

Final Internal Audit Report Heavers Farm Primary School October 2017

Distribution: Executive Head Teacher
Chair of Governors
Senior Finance and Staffing 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 | 5 |
| | | Priority 3 | 5 |

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Executive Summary

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

1. Introduction

- 1.1. Heavers Farm Primary School is a Community School and at the time of audit there were 718 pupils attending. It has an expenditure budget of approximately £3.8m 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 |
|---|
| There was only one reference each for two out of three new starters tested (Rec 1). |
| The Head Teachers pay was not reviewed by 31 December 2016 as required (Rec 2). |
| Two orders were raised after the date and receipt of the corresponding invoices (Rec 3). |
| One member of staff had school meal debt (Rec 4). |
| The School has an electrical installation condition report dated 26 th October 2015, which was rated 'Unsatisfactory' (Rec 5). |

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 Finance and Staffing Officer

3. Actions and Key Findings/Rationale

Audit Area: Payroll

| Priority | Recommendation 1 | Detailed Finding/Rationale |
|---|---|---|
| 2 | 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>Expected Control</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.' In line with the 'Safeguarding children and safer recruitment in education' statutory guidance paragraph 3.45, "An offer of appointment to the successful candidate should be conditional upon the receipt of at least two satisfactory references."</p> <p>Issue/Finding</p> <p>Three new starters were examined from a total of eight new starters from 1st April 2016 until the date of audit testing. For two out of the three new starters tested there was only one reference retained on the employees' files.</p> <p>Risk</p> <p>Where two references are not obtained prior to employment, there is a risk that the School may hire based upon false or incomplete information, which could lead to endangerment of children or unqualified personnel obtaining employment.</p> |
| Management Response | | Agreed/Disagreed |
| We have now introduced a system whereby no candidates can be interviewed without two satisfactory references on file. | | Agreed |
| | | Responsible Officer |
| | | Executive Head Teacher |
| | | Deadline |
| | | October 2017 |

| 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 Teachers 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 Teachers pay being backdated.</p> | | |
| <p>Management Response</p> <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> | | <p>Agreed/Disagreed</p> <p>Agreed</p> | <p>Responsible Officer</p> <p>Resources Committee</p> | <p>Deadline</p> <p>31 December 2017</p> |

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 an invoice. | <p>Expected Control</p> <p>The Heavers Farm Primary School Financial Policies and Procedures Manual in paragraph D8 on page 16 states that, 'Official pre-numbered orders from the FMS6 system must be used for all goods and services' and at paragraph D12 states 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 purchase orders identified two instances where the purchase orders were raised after the date and receipt of the corresponding invoices.</p> <p>Risk</p> <p>Where purchase orders are not raised prior to receipt of goods/services and/or invoices there is a risk that the authorisation and commitment processes are by-passed which could result in inappropriate purchases and poor budgetary control (commitment accounting) over financial resources.</p> | | | | | | |
| Management Response | 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 of Weighill Builders, invoices will not be paid by the school without a school order number. | <table border="1"> <thead> <tr> <th data-bbox="983 913 1053 1216">Agreed/Disagreed</th> <th data-bbox="983 577 1053 913">Responsible Officer</th> <th data-bbox="983 250 1053 577">Deadline</th> </tr> </thead> <tbody> <tr> <td data-bbox="1053 913 1248 1216">Agreed</td> <td data-bbox="1053 577 1248 913">Executive Head Teacher / Finance Officer</td> <td data-bbox="1053 250 1248 577">October 2017</td> </tr> </tbody> </table> | Agreed/Disagreed | Responsible Officer | Deadline | Agreed | Executive Head Teacher / Finance Officer | October 2017 |
| Agreed/Disagreed | Responsible Officer | Deadline | | | | | | |
| Agreed | Executive Head Teacher / Finance Officer | October 2017 | | | | | | |

Audit Area: Income

| Priority | Recommendation 4 | Detailed Finding/Rationale |
|--|---|---|
| 2 | Staff debt must be strongly discouraged and immediate action should be taken to recover outstanding debt. | <p>Expected Control</p> <p>School meals are required to be paid for in advance. In exceptional circumstances, it is recognised that some payments may be late and these may be paid in arrears, but this should not be normal practice. Staff incurring debt sets a poor example and must be strongly discouraged.</p> <p>Issue/Finding</p> <p>Examination of a report of school meal debts as at 4 July 2017 noted that one staff member had school meal debts, which totalled £86.11. Staff school meal debts should not exist.</p> <p>Risk</p> <p>Where school meals for staff are not paid in advance and outstanding debts not collected in a timely manner, there is a risk that these amounts may not be recovered.</p> |
| Management Response | | |
| This amount was contested by the member of staff. The matter has now been resolved and the debt cleared. | Agreed | <p>Agreed/Disagreed</p> <p>Agreed</p> <p>Responsible Officer</p> <p>Executive Head Teacher</p> <p>Deadline</p> <p>Implemented</p> |

Audit Area: Health and Safety

| Priority | Recommendation 5 | Detailed Finding/Rationale |
|--|---|--|
| 2 | A formal action plan should be put in place to ensure that remedial works identified in the formal electrical fixed-wire inspections are satisfactorily conducted in a timely manner. | <p>Expected Control In order to fulfil obligations to the Electricity at Work Regulations 1989, the Health & Safety at Work Act 1974 and the IEE's Wiring Regulations 16th Edition, formal electrical fixed-wire inspections are required to be conducted at least every 5 years.</p> <p>Issue/Finding A copy of the School's Electrical Installation Condition report dated 26 October 2015' was obtained, which reported the School to be 'unsatisfactory'. No evidence of a subsequent action-plan to rectify this was available.</p> <p>Risk Where electrical fixed-wire required remedial works are not actioned appropriately, there is a risk to the safety of the staff and students in addition to the School building itself. Furthermore, the lack of inspection may invalidate any insurance claims made.</p> |
| Management Response | | |
| A formal action plan has now been put in place, with details of the remedial works to be carried out and a timescale for their action. | Agreed | <p>Agreed/Disagreed</p> <p>Responsible Officer Executive Head Teacher</p> <p>Deadline Immediate</p> |

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) The Resources Committee's Terms of Reference (ToR) should be updated to be consistent with the School's Financial Policies and Procedures Manual dated April 2017.</p> | <p>A comparison of the School's Resources Committee's Terms of Reference and the School's Financial Policies and Procedures Manual dated April 2017 highlighted discrepancies relating to the Executive Head Teacher's purchase order authorisation level (£5,000 limit in the ToR & a limit of £15,000 in the Financial Policies and Procedures Manual). Where inconsistencies exist between the Schools ToR and the Schools Financial Policies and Procedures manual there is a risk that purchases will be made for the School without the appropriate authorisation.</p> |
| <p>3) 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 were examined. Although evidence of right work in the UK in the form of copies of passports were obtained, and retained in the personnel files, these documents were not signed and dated to evidence that the original copies of these were seen in two out of three cases.</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> |

CROYDON

| | |
|--|---|
| <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.</p> <p>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 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
Heavers Farm 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 | 0 | 2 |

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