

Final Internal Audit Report Elmwood Infants School January 2018

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	
Limited Assurance	Direction of Travel from previous audit: Down from Substantial	Priority 1	2
		Priority 2	7
		Priority 3	5

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1. Introduction

- 1.1. Elmwood Infants School is a Community School and at the time of audit there were 412 pupils attending. It has an expenditure budget of approximately £2m 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 1 Recommendations

Barred list and DBS checks had not been conducted in a timely manner for some staff and governors (Rec 5).

The Schools procurement cards were not obtained via the Council as required and were not evidenced as approved by the Governing Body (Rec 7).

Priority 2 Recommendations

There was no evidence of the Governing Body approving the School's Financial Policies and Procedures Manual Scheme of Delegation as required (Rec 1).

The Governing Body had not approved the Resources Committee terms of reference (Rec 2).

The Schools 2016/17 SFVS self-assessment had not been discussed and approved by the Governing Body (Rec 3).

Medical clearance had not been obtained for one new starter (Rec 4).

Goods or services received checks had been not been appropriately evidenced for 10 out of the 15 transactions sampled (Rec 6).

The School did not hold a current listing of bank account signatories and examination of the Council's records found that three currently authorised bank signatures were no longer employed by the School, (Rec 8).

The School did not have a document retention policy (Rec 9).

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
- School Business Manager

3. Actions and Key Findings/Rationale

Audit Area: Governance

Priority	Recommendation 1	Detailed Finding/Rationale	Agreed/Disagreed	Responsible Officer	Deadline
2	The Governing Body should approve the School's Financial Policies and Procedures Manual, which includes the School's scheme of financial delegation, annually.	<p>Expected Control The School Governance (Roles, Procedures and Allowances) (England) Regulations 2013 paragraph 18 (3) states that, 'The governing body must review the exercise of functions they have delegated, annually.'</p> <p>Issue/Finding While the School's Financial Policies and Procedures Manual dated February 2017, which includes the School's scheme of financial delegation, was approved by the Resources Committee on the 20 March 2017, it had not been ratified by the full Governing Body as required.</p> <p>Risk Where the Financial Management Policy and Scheme, which includes the Schools scheme of delegation, is not reviewed and formally approved annually by the full Governing Body, the School is in breach of the School Governance (Roles, Procedures and Allowances) (England) Regulations 2013 and there is a risk that decisions may be made without the appropriate delegated authority and of inadequate control over the financial management of the School.</p>	Agree	Office Manager / Chair of Governors	22 nd Jan 2018
Management Response		Agreed/Disagreed	Responsible Officer	Deadline	
In future we will always ensure that it is ratified at a Full Governors Meeting. It will be ratified at the next FGB meeting on 22 nd Jan 2018.		Agree	Office Manager / Chair of Governors	22 nd Jan 2018	

Priority	Recommendation 2	Detailed Finding/Rationale						
2	<p>The Governing Body should review and approve the terms of reference of the Resources Committee annually.</p>	<p>Expected Control</p> <p>The School Governance (Roles, Procedures and Allowances) (England) Regulations 2013 paragraph 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>Although the Resources Committee terms of reference were approved by the Resources Committee on 16 October 2017, there was no evidence of these being agreed by the full Governing Body as required.</p> <p>Risk</p> <p>Where committee terms of reference are not annually reviewed and approved by the full Governing Body as required, there is a risk that the terms of reference are incorrect or out of date and that the committee may not perform the functions expected. Furthermore, any changes to the terms of reference by the Resources Committee will not be valid.</p>						
Management Response	<p>These were reviewed at the first committee meeting of the academic year. The first opportunity to agree them with the FGB is coming up on the 22nd Jan 2018.</p>	<table border="1"> <thead> <tr> <th data-bbox="821 936 879 1283">Agreed/Disagreed</th> <th data-bbox="821 595 879 936">Responsible Officer</th> <th data-bbox="821 253 879 595">Deadline</th> </tr> </thead> <tbody> <tr> <td data-bbox="879 936 994 1283">Agree</td> <td data-bbox="879 595 994 936">Headteacher/ Chair of Governors</td> <td data-bbox="879 253 994 595">22nd Jan 2018</td> </tr> </tbody> </table>	Agreed/Disagreed	Responsible Officer	Deadline	Agree	Headteacher/ Chair of Governors	22nd Jan 2018
Agreed/Disagreed	Responsible Officer	Deadline						
Agree	Headteacher/ Chair of Governors	22nd Jan 2018						

Priority	Recommendation 3	Detailed Finding/Rationale			
2	<p>For future years, the full Governing Body must discuss and approve the School's SFVS and submit it to Croydon Council by 31 March, signed by the Chair of Governors.</p>	<p>Expected Control</p> <p>The Croydon Scheme for Financing Schools 2.16 - Schools Financial Value Standard (SFVS) states that, 'All local authority maintained schools (including nursery schools and Pupil Referral Units (PRUs) that have a delegated budget) must demonstrate compliance with the Schools Financial Value Standard (SFVS) and complete the assessment form on an annual basis.</p> <p>It is for the school to determine at what time in the year they wish to complete the form. Governors must demonstrate compliance through the submission of the SFVS assessment form approved by the Full Governing Body and signed by the Chair of Governors. All maintained schools with a delegated budget must submit the form to the local authority before 31st March and annually thereafter.'</p> <p>Issue/Finding</p> <p>While the School's SFVS, dated 20 March 2017, was discussed and approved by the Resources Committee on 20 March 2017, it was not approved by the full Governing Body as required.</p> <p>Risk</p> <p>Where the SFVS self-assessment is not approved by the full Governing Body, not only is the School in breach of the Scheme for Financing Schools, but it may not be able to properly demonstrate appropriate financial management of the School. Furthermore, there is a risk that the Governors are unaware of the School's control environment and where additional resources should be focused for improvement and prevention.</p>	<p>Agreed/Disagreed</p> <p>Agree</p>	<p>Responsible Officer</p> <p>Office Manager / Chair of Governors</p>	<p>Deadline</p> <p>22nd Jan 2018</p>
<p>Management Response</p> <p>The SFVS was signed by the Chair of Governors and submitted to Croydon Council by the 31st March. In future we will always ensure that it is ratified at a Full Governors Meeting. It will be ratified at the next FGB meeting on 22nd Jan 2018.</p>					

Audit Area: Payroll

Priority	Recommendation 4	Detailed Finding/Rationale
2	As part of the recruitment process, satisfactory health clearances should be obtained for new staff prior to commencing work.	<p>Expected Control The Education (Health Standards) (England) Regulations 2003, paragraph 6 (1) States that, "A relevant activity may only be carried out by a person if, having regard to any duty of his employer under Part II of the Disability Discrimination Act 1995(3), he has the health and physical capacity to carry out that activity." In this regard all new starters are required to undergo an occupational health check.</p> <p>Issue/Finding Examination of the documentation for a sample of three recent staff appointments identified that medical clearance had not been obtained and retained for one of the new starters (OF).</p> <p>Risk Where new Council employees do not receive a medical check prior to commencing employment, there is a risk that employees are not fit to carry out some specific roles. This may result in a loss of provision of services through long term illness and potentially a financial loss for the School.</p>
Management Response		
The health clearance check was initiated for this member of staff prior to commencement of work but became lost over the summer period due to the transition from one Occupational Health company to the other.	Agree	<p>Agreed/Disagreed</p> <p>Office Manager</p> <p>Responsible Officer</p> <p>Completed</p> <p>Deadline</p>

Priority	Recommendation 5	Detailed Finding/Rationale
1	<p>Should schools allow an individual to start work in regulated activity before the DBS certificate is available, they should ensure that the individual is appropriately supervised and that all other checks, including a separate barred list check, have been completed.</p> <p>DBS checks for future governors must be sought within 21 days of their appointment as a governor.</p> <p>The DBS renewals for the identified staff should be progressed as soon as possible.</p>	<p>Expected Control</p> <p>The 'Keeping children safe in education - Statutory guidance for schools and colleges' paragraph 88 states that, 'a person will be considered to be engaging in regulated activity if, as a result of their work, they: ...will carry out paid, or unsupervised unpaid, work regularly in a school or college where that work provides an opportunity for contact with children' and paragraph 94 states that, 'Where a school or college allows an individual to start work in regulated activity before the DBS certificate is available, they should ensure that the individual is appropriately supervised and that all other checks, including a separate barred list check, have been completed.'</p> <p>The School Governance (Constitution and Federations) (England) (Amendment) Regulations 2016 paragraph 16 A (2) states that, 'Where a governor is elected or appointed on or after 1st April 2016 and does not hold an enhanced criminal record certificate, the governing body must apply for such a certificate in respect of that governor within 21 days after his or her appointment or election.'</p> <p>It is Croydon Council policy is that DBS checks are renewed every 3 years.</p> <p>Issue/Finding</p> <p>Examination of the documentation for a sample of three recent staff appointments identified that, for two of the appointments on 4 September 2017, barred checks had not been evidenced as conducted and the DBS checks were only received on 7 and 17 November 2017 respectively, just over 2 months after their start dates.</p> <p>Examination of the Schools 'Single central record' established that:</p> <ul style="list-style-type: none"> • DBS renewals for three staff members, whose last DBS checks were dated 22, 23 and 25 July 2014, were still being processed. • The DBS checks for three governors appointed since 1 April 2016, were not applied for within 21 days as required. <p>Risk</p> <p>Where DBS renewals are not requested as required by Local Authority policy or by legislation, there is a risk that the school is in breach of its statutory duty and safeguarding measures are inadequate.</p>

Management Response	Agreed/Disagreed	Responsible Officer	Deadline
<p>We have actioned all of the issues linked to these isolated cases and have reviewed our processes and procedures to understand the reasons behind why these DBS checks were not completed in a timely way and therefore did not adhere to the school's high expectations. Moving forward, we can assure the Local Authority that all staff and governors have an up to date DBS and that our rolling programme of renewal is rigorous.</p>	<p>Agree</p>	<p>Office Manager</p>	<p>Completed.</p>

Audit Area: Procurement

Priority	Recommendation 6	Detailed Finding/Rationale						
2	<p>The Head Teacher should ensure that officers checking that the goods/services have been received sign delivery notes/invoices accordingly.</p> <p>Either the Elmwood Infants School Financial Policies and Procedures Manual should be amended to include the Premises Officer as a member of staff who may conduct goods received checks or the checks conducted by the Premises Officer should be counter signed by the Finance Officer or Admin Assistant.</p>	<p>Expected Control</p> <p>The Elmwood Infants School Financial Policies and Procedures Manual, section D13 states that, 'The Finance Officer or Admin Assistant must check goods and services on receipt match the order which should be annotated accordingly.'</p> <p>Issue/Finding</p> <p>Examination of the documentation relating to a sample of fifteen transactions identified that:</p> <ul style="list-style-type: none"> In nine instances the goods check was evidenced as conducted by the Premises Officer and not the Finance Officer or Admin Assistant. <p>Risk</p> <p>Where appropriate evidence of goods/services received checks is not retained, there is a risk that payments are made for goods and services that are not received.</p>						
Management Response	<p>The Premises Officer will be added to the Finance Policy so that he is able to complete goods received checks.</p>	<table border="1"> <thead> <tr> <th data-bbox="790 929 853 1272">Agreed/Disagreed</th> <th data-bbox="790 593 853 929">Responsible Officer</th> <th data-bbox="790 255 853 593">Deadline</th> </tr> </thead> <tbody> <tr> <td data-bbox="853 929 949 1272">Agree</td> <td data-bbox="853 593 949 929">Officer Manager</td> <td data-bbox="853 255 949 593">22nd January 2018</td> </tr> </tbody> </table>	Agreed/Disagreed	Responsible Officer	Deadline	Agree	Officer Manager	22 nd January 2018
Agreed/Disagreed	Responsible Officer	Deadline						
Agree	Officer Manager	22 nd January 2018						

Audit Area: Banking

Priority	Recommendation 7	Detailed Finding/Rationale
1	<p>The School must liaise with the Council to cancel the existing procurement cards and obtain procurement cards issued via the Council.</p> <p>Governing Body endorsement for the use of the procurement cards should be obtained (and be evidenced in the relevant Governing Body meeting minutes.)</p> <p>All procurement card holders must sign appropriate procurement card agreements.</p> <p>The School Financial Policies and Procedures Manual should be amended to detail how the cards should be used and how the expenditure on the cards should be checked and reconciled monthly.</p>	<p>Expected Control</p> <p>The Croydon Scheme for Financing Schools paragraph 3.6 states that, 'The use of some procurement cards, issued by the Local Authority, is permitted provided schools take note of LA guidance contained in the local financial documentation on Finance Matters' and paragraph 3.7 states that, 'Schools are advised to follow the Procedures set out in Annex N in for the use of Procurement Cards (Pcard). To apply for a Pcard schools should contact RBS for the latest version of the forms: http://www.rbs.co.uk/corporate/payments/g3/our-cards/purchasing.aspx. The form should be completed and signed by two of the authorised signatories on the RBS account and returned to RBS directly. Where schools do not bank with RBS they should submit their completed forms to the LA to be signed by an authorised signatory within Croydon Council.'</p> <p>Issue/Finding</p> <p>It was confirmed that the School has three procurement cards; however:</p> <ul style="list-style-type: none"> - None of the cards was issued by RBS, i.e. issued by the local authority, being obtained from NatWest. - The School could not locate the Governing Body minutes approving the use of the School's procurement cards. - The School could not locate procurement card agreement forms signed by the users. - While each card had a monthly credit limit, none of the cards had an individual transaction limit. - While the School Financial Policies and Procedures Manual specify the respective procurement card limits, this does not provide any detail on how the procurement cards should be used or on how the expenditure on the cards should be checked and reconciled monthly. <p>Risk</p> <p>The unauthorised issue and use of a procurement cards could result in abuse and fraudulent use. The cards are also in breach of the Croydon Scheme for Financing Schools.</p>

Management Response	Agreed/Disagreed	Responsible Officer	Deadline
<p>We apologise for any misunderstanding between the council and school regarding the procurement cards which were obtained through our bank, following liaison with the council and agreement by our governors (minuted in Nov 2015). Within the Scheme for Financing Schools, Natwest is an approved bank and so our understanding was that this was acceptable. We have always used them with the upmost caution and transparency but they have been cancelled immediately and RBS cards applied for in line with this recommendation. Moving forward, our Finance Policy will be reviewed to ensure there are much tighter transaction limits and guidance on their use.</p>	<p>Agree</p>	<p>Office Manager/ Chair of Governors</p>	<p>Some actions completed. Others to be completed by end of Spring 2018</p>

Priority	Recommendation 8	Detailed Finding/Rationale
2	<p>The three individuals no longer employed at the School should forthwith be removed as bank signatories.</p>	<p>Expected Control The Croydon Scheme for Financing Schools paragraph 3.5.1 states that, 'it is anticipated that signatories for bank accounts would be employees of the school and would not include governors unless they are also employees of the school.'</p> <p>Issue/Finding While the School held copies of a recent 'additional authorised signatories' sheets' it did not hold a current listing of bank account signatures from the bank. Examination of the bank account signatory records held at the Council identified that three individuals no longer employed by the school were still signatures on the School's bank account.</p> <p>Risk Where written confirmation of the authorised signatories on the School's bank account is not obtained, there is a risk that unauthorised signatories remain, which has materialised in this instance. This may lead to the School being financially liable for unauthorised and fraudulent transactions that could have otherwise been avoided.</p>
<p>Management Response</p> <p>Removal forms were completed and sent to the Local Authority when each of these individuals ceased employment at our school. Moving forward, we will always ensure that we have an up to date list of signatories from the bank so that we can be assured that our requests have been actioned.</p>		<p>Agreed/Disagreed</p> <p>Agree</p> <p>Responsible Officer</p> <p>Office Manager</p> <p>Deadline</p> <p>Completed</p>

Audit Area: Information Governance

Priority	Recommendation 9	Detailed Finding/Rationale
2	A documents retention policy should be produced and approved by the Governing Body	<p>Expected Control</p> <p>The Data Protection Act controls how personal information is used by organisations, businesses and the government. Everyone responsible for using data is required to make sure the information is:</p> <ul style="list-style-type: none"> • used fairly and lawfully; • used for limited, specifically stated purposes; • used in a way that is adequate, relevant and not excessive; • accurate; • kept for no longer than is absolutely necessary; • handled according to people's data protection rights; • kept safe and secure; and • not transferred outside the UK without adequate protection. <p>Adopting strict information governance and retention policies acts as a preventative measure to prevent non-compliance with the Act.</p> <p>Issue/Finding</p> <p>The School does not have an approved document retention policy.</p> <p>Risk</p> <p>Where the School has not adopted a document retention policy, there is a risk of non-compliance with the Data Protection Act.</p>
Management Response		
A document retention policy has been produced and will be discussed and approved at the next FGB meeting.		<p>Agreed/Disagreed</p> <p>Agree</p> <p>Responsible Officer</p> <p>Office Manager</p> <p>Deadline</p> <p>22nd January 2018</p>

4. Priority 3 Recommendations

Recommendation	Findings
<p>1) The New Governor Induction pack should include the Croydon Scheme for Financing Schools, the School's delegation of authorisation levels and the school's 2017/18 Budget.</p>	<p>The DfE recommends that schools provide new governors with an induction pack that gives adequate guidance and that their roles and responsibilities have been explained. Examination of the New Governor Induction pack indicated that this did not include: The Scheme For Financing Schools, the School's delegation of authorisation levels or the School's 2017/18 Budget. <u>Management Response</u> The Induction Pack has been updated to include the documents above.</p>
<p>2) The School's Whistleblowing policy should be reviewed and approved as agreed.</p>	<p>Examination of the School's Whistleblowing Policy noted it was updated in 2017/18. However, evidence that the School's Whistleblowing Policy had been approved by the Governing Body was not available. <u>Management Response</u> The policy will be ratified at the next FGB meeting on 22nd January 2018</p>
<p>3) Two written references should be obtained for candidates prior to the commencement of employment. These references should be retained in the successful candidate's personnel file.</p>	<p>The 'Keeping children safe in education - Statutory guidance for schools and colleges' paragraph 108 states that, 'Employers should always ask for written information about previous employment history and check that information is not contradictory or incomplete. References should be sought on all short-listed candidates, including internal ones, before interview, so that any issues of concern they raise can be explored further with the referee and taken up with the candidate at interview.' Examination of the records related to a sample of three new employees found that for one of the starters the second reference had only been obtained one month after the employee had already started working at the School. Where two references are not obtained prior to employment, there is a risk that the School may hire based upon false pretences, which could lead to endangerment of children or unqualified personnel obtaining employment. <u>Management Response</u> Attempts to obtain two references are completed prior to interview whenever possible and always before commencement of employment. In this instance, the second reference was</p>

<p>4) For all cases where costs relating to transactions can be identified in advance, management should ensure that orders are raised and appropriately certified in advance of purchases being initiated</p>	<p>requested prior to commencement of work but receipt of it was delayed for reasons beyond our control.</p> <p>The Elmwood Infants School Financial Policies and Procedures Manual section D8 states 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.'</p> <p>Examination of the documentation relating to a sample of fifteen transactions identified that in two instances the orders had been raised subsequent to the corresponding invoices being received by the School.</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> <p><u>Management Response</u></p> <p>Both of these cheques link to periods of school closure and so we will review our financial procedures to deal with emergency orders.</p>
<p>5) Copies of documents obtained as part of the recruitment process 'right to work in the UK verification checks' should be marked 'original seen', signed and dated.</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 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 was examined. Although evidence of 'right to work in the UK' checks in the form of copies of passports being retained was available, these documents were not marked 'Original seen' to confirm that the original copies of these were seen or signed and dated.</p> <p><u>Management Response</u></p> <p>We always see original documents but moving forward, will ensure that we write 'Original Seen' on the copy that we make of the document.</p>

**Agreed Terms of Reference
Elmwood Infants 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	3	2

Budgetary Control & Monitoring	0	0	0
Payroll	1	1	2
Safeguarding	0	0	0
Procurement	0	1	1
Bank Accounts	1	1	0
Information Governance	0	1	0
Income	0	0	0
Health and Safety	0	0	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.