

Final Internal Audit Report Elmwood Junior School July 2017

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

Assurance Level		Recommendations Made	
Substantial Assurance	Direction of Travel from previous audit: No change from Substantial	Priority 1	0
		Priority 2	1
		Priority 3	2

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1. Introduction

- 1.1. Elmwood Junior School is a Community School and at the time of audit there were 480 pupils attending. It has an expenditure budget of approximately £2.4m 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

Petty cash expenditure exceeded the limit of £25 on three separate occasions (Rec 1).

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: Procurement

Priority	Recommendation 1	Detailed Finding/Rationale	Agreed/Disagreed	Responsible Officer	Deadline
2	<p>Petty cash transactions should be contained within the limit of £25 set by the School's Finance Policy and Procedures Manual.</p> <p>Any exceptions to the School's Finance Policy and Procedures Manual must be ratified by the Governing Body.</p>	<p>Expected Control Elmwood Junior School Finance Policy and Procedures Manual at section J3 states that, 'Payments from petty cash are limited to amounts below £25.'</p> <p>Issue/Finding Examination of a sample of five petty cash claims identified three cases, which were for taxi fares, where the expenditure claimed exceeded the school's petty cash limit of £25.</p> <p>It was explained that the School had been successful in a netball tournament and at short notice had to attend the final; however, this does not explain why the above expenditure was a week apart. All of the claims were approved by the Headteacher, however, there was no evidence of this being agreed as an exemption to the Elmwood Junior School Finance Policy and Procedures Manual by the Governing Body.</p> <p>Risk Where the School's financial procedures are not followed and limits not adhered to, there is an increased risk of unauthorised and inappropriate petty cash expenditure occurring that would in other circumstances not be authorised. There is an increased risk that continual breach of the financial procedures may continue at the School without any appropriate corrective action not being taken.</p>	Agreed	School Business Manager	September 2017
	<p>Management Response Using the taxi service saved the school money as a minibus would have cost £180 per journey, therefore the school achieved best value. The school's current Petty Cash limit does not allow sufficient flexibility for occasional circumstances such as these. The Finance Policy & Procedures Manual will be amended to update the Petty Cash Limit to £100.</p>				

4. Priority 3 Recommendations

Recommendation	Findings
<p>1) Employee's right to work in the UK verification checks carried out as part of the recruitment process, 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><u>Management response:</u> The name of the person checking the original documentation and the date are recorded on the Single Central Record but the School will also ensure in future that copies of these documents are signed and dated to evidence that the originals have been seen.</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>Examination of the documentation relating to a sample of three recent staff appointments identified that, although evidence of right to work in the UK in the form of copies of passports had been 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 will face a civil penalty.</p>
<p>2) The School's Lettings Policy should be updated and should include a list of fees and charges.</p> <p><u>Management response:</u> The School's Lettings Policy will be removed or amended.</p>	<p>All lettings should be within a framework determined by the Governing Body. Policies should be regularly reviewed, updated and approved by the Governing Body.</p> <p>While it was confirmed that a Lettings Policy was in place, the current fees and charges were not detailed. It was also noted by the Auditor that a reference was made to 'Taberner House' of where a scale of charges can be obtained. 'Taberner House' however was demolished in June 2015, and this policy has been reviewed since then.</p> <p>It is acknowledged that currently there are no lettings being made.</p>

**Agreed Terms of Reference
Elmwood Junior 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	0	0
Budgetary Control & Monitoring	0	0	0
Payroll	0	0	1

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