

Final Internal Audit Report The Minster Nursery & Infant School October 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)
Health and Safety Compliance Manager

Assurance Level		Recommendations Made	
Limited Assurance	Direction of Travel from previous audit: Down from Substantial	Priority 1	2
		Priority 2	10
		Priority 3	5

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1. Introduction

- 1.1. Minster Infants School is a voluntary aided School and at the time of audit there were 396 pupils attending. It has an expenditure budget of approximately £2.1m 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 in Appendix 1.

2. Key Recommendations and Issues

Priority 1 Recommendations

From a sample of 15 purchases sampled from the School's disbursement account, it was identified that in 12 cases there was no evidence that goods or services received checks had been undertaken, **(Rec 5)**.

The School has out of date Health & Safety certificates. The School's Legionella Risk Assessment was dated October 2013 and the Chlorination certificate was dated 29 October 2015, **(Rec 10)**.

Priority 2 Recommendations

The delegations in the Finance and Personnel Committee Terms of Reference conflicted with The School's Finance Policy and Procedures Manual, **(Rec 1)**.

Evidence of the Governing Body approving the 2016/17 School Financial Value Standards (SFVS) was not available, **(Rec 2)**.

The School's Pay Policy had not been approved annually, **(Rec 3)**.

Five official purchase orders were found to be raised after the date and receipt of the corresponding invoices, **(Rec 4)**.

One of the petty cash transactions examined exceeded the limit of £25 authorised by the School's Finance Policy and Procedures Manual, **(Rec 6)**.

The School did not have a document retention policy, **(Rec 7)**.

The School's Business Continuity Plan was undated and did not contain contact telephone numbers, **(Rec 8)**.

The School's Lettings Policy was not complete and up-to-date, **(Rec 9)**.

The School's Fire Risk Assessment was dated 2006, **(Rec 11)**.

The results of the school fund account audit had not been presented to the Governing Body, **(Rec 12)**.

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
2	The School should ensure that the Finance and Personnel Committee's Terms of Reference (ToR) and the Schools Finance Policy and Procedures Manual (FP&P) are consistent.	<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>The delegations detailed in the Finance and Personnel Committee ToR differed from the School's FP&P. The ToR detailed that the Finance and Personnel Committee can approve expenditure above £10,000 and below £20,000. However, section A3 of the School's FP&P Manual states that the Finance and Personnel Committee has authority to purchase 'Above £10,000 and below £25,000'.</p> <p>Risk</p> <p>Where delegations in the Finance and Personnel Committee ToR conflict with the School's Finance Policy and Procedures Manual, there is a risk that the Finance and Personnel Committee apply the incorrect delegations and that expenditure decisions are made that are not within their delegated authority.</p>
Management Response		
To be discussed at September FGB housekeeping meeting.	Agreed	<p>Agreed/Disagreed</p> <p>Agreed</p>
	Finance Officer	<p>Responsible Officer</p> <p>Finance Officer</p>
		<p>Deadline</p> <p>End of Nov 2017</p>

Priority	Recommendation 2	Detailed Finding/Rationale
2	<p>The School's SFVS self-assessment should be presented to the Governing Body for approval annually. The Governing Body minutes must record the discussion and approval of the SFVS assessment.</p>	<p>Expected Control</p> <p>The Schools Financial Value Standard (SFVS) is a mandatory requirement for local authority (LA) maintained schools. The SFVS has been designed with schools to help them in managing their finances and to give assurance that they have secure financial management in place</p> <p>The Governing Body or the Management Committee may delegate the consideration of the SFVS questions to a Finance or other relevant Committee, but a detailed report should be provided to the Full Governing Body or the Management Committee for approval and the Chair of Governors or the Chair of the Management Committee must sign the completed form.</p> <p>Issue/Finding</p> <p>The School's SFVS was dated 30 March 2017. The Auditor was informed that the SFVS was discussed by the Governing Body on 22 March 2017. However, the minutes do not record that it was approved by the Governing Body, although it is acknowledged that the SFVS return has been signed by the Chair of Governors.</p> <p>Risk</p> <p>Where the SFVS self-assessment is not approved by the Governing Body prior to submission, the School is in breach of SFVS requirements and there is an increased risk that the Governors are unaware of the School's control environment and where additional resources should be focused for improvement and prevention.</p>
Management Response		<p>Agreed/Disagreed</p> <p>Responsible Officer</p> <p>Deadline</p>

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To be discussed at FGB & diarised to ensure not overlooked going forward. Clerk made aware.	Agreed	Finance Officer	Sept 2017
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Audit Area: Payroll

Priority	Recommendation 3	Detailed Finding/Rationale
2	The Governing Body should review and approve the School's Pay Policy annually.	<p>Expected Control</p> <p>The School teachers' pay and conditions document 2016 and guidance on school teachers' pay and conditions, section 3, paragraph 4 states that, 'All relevant bodies – both Governing Bodies and LAs where they are the relevant body, including for all unattached teachers – must have a pay policy. This should be linked to the Appraisal Policy. Pay and Appraisal Policies should be reviewed annually and kept up to date to take account of any uplift to the national framework and any legal changes or changes in the staffing structure which have an impact on discretionary pay decisions.'</p> <p>Issue/Finding</p> <p>Examination of the Governing Body meeting minutes for the last 12 months established that the School's Pay Policy, dated 19 November 2014, had not been evidenced as annually reviewed.</p> <p>Risk</p> <p>Where the School's Pay Policy is not annually reviewed by the Governing Body, the School is in breach of legislation and there is a risk that this may not be in accordance with the full Governing Body's requirements.</p>
Management Response		Agreed/Disagreed
Pay policy to be updated & presented to Governors at FGB meeting scheduled for 29/11/17.		<p>Agreed</p> <p>Finance Officer</p> <p>End of Nov 2017</p>

Audit Area: Procurement

Priority	Recommendation 4	Detailed Finding/Rationale
2	<p>All purchase orders are to be raised when procurement transactions are initiated and prior to the receipt of the invoices.</p>	<p>Expected Control The Minster Infants School Finance Policies and Procedures Manual states that, 'Official, pre-numbered purchase orders from FMS6 must be used for all goods and services except rates and petty cash payments.'</p> <p>Issue/Finding Testing of a sample of 15 purchase orders from 1 April 2016 to 31 March 2017 found that five had been raised after the date and receipt of the corresponding invoices.</p> <p>Risk Where purchase orders are raised after the goods/services and/or invoices received, 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	Agreed/Disagreed	Responsible Officer
All staff have been reminded of the correct procedure when equipment is required, this will be re-enforced throughout the year.	Agreed	Head Teacher
		Sept 2017

Priority	Recommendation 5	Detailed Finding/Rationale		
1	Appropriate goods or services received checks must be evidenced for all future transactions prior to these being authorised for payment.	<p>Expected Control</p> <p>The Minster Infants Primary School Finance Policy and Procedures Manual states "The Finance Officer or person ordering the goods must check the goods and services on receipt, sign the delivery notes and pass them to the Finance Officer."</p> <p>Issue/Finding</p> <p>Examination of a sample of 15 purchases for the period 1 April 2016 to 31 March 2017 identified that in 11 cases there was no delivery note and the invoice was not marked to confirm that a goods or services received check had been conducted. In one case there was an unsigned delivery note.</p> <p>Risk</p> <p>Where there is no record of delivery or checking of the receipt of goods or services, invoices might be paid although the School has not received the goods or services or the goods or services may be deficient in some way.</p>		
<p>Management Response</p> <p>All staff have been briefed on the importance of checking delivery notes & returning to Finance Officer to stamp.</p>		Agreed	Head Teacher	Sept 2017

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Priority	Recommendation 6	Detailed Finding/Rationale			
2	<p>Petty cash transactions should not exceed the limit of £25 as set by the School's Finance Policy and Procedures Manual.</p>	<p>Expected Control Minster Infants School Finance Policy and Procedures Manual at section J3 states that, '<i>Payments from petty cash are limited to £25.</i>'</p> <p>Issue/Finding Examination of five of the 11 petty cash claims between 1 April 2016 and 31 March 2017 identified an instance where the claim exceeded the school's petty cash limit of £25 and the petty cash claim was not evidenced as approved.</p> <p>Risk Where the School's Financial Procedures are not followed, there is a risk of unauthorised expenditure occurring that is not approved in advance through the normal purchasing system.</p>	<p>Agreed/Disagreed</p> <p>Agreed</p>	<p>Responsible Officer</p> <p>Finance Officer</p>	<p>Deadline</p> <p>End of Nov 2017</p>
<p>Management Response</p> <p>The finance policy & procedures manual will be adjusted to allow petty cash up to £50, this will be discussed at FGB meeting scheduled for 29/11/17.</p>					

Audit Area: Information Governance

Priority	Recommendation 7	Detailed Finding/Rationale		
2.	The School should develop a Document Retention Policy, which should be approved by the Governing Body and subsequently communicated to staff.	<p>Expected Control</p> <p>The Data Protection Act 1998 principles include the requirement that personal data is 'kept for no longer than is absolutely necessary'. In this regard the School should have a document retention policy, which <i>et al</i> considers the legal retention periods for documents and the methods of disposal.</p>	<p>Issue/Finding</p> <p>The School does not have a documents retention policy. The Auditor was informed that the School uses use Record Management Toolkit for Schools from Tribal.</p>	<p>Risk</p> <p>Where the School does not have an appropriate Document Retention Policy, there is a risk that documents may not be held for the appropriate periods of time or may be disposed of in an inappropriate manner.</p>
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
The school will create a document retention policy as soon as possible. It has been added to the policy schedule for Nov FGB.		Agreed	Head Teacher	End of Nov 2017

Priority	Recommendation 8	Detailed Finding/Rationale			
2.	The Business Continuity Plan should be dated and should include contact telephone numbers.	<p>Expected Control</p> <p>The School Financial Value Standard (SFVS) question 25 'Continuity or disaster recovery plans' asks, 'Does the school have an appropriate business continuity or disaster recovery plan, including an up-to-date asset register and adequate insurance?' The SVFS support notes detail that, 'The plan must be kept up-to-date: any element of it that has become out of date is likely to be of no use in an emergency'.</p> <p>Issue/Finding</p> <p>While the School did have a Business Continuity Plan, this was not dated to identify how current it is and did not contain contact telephone numbers.</p> <p>Risk</p> <p>Where the School does not have an up-to-date Business Continuity Plan, there is a risk that it cannot recover easily or promptly in the event of a disaster.</p>	<p>Agreed/Disagreed</p> <p>Agreed</p>	<p>Responsible Officer</p> <p>Head Teacher</p>	<p>Deadline</p> <p>Ongoing</p>
<p>Management Response</p> <p>The school has set up a senior emergency management team with the 1st meeting taking place on 10th October.</p>					

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Audit Area: Income

Priority	Recommendation 9	Detailed Finding/Rationale			
2	The Lettings Policy should be reviewed and, where appropriate, updated. This Policy should be subsequently approved by the Governing Body.	<p>Expected Control</p> <p>In accordance with the requirements of 'Keeping Your Balance, Standards for Financial Management in Schools', the Governing Body should establish a policy for the charging of goods and services provided by the School. In order to help safeguard school property and to assign responsibility should an incident occur, appropriate arrangements should be in place when members of the community use school premises.</p> <p>Issue/Finding</p> <p>The School's Lettings Policy was not dated and there was no evidence available that this had been approved by governors.</p> <p>Risk</p> <p>Where lettings occur and an appropriate Lettings Policy is not in place, there is a risk that current expectations of that letting is not achieved.</p>	Agreed/Disagreed	Responsible Officer	Deadline
Management Response		The lettings policy will be updated & discussed at FBG scheduled to take place on 29/11/17.	Agreed	Finance Officer	End of Nov 2017

Audit Area: Health and Safety

Priority	Recommendation 10	Detailed Finding/Rationale
1	<p>The School's Legionella Risk Assessment should be updated and annual Chlorination checks should be conducted.</p>	<p>Expected Control The Control of Substances Hazardous to Health Regulations 2002 (COSHH) provides a framework of actions designed to control the risk from a range of hazardous substances, including Legionella. This includes the requirement for a risk assessment, which is regularly reviewed (at least every 2 years), and where reasonably practicable, prevention of exposure, i.e. Chlorination of water tanks (annually) etc.</p> <p>Issue/Finding The School's Legionella Risk Assessment was dated October 2013 and the Chlorination certificate was dated 29 October 2015.</p> <p>Risk Where the School does not have a current Legionella risk assessment and does not have annual Chlorination checks done, it is in breach of statute and there is a risk that the School's water supply may be unsafe.</p>
<p>Management Response Legionella & Chlorination test have been booked for 24/10/17.</p>	<p>Agreed/Disagreed Agreed</p>	<p>Responsible Officer Site Manager</p> <p>Deadline End of Oct 2017</p>

Priority	Recommendation 11	Detailed Finding/Rationale		
2	The School's Fire Risk Assessment should be regularly reviewed.	<p>Expected Control</p> <p>The Fire safety risk assessment: educational premises issued by the Home Office provides guidance to Schools on how to comply with the statutory Health and Safety requirements relating to fire risk assessments. This guidance details that, 'You should constantly monitor what you are doing to implement the fire risk assessment, to assess how effectively the risk is being controlled.</p> <p>If you have any reason to suspect that your fire risk assessment is no longer valid or there has been a significant change in your premises that has affected your fire precautions, you will need to review your assessment and if necessary revise it.'</p>	<p>Issue/Finding</p> <p>The School's Fire Risk Assessment was dated 2006 and did not evidence any subsequent review.</p>	<p>Risk</p> <p>Where the School's Fire Risk Assessment is not regularly reviewed, there is a risk that it may longer be appropriate and the School may not be compliant with current fire safety requirements, and in the event of a fire the School may be deemed unsafe.</p>
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
The fire risk assessment has been reviewed since the Audit was carried out. New Fire Risk Assessment dated 26/7/17, the recommendations raised within this will be discussed further during the Autumn term.		Agreed	Site Manager	Implemented

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Audit Area: School Fund

Priority	Recommendation 12	Detailed Finding/Rationale
2	<p>On an annual basis the School's School Fund receipts and payments accounts once independently audited should be presented to the Governing Body.</p>	<p>Expected Control</p> <p>The School's Finance Procedures and Policy Manual 'L7: Audited Accounts To Governing Body' states that, 'The Office Manager will present the audited accounts, the auditor's certificate together with a written report on the accounts to the Governing Body as soon as possible after the year end.'</p> <p>Issue/Finding</p> <p>The School's School Fund receipts and payments accounts have been produced and audited. However, these have not been presented to the Governing Body.</p> <p>Risk</p> <p>Where the audited statement of account for the School's School Fund is not presented to the Governing Body annually, there is a risk that the Governing Body may be unaware of the position of the School Fund bank account.</p>
Management Response	Agreed/Disagreed	Responsible Officer
<p>The Year 16/17 School Fund accounts are currently with the accountant & will be presented at FGB scheduled to take place on 29/11/17.</p>	<p>Agreed</p>	<p>Office Manager</p>
		Deadline
		<p>End of Nov 2017</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 current year budget.</p>	<p>The Department for Education (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 identified that this did not include: The Croydon Scheme For Financing Schools, the School's delegation of authorisation levels or the School's 2017/18 Budget,</p>
<p>2) 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>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 were examined. Although evidence of right work in the UK in the form of copies of passports were retained, these documents were not signed and dated to confirm that the original copies 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>3) The School should obtain a copy of the current bank mandate form.</p>	<p>Examination of the Schools bank mandate identified that this included a previous employee. Discussion established that the mandate had been updated; however, a copy of the revised bank mandate form was not available at the time of audit, although the School had requested a copy of the mandate from the bank. A letter from NatWest Bank dated 10 June 2016</p>

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	<p>was sighted, which confirmed that a request to update the Bank Mandate had been implemented.</p> <p>If the School does not have a current record of its bank cheque signatories, it cannot be certain that all cheque signatories are current employees and that the bank mandate is up to date.</p>
<p>4) The School should ensure that it submits its annual 'Safeguarding Self-Assessment' report by the deadline set.</p>	<p>It was identified that the School submitted its annual 'Safeguarding Self-Assessment' report to the LA three days after the deadline.</p>
<p>5) The Head Teacher should sign all equipment loan forms to evidence authorisation of the loans. These should specify the period of the loan (preferably a year).</p>	<p>Examination of the laptop loan form in use determined that form requires improvement as it does not include the following:-</p> <ul style="list-style-type: none"> a) Evidence of authorisation by an appropriate officer (normally the Head Teacher). b) The period of the loan. <p>If laptop loan forms do not include all information required, there is a risk that borrowers may not return the equipment at the appropriate time.</p>

**Agreed Terms of Reference
Minster 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	2	1

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