

Final Internal Audit Report Woodcote Primary School February 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	
Substantial Assurance	Direction of Travel from previous audit: Down from Full Assurance	Priority 1	1
		Priority 2	3
		Priority 3	3

Contents

Page

Executive Summary

1. Introduction.....	2
2. Key Issues.....	2

Detailed Report

3. Actions and Key Findings/Rationale	3
4. Priority 3 Recommendations.....	9

Appendices

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

1. Introduction

- 1.1. Woodcote Primary School is a Community School and at the time of audit there were 708 pupils attending. It has an expenditure budget of approximately £3.3m 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 Recommendation

There was no contract in place or retention moneys deducted for the works to refurbish the School kitchen costing £79k, (Rec 3).

Priority 2 Recommendations

The DBS check was obtained for one governor exactly one year after becoming a governor (Rec 1).

Goods or services received checks had not been evidenced for 6 of the 15 transactions sampled (Rec 2).

A signed letting agreement was not in place (Rec 4).

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: Payroll

Priority	Recommendation 1	Detailed Finding/Rationale	Agreed/Disagreed	Responsible Officer	Deadline
2	The DBS checks for new governors must be sought within 21 days of their appointment as a governor.	<p>Expected Control</p> <p>The School Governance (Constitution and Federations) (England) (Amendment) Regulations 2016 makes DBS checks mandatory for governors in maintained schools. It states "16A.—(1) Where a governor has been elected or appointed before 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 by 1st September 2016.</p> <p>(2) 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>Issue/Finding</p> <p>The DBS certificate for a governor appointed 20 October 2016 was dated 20 October 2017.</p> <p>Risk</p> <p>Where DBS renewals are not requested as required by legislation, there is a risk that the School is in breach of its statutory duty and safeguarding measures are inadequate.</p>	Agreed	Clerk	Completed
Management Response					
This does not appear in the OCTAVO Governors induction pack and our clerk was not aware of this change in					

CROYDON

requirement. This is now in our school induction pack for new Governors.

--	--	--	--

Audit Area: Procurement

Priority	Recommendation 2	Detailed Finding/Rationale						
2	<p>The School should consider amending their Financial Policies and Procedures Manual to add the Caretaker to the list of staff who have the authority to check goods and services on receipt and match the order, which should be annotated accordingly.</p> <p>The Head Teacher should ensure that only authorised officers check that the goods/services have been received and sign delivery notes/invoices accordingly.</p>	<p>Expected Control</p> <p>The Woodcote Primary School Financial Policies and Procedures Manual section E6 states that, 'The Finance Officer/Administrative Assistants/SLT must check goods and services on receipt and 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 in six instances the goods received check was evidenced as conducted by the Caretaker.</p> <p>Risk</p> <p>Where goods/services received checks are not conducted by required staff, there is a risk that payments are made for goods and services that are not received.</p>						
Management Response	The schools scheme of delegation has been amended and approved by governors to clarify this.	<table border="1"> <thead> <tr> <th data-bbox="869 1220 917 1355">Agreed/Disagreed</th> <th data-bbox="869 1355 917 1429">Responsible Officer</th> <th data-bbox="869 1429 1011 1503">Deadline</th> </tr> </thead> <tbody> <tr> <td data-bbox="917 1220 965 1355">Agreed</td> <td data-bbox="917 1355 965 1429">Executive Head Teacher</td> <td data-bbox="917 1429 965 1503">Completed</td> </tr> </tbody> </table>	Agreed/Disagreed	Responsible Officer	Deadline	Agreed	Executive Head Teacher	Completed
Agreed/Disagreed	Responsible Officer	Deadline						
Agreed	Executive Head Teacher	Completed						

Priority	Recommendation 3	Detailed Finding/Rationale						
1	For any future construction works, appropriately signed contracts should be in place and, where appropriate, retention moneys deducted.	<p>Expected Control</p> <p>The Croydon Scheme for Financing Schools section 2.10 'Purchasing, tendering and contracting requirements' states that, 'Schools are required to abide by Croydon Council's financial regulations and standing orders in purchasing, tendering and contracting matters. This includes a requirement to assess in advance, where relevant, the health and safety competence of contractors, taking into account Croydon Council's policies and procedures. Schools are to disapply themselves from any rules and/or standing order which would require them:-</p> <ol style="list-style-type: none"> I. to do anything incompatible with any of the provisions of the Scheme, or any statutory provision, or any EU procurement directive II. to seek LA officer counter signature for any contract for goods or services for a value below £60,000 in any one year.. <p>Issue/Finding</p> <p>The School engaged JTA Consulting to obtain tenders for 'Proposed works to form Breakfast Club kitchen'. On 7 February 2017 JTA Consulting notified the School that two tenders had been received and the School selected the lower of these, being G B Services (UK) Ltd for £40,485. Subsequent to this, the School was advised that it was being expanded, which impacted on the size of the kitchen required and varied the scope of the works accordingly. An official order (WPS17000253) was placed with the builders on 19 July 2017; however, no contract was signed or exchanged. Furthermore, there were no retention moneys deducted from the final payment of £79,954.56 on 27 September 2017.</p> <p>Risk</p> <p>Where a signed contract is not in place and retention moneys are not deducted from the final payment, there is a risk that the School will lack recourse for any subsequent defects or poor workmanship identified.</p>						
Management Response		<table border="1"> <thead> <tr> <th data-bbox="1334 913 1394 1227">Agreed/Disagreed</th> <th data-bbox="1334 577 1394 913">Responsible Officer</th> <th data-bbox="1334 250 1394 577">Deadline</th> </tr> </thead> <tbody> <tr> <td data-bbox="1334 913 1394 1227"></td> <td data-bbox="1334 577 1394 913"></td> <td data-bbox="1334 250 1394 577"></td> </tr> </tbody> </table>	Agreed/Disagreed	Responsible Officer	Deadline			
Agreed/Disagreed	Responsible Officer	Deadline						

CROYDON

There are now stronger safeguards in place to ensure that there is full compliance with this for all future projects under all circumstances.	Agree	Executive Head Teacher	Completed
---	-------	---------------------------	-----------

Audit Area: Income

Priority	Recommendation 4	Detailed Finding/Rationale
2	The School should ensure that each letting is accompanied by a signed lettings agreement, which identifies appropriate terms and conditions.	<p>Expected Control A letting agreement should be signed and retained for each letting in order to help ensure that the both parties are aware and formally agree to the terms imposed on the letting.</p> <p>Issue/Finding Examination of the School's income records established that in one instance, there was no signed lettings agreement on file, namely for the Mandarin Chinese Language School. We were informed that this organisation has been meeting at the School since 2009.</p> <p>Risk Where signed lettings agreements are not held, there is an increased risk that liability and responsibility cannot be identified. This could lead to the School being liable for any injury or harm or damages that occur due to the use of the premises by the Mandarin Chinese Language School.</p>
Management Response		
A letting agreement will be sent to Mandarin School and all future lettees.	Agreed	<p>Agreed/Disagreed</p> <p>Responsible Officer School Business Manager</p> <p>Deadline 18.12.17</p>

4. Priority 3 Recommendations

Recommendation	Findings
<p>1) The New Governor Induction pack should include the Croydon Scheme for Financing Schools and the DfE Governor Handbook.</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 Scheme For Financing Schools or the DfE Governor's Handbook.</p>
<p>2) When a copy invoice is received, the School should investigate to ensure that it has not already paid and endorse the copy invoice as not previously paid.</p> <p><u>Management Response:</u> As discussed via email with the Auditor, the school had checked if this invoice was paid but did not certify the invoice as such. However, FMS is set so it does not allow for an invoice to be authorised without delivery nor for duplicate invoices to be paid because the order ceases to be available to re-invoice and will appear as 'fully invoiced'. There are exceptions with free text orders, of which this was not one, but FMS does not allow a duplicate invoice to be entered without warning and, if it does, adds a suffix letter to highlight this. A screenshot of the supplier invoice screen and the audit trail proved that the invoice was not a duplicate. Additionally, the segregation of duties allows for further checks to avoid this possibility.</p>	<p>The Woodcote Primary School Financial Policies and Procedures Manual section E6 states that, "Copy Invoices will be marked 'Copy Invoice, not Previously Passed For Payment'".</p> <p>Examination of the documentation relating to a sample of fifteen transactions identified that in one instance the invoice was an uncertified copy invoice, namely payment number 1272 to TTS Ltd for £38.35.</p> <p>Where a copy invoice has been paid that has not been certified 'Not Previously Paid' there is a risk of a duplicate payment. Also HMRC may refuse the VAT claim and impose a fine.</p>
<p>3) For all cases where costs relating to transactions can be identified in advance, management</p>	<p>The Woodcote Primary School Financial Policies and Procedures Manual section D8 states that, 'Official, pre-numbered orders from the [FMS6 / Cash Accounts]</p>

CROYDON

should ensure that orders are raised and appropriately certified in advance of purchases being initiated.

Management Response:

This was an exceptional incident where the order was telephoned through by the office at the request of the Acting Head of School but not relayed through to the Finance team for an order to be raised. Authorisation requests are required for such circumstances where a purchase is required in advance but is not possible to add to the system immediately and examination of the files would evidence this.

system must be used for all goods and services except utilities, rents, rates and petty cash payments.'

Examination of the documentation relating to a sample of fifteen transactions identified that in one instance the order had been raised after the corresponding invoice being received by the School, namely [REDACTED] to Woodcote Green Nurseries Ltd for £29.30.

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.

**Agreed Terms of Reference
Woodcote 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	1

Budgetary Control & Monitoring	0	0	0
Payroll	0	1	0
Safeguarding	0	0	0
Procurement	1	1	2
Bank Accounts	0	0	0
Information Governance	0	0	0
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.