part 'D12: Orders entered as commitments on budget' further details that, '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>Examination of a sample of 15 transactions identified two instances where the purchase orders were raised retrospective to the corresponding invoices. These were for a photocopier lease payment and a payment to another Primary School.</p> <p>Risk</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>
Management Response		Agreed/Disagreed
<p>The lease for the photocopier crossed two financial years. In future, the cost will be accrued from one financial year to the next.</p> <p>On this occasion, the establishment issued an invoice for the services agreed, before receiving a purchase order number.</p>		<p>Agree</p>
Management Response		Responsible Officer
		Office Manager and Headteacher
Management Response		Deadline
		Noted for future reference.

Audit Area: Banking

Priority	Recommendation 4	Detailed Finding/Rationale
2	<p>A written agreement between the School and the procurement card holder should be established.</p>	<p>Expected Control A signed agreement should be held confirming that all members of staff in receipt of a procurement card agree to the terms of use.</p> <p>Issue/Finding Discussion with the Head Teacher established that the only member of staff in receipt of a procurement card was the Business Manager; however, a copy of the agreement between the Business Manager and the School for the use of the procurement card could not be located.</p> <p>Risk Where a written agreement between the School and any procurement card holder has not been established there is a risk that the card may be misused.</p>
Management Response	Agreed/Disagreed	Responsible Officer
<p>The School has one procurement card. On the application form for this card, the Office Manger signed the form, providing evidence of her agreement to adhere to the terms and conditions of this card. Our Finance Policy also outlines the limits of spending attached to this card. However, the School will prepare an agreement for the Office Manager to sign to demonstrate her agreement to the terms and conditions of this card.</p>	<p>Agreed</p>	<p>Headteacher</p> <p>September 2019</p>

4. Priority 3 Recommendations

Recommendation	Findings
<p>1) The School should ensure they do not have any unreconciled items older than six months.</p> <p><u>Management Response:</u> The School will continue to monitor the unreconciled items and will ensure that these are addressed within six months</p>	<p>Examination of the school's unreconciled items list established that there was one unreconciled item, dated 8 November 2018 for £230.40, which was older than six months.</p> <p>Where there are unreconciled items older than six months, there is a risk that where cheque payments are being made, these will not be accepted by the bank.</p>
<p>2) 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><u>Management Response:</u> The School will continue to work on the areas highlighted red within the self- assessment and will create a risk assessment linked to the vehicular and pedestrian gates. This risk assessment will be in place for the autumn term 2019.</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>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 gap was noted, namely that a risk assessment for external powered vehicles or pedestrian gates was not in place.</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>

AUDIT TERMS OF REFERENCE

Elmwood Infant School 2019/20

1. INTRODUCTION & BACKGROUND

- 1.1 This audit is being undertaken as part of the Internal Audit Plan for 2019/20, 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	0	0
Budgetary Control & Monitoring	0	0	0
Payroll	0	2	0
Safeguarding	0	0	0
Procurement	0	1	0
Banking	0	1	1
Information Governance	0	0	0
Health and Safety	0	0	1
Income	0	0	0
Totals	0	4	2

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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