

Final Internal Audit Report Norbury Manor Primary School November 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 (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	3

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1. Introduction

- 1.1. Norbury Manor Primary School is a Community School and at the time of audit there were 470 pupils attending. It has an expenditure budget of approximately £2.5m 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

The approved and signed Governing Body and Finance and Personnel Committee minutes were not available for 16/17 and 17/18, **(Rec 1)**.

14 out of the sample of 15 transactions sampled were not evidenced as appropriately approved for payment, **(Rec 8)**.

Priority 2 Recommendations

The Schools Finance Policy, which includes the Schools Scheme of delegation, last approved on 17 March 2016 has not been annually reviewed as required, **(Rec 2)**.

The register of pecuniary interests is not updated annually, **(Rec 3)**.

The School's SFVS was not presented to the Governing Body until 25 April 2017 and the minutes did not evidence whether this was approved, **(Rec 4)**.

A financial skills matrix for the School staff was not available, **(Rec 5)**.

2 out of the sample of 15 purchase orders sampled were not evidenced as appropriately approved and three orders were raised after the date and receipt of the corresponding invoices, **(Rec 6)**.

Goods / Services received checks were not evidenced for 4 out of the sample of 15 transactions sampled, **(Rec 7)**.

Fifteen members of staff had meal debts, **(Rec 9)**.

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: Governance

Priority	Recommendation 1	Detailed Finding/Rationale	Management Response	Agreed/Disagreed	Responsible Officer	Deadline
1	<p>Signed copies of the minutes of all Governing Body and Committee meetings should be held and readily available at the School.</p> <p>The Chair of Governors and the Chair of the Finance and Personnel Committee should be reminded to ensure that meeting minutes are signed as at the next meeting.</p>	<p>Expected Control</p> <p>The School Governance (Roles, Procedures and Allowances) (England) Regulations 2013 require that the minutes of the Governing Body are signed by the Chair at the next meeting. These also detail that, <i>'the governing body must, as soon as reasonably practicable, make available for inspection by any interested person, a copy of—</i></p> <p><i>(a) the agenda for every meeting;</i></p> <p><i>(b) the signed minutes of every such meeting; and</i></p> <p><i>(c) any report or other paper considered at any such meeting.'</i></p> <p>Governance needs not only to be effective but to be seen to be effective. The provision of clear minutes of its decisions is one aspect of openness.</p> <p>Issue/Finding</p> <p>We were unable to confirm if the Governing Body or Finance and Personnel Committee minutes were signed by the Chairperson as the hard copies of minutes for 2016/17 & 2017/18 were not available. These are key governance documents and in line with regulations should be readily available at the School.</p> <p>Unsigned electronic copies of minutes were provided.</p> <p>Risk</p> <p>Where signed Governing Body or Finance and Personnel Committee minutes are not available there is no clarity about whether or not they are the final approved versions. In addition, the School is in breach of regulations and without the provision of clear minutes the Governing Body is not being open and may be perceived not to be effective.</p>				

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<p>Governance review is being undertaken and the issue of Clerking being addressed as high priority and a replacement sought. A master file of documents is being stored in the Headteachers office and will be subject to regular check from the new Clerk and Governing Body Chair to ensure complete record of GB meetings. HR are meeting Head in relation to the Clerk and moving personnel issues forward.</p>	<p>Agreed</p>	<p>Governing Body/Head Teacher/Clerk to the Governors</p>	<p>Immediate</p>
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Priority	Recommendation 2	Detailed Finding/Rationale		
2	<p>The Schools Finance Policy & Procedures, which includes the Schools scheme of delegation, should be evidenced as annually reviewed by the full Governing Body.</p>	<p>Expected Control 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 The Schools Finance Policy & Procedures, which includes the Schools scheme of delegation, was last approved on 17 March 2016 and is thus overdue for annual review.</p> <p>Risk Where the Schools Finance Policy & Procedures, which includes the Schools scheme of delegation, is not annually reviewed and evidenced as such, 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>	Responsible Officer	Deadline
Management Response	<p>A policy tracker has been created by the policy working group to ensure that GB and school have review periods clear and annual checks are evidenced and the Clerk is supporting the board and school in monitoring. A policy working group now meets to monitor and revise policy and the operational element will be delivered by the new clerk.</p> <p>Scheme of Delegation and Finance Policy and Procedures have been shared and review dates set.</p>	Agreed/Disagreed	Responsible Officer	Deadline
Audit comment				
<p>A copy of the revised Finance Policy and Procedures, which details a governor approval date of September 2017, has been provided. It should; however, be noted that the document details a next review date of September 2019, when the document should be reviewed annually.</p>				

Priority	Recommendation 3	Detailed Finding/Rationale
2	<p>Declarations of pecuniary interests should be obtained annually from all governors and members of staff who influence financial decisions.</p>	<p>Expected Control In compliance with the Croydon Scheme for Financing Schools, Section 2.9, 'Governing bodies shall maintain a register which lists for each member of the Governing Body, the Head Teacher and budget holders, any pecuniary interests they or any member of their immediate family have. The register is to be kept up to date with changes being made as they occur and by means of an annual review of entries.'</p> <p>Issue/Finding The register of pecuniary interests is not updated annually and was last updated on 5 March 2016.</p> <p>Risk Where current declarations of pecuniary interests are unavailable at the School, there is a risk that conflicts of interest may not be detected and that the School is unable to demonstrate openness and transparency.</p>
<p>Management Response</p> <p>The clerk has not delivered this element of the GB work effectively. Update to this has been requested and pecuniary interest shared at the start of meeting. A log needs to be in place and updated regularly as part of the clerks role. A New Clerk will be recruited. Information required for the website and GB is being centralised.</p>	<p>Agreed/Disagreed</p> <p>Agreed</p>	<p>Responsible Officer</p> <p>Governing Body/Clerk</p> <p>Deadline</p> <p>Immediate</p>

Priority	Recommendation 4	Detailed Finding/Rationale						
2	<p>The School's SFVS self-assessment must be completed, agreed by the School's Governing Body and sent to the Council by the 31 March annually in accordance with Department for Education requirements.</p> <p>The summary of remedial action and timetable in Section E of the School's Financial Value Standards (SFVS) Self-assessment to be completed in future for all questions answered as "In Part".</p>	<p>Expected Control</p> <p>The DfE Schools Financial Value Standard (SFVS) requires that the school must send a copy of the signed self-assessment against the standard to their Local Authority's Finance Department by 31 March each year. This allows assurance to be provided by the Council's Section 151 Officer. Guidance detailed on the Department for Education website states that, '<i>Local Authority (LA) maintained schools are required to complete the SFVS assessment once a year. Answering Yes should be complemented by supporting evidence and answering In Part or No should be followed by a brief summary and any remedial action that is to be taken. An annual review is required thereafter by all maintained schools.</i>'</p> <p>Issue/Finding</p> <p>Although the School's SFVS was submitted to Croydon Council on 31 March 2017, this was not presented to the Governing Body until 25 April 2017. Furthermore, the minutes of the Governing Body meeting do not evidence whether the SFVS was approved or not.</p> <p>Examination of the School's SFVS self-assessment for 2016/17 noted that 3 out of 25 questions (Questions 1, 11 & 17) were answered "In Part" and 1 out of 25 questions (Question 12 was answered "NO/In Part"; however, relevant remedial action for improvement was not included in Section E.</p> <p>Risk</p> <p>Where the School does not approve its SFVS self-assessment and submit it to the Local Authority by the 31 March annually, no assurance can be provided by the Chief Financial Officer and the School has to be named in the return submitted to the DfE, which can cause reputational damage and potentially impact on any future Ofsted Inspections.</p>						
Management Response	<p>The SFVS was completed and submitted to time frame to the LA team. But the Governing body meeting timeline and minutes did not reflect this and was post submittal. A planner for governors outlining key sign off dates and requirements (includes SFVS) now exists and agenda for January shows SFVS as item for review and sign off.</p>	<table border="1"> <thead> <tr> <th data-bbox="1141 929 1204 1227">Agreed/Disagreed</th> <th data-bbox="1141 593 1204 929">Responsible Officer</th> <th data-bbox="1141 250 1204 593">Deadline</th> </tr> </thead> <tbody> <tr> <td data-bbox="1204 929 1420 1227">Agreed</td> <td data-bbox="1204 593 1420 929">Governing Body/Head Teacher/School Business Manager</td> <td data-bbox="1204 250 1420 593">31 March 2018</td> </tr> </tbody> </table>	Agreed/Disagreed	Responsible Officer	Deadline	Agreed	Governing Body/Head Teacher/School Business Manager	31 March 2018
Agreed/Disagreed	Responsible Officer	Deadline						
Agreed	Governing Body/Head Teacher/School Business Manager	31 March 2018						

Audit Area: Budgetary Control

Priority	Recommendation 5	Detailed Finding/Rationale
2	Staff who have financial responsibilities should complete a financial skills matrix.	<p>Expected Control The Schools Financial Value Standard (SFVS) Question 1 assesses whether the full Governing Body and senior staff have adequate financial skills among its members to fulfil its role of challenge and support in the field of budget management and value for money.</p> <p>Issue/Finding A financial skills matrix for the School staff was not available.</p> <p>Risk Where financial skill self-assessments are not completed and returned in a timely manner, there is a risk that staffing training needs and skills gaps are not identified.</p>
Management Response		
Skills Matrix is now on annual cycle for completion and review. Unfortunately this item has not been recorded as an issue under the last two school audits.		<p>Agreed/Disagreed Agreed</p> <p>Responsible Officer Head Teacher/School Business Manager</p> <p>Deadline Immediate</p>

Audit Area: Procurement

Recommendation 6		Detailed Finding/Rationale			
Priority 2	Official orders must be signed by authorised officers. All purchase orders should be raised and authorised prior to the transactions being initiated.	<p>Expected Control</p> <p>The Norbury Manor Primary School Finance Policy Procedures Manual states that, 'Formal orders will be raised wherever possible for all expenditure, except staffing and utilities.....All forms must be signed by the Headteacher or School Business Manager.'</p> <p>Issue/Finding</p> <p>Examination of a sample of 15 transactions identified that:</p> <ul style="list-style-type: none"> Two orders were signed by the Assistant Headteacher and were thus not appropriately authorised. Three orders were found to be raised after the date and receipt of the invoice. <p>Risk</p> <p>Where official orders are not appropriately 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>	Agreed/Disagreed	Responsible Officer	Deadline
Management Response		Agreed	Head Teacher/School Business Manager	Immediate	
Revised financial procedures manual now in place.					

Priority	Recommendation 7	Detailed Finding/Rationale		
2	In future delivery notes to be signed (or invoices annotated) to acknowledge receipt of the goods or services.	<p>Expected Control</p> <p>The Norbury Manor Primary School Finance Policy Procedures Manual states that, 'Receiving of goods and signing of delivery notes is delegated and organised by the School Business Manager, who may choose the member of staff who ordered the goods, and may also choose an independent party or do so themselves. Invoices will then be certified for payment once it has been confirmed that the items have been received and the Finance Officer will deal with this.'</p> <p>Issue/Finding</p> <p>Examination of a sample of fifteen transactions identified an instance where the delivery note was not marked to confirm receipt of the goods or services.</p> <p>Risk</p> <p>If there is no record of delivery or checking the receipt of goods or services, there is a risk that invoices may be paid although the School has not received the goods or services.</p>		
<p>Management Response</p> <p>In the example indicated, there is a pre-approval process to all orders that must be undertaken for this provider i.e. All future orders are required to be approved before any order can be despatched. Stock arrives and is checked on arrival, then placed into use. Although this is the only instance of non-signatory of GRN across a thousand orders made in the period reviewed. The stock was re checked to ensure the GRN compliance when updated.</p>		<p>Agreed/Disagreed</p> <p>Agreed</p>	<p>Responsible Officer</p> <p>Head Teacher/School Business Manager</p>	<p>Deadline</p> <p>Immediate</p>

Priority	Recommendation 8	Detailed Finding/Rationale						
1	<p>The School should ensure that all future invoices are evidenced as appropriately authorised prior to being paid.</p> <p>The School's Finance Policy and Procedures Manual should be amended to clearly detail who may certify invoices for payment.</p>	<p>Expected Control</p> <p>The Norbury Manor Primary School Finance Policy Procedures Manual states that, 'Receiving of goods and signing of delivery notes is delegated and organised by the School Business Manager, who may choose the member of staff who ordered the goods, and may also choose an independent party or do so themselves. Invoices will then be certified for payment once it has been confirmed that the items have been received and the Finance Officer will deal with this.'</p> <p>Issue/Finding</p> <p>Examination of a sample of fifteen transactions identified that only one of the invoices had been certified, having been signed by the Deputy Headteacher.</p> <p>Furthermore, the School's Finance Policy and Procedures Manual was not clear as to who had authority to certify invoices for payment.</p> <p>Risk</p> <p>Where invoices are not evidenced as appropriately authorised, there is a risk that payments have been made for goods/services that do not make the best use of funding.</p>						
Management Response	<p>A model policy was provided by the Auditor (dated 2009). The current policy was in use during the last two audits and this item was not raised as a recommendation. The new policy is now in use and named individuals are indicated more clearly.</p>	<table border="1"> <thead> <tr> <th data-bbox="901 929 965 1227">Agreed/Disagreed</th> <th data-bbox="901 593 965 929">Responsible Officer</th> <th data-bbox="901 246 965 593">Deadline</th> </tr> </thead> <tbody> <tr> <td data-bbox="965 929 1109 1227">Agreed</td> <td data-bbox="965 593 1109 929">Head Teacher/School Business Manager</td> <td data-bbox="965 246 1109 593">Immediate</td> </tr> </tbody> </table>	Agreed/Disagreed	Responsible Officer	Deadline	Agreed	Head Teacher/School Business Manager	Immediate
Agreed/Disagreed	Responsible Officer	Deadline						
Agreed	Head Teacher/School Business Manager	Immediate						

Audit Area: Income

Priority	Recommendation 9	Detailed Finding/Rationale		
2	Staff debt must be strongly discouraged and immediate action should be taken to recover outstanding debts.	<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 14 June 2017 noted that 15 staff members had School meal debts, which totalled £76.01. 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		Agreed/Disagreed	Responsible Officer	Deadline
A regular program of debt management is in place. Staff receive communications from the SBL and Headteacher and escalation point exists through governing body. A clear expectation is stated to staff in regards to debt and information is reported to Governing Body. The next GB meeting 19 th October is receiving a summary report on any outstanding amounts at that date.		Agreed	Head Teacher/School Business Manager	Immediate

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 current year 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.</p> <p>Examination of the new governor induction pack indicated that this did not include: The Croydon Scheme For Financing Schools, the School's delegation of authorisation levels, and the School's 2017/18 Budget,</p> <p>Management Response:</p> <p>Noted and part of induction pack going forward, this was formerly provided separately but will now be part of the main pack.</p>
<p>2) Copies of documents obtained as part of the recruitment process 'right to work in the UK verification checks' should be marked 'original 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>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.</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>Management Response:</p> <p>Although correct documentation is in place, the recommendation above has been adopted to ensure robust compliance.</p>
<p>3) The School's Data Protection/Information Management Policy should include a document retention appendix.</p>	<p>Up-to-date policies are essential to ensure the effective governance of the school and ensure legal compliance. Section P of the Ofsted Guidance Keeping Your Balance states that, 'Headteachers and governing bodies will need to satisfy themselves that they are meeting the requirements of the 1998 Data Protection Act and any subsequent regulations and amendments. They will need to consider the security of electronically and manually held data, how it is processed and rights of access by data subjects.'</p>

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The School has a Data Protection/Information Management Policy dated May 2017, which refers to document retention. However, it does not include a document retention appendix.

If the School does not have a Data Protection/Information Management Policy with 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.

Management Response:

The policy in use is the Council Policy and a link is stated to the council Data Protection /information pages for full information.

Agreed Terms of Reference

Norbury Manor 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	1	3	1
Budgetary Control & Monitoring	0	1	0

Payroll	0	0	1
Safeguarding	0	0	0
Procurement	1	2	0
Bank Accounts	0	0	0
Information Governance	0	0	1
Income	0	1	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.