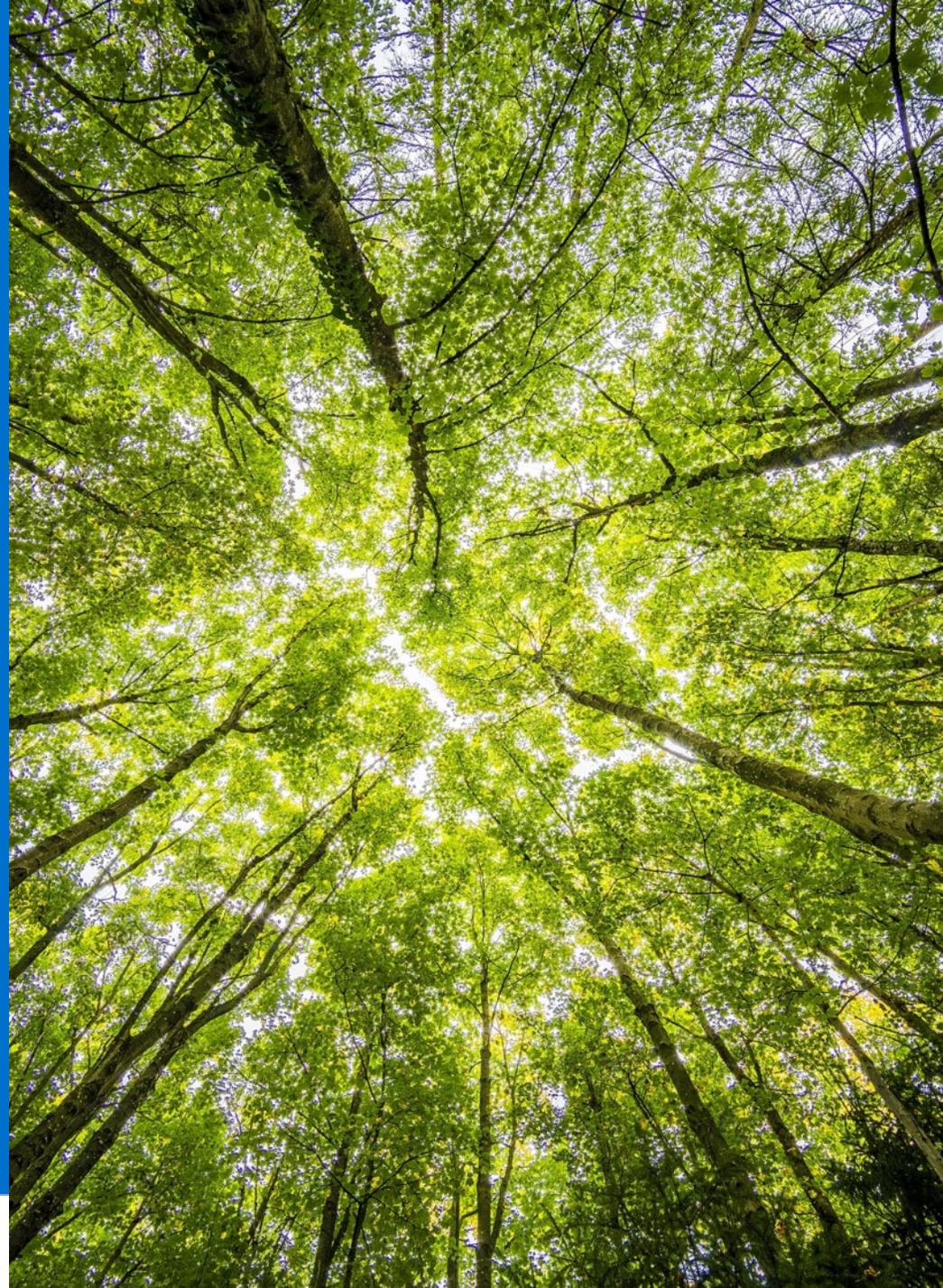


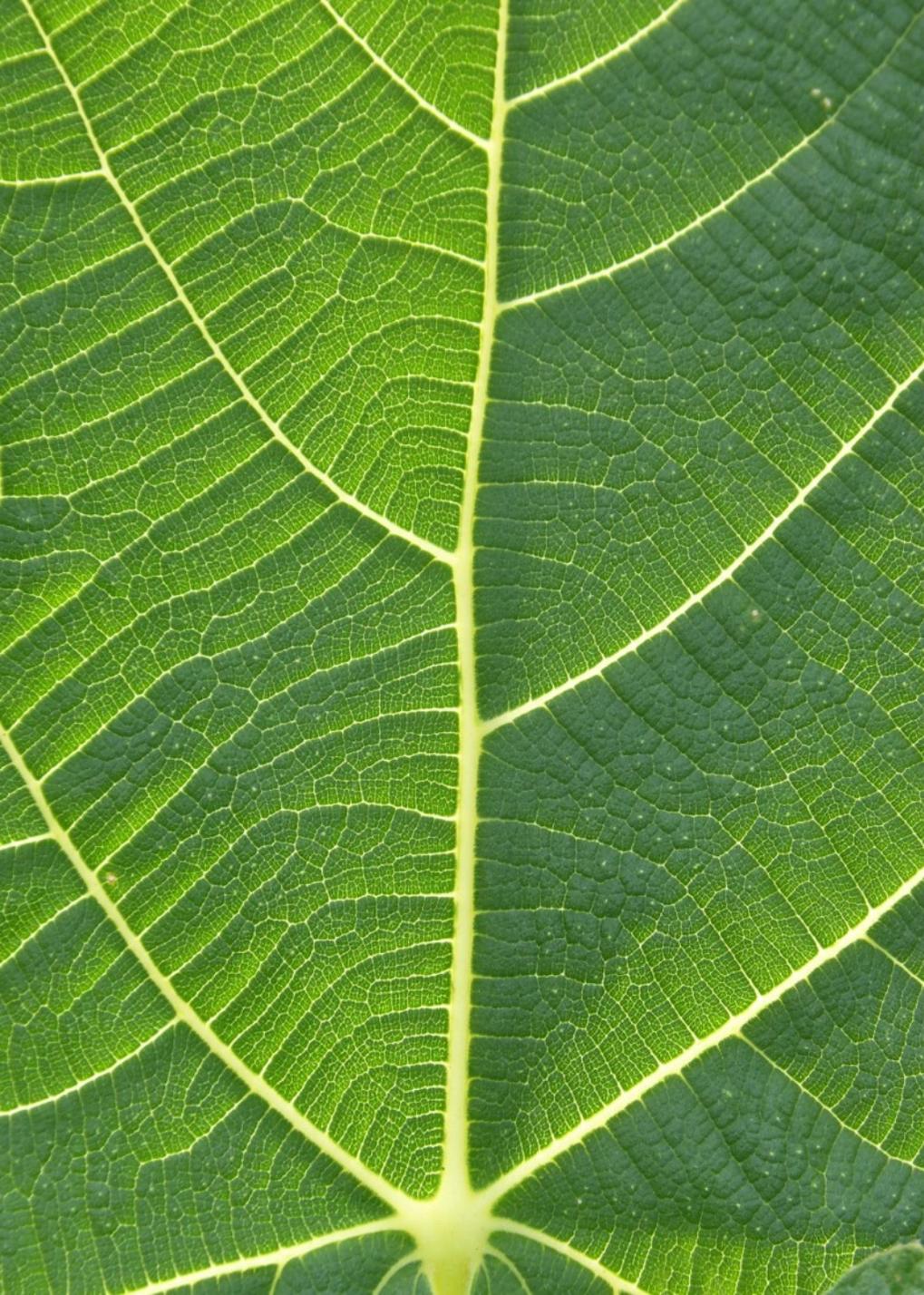
London Borough Of Hammersmith  
and Fulham

Final Internal Audit Report

Vanessa Nursery

February 2022





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# 1. Executive Summary

## Background

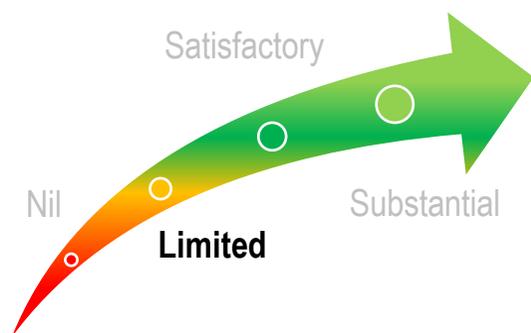
As part of the internal audit plan for 2021/22, agreed by the Audit Committee, we have undertaken an internal audit of Vanessa Nursery School.

The schools audit programme is designed to audit the main areas of governance and financial control. The programme's standards are based on legislation, the LBHF Scheme for Financing Schools and accepted best practice. The purpose of the audit is to help Schools establish and maintain robust financial systems.

The executive summary provides the overall view for the system which is supported by RAG (Red/Amber/Green) ratings for the activities covered by the audit. The remainder of the report is by exception only to highlight areas for improvement.

## Overall Conclusion

In Internal Audit's opinion, **Limited Assurance** can be given to Governing Body that the controls relied upon at the time of the audit were suitably designed, consistently applied and effective in their application. Weaknesses within internal controls for procurement, assets and inventory and unofficial funds puts the Schools objective at risk. The level of non compliance identified within this audit are similar to the audit findings in 2016/17.



The table below summarises the results of the review.

Area	Rating	Number of Recommendations		
		High	Medium	Low
Governance and Leadership	Satisfactory	-	1	2
Financial Management	Substantial	-	-	-
Procurement	Limited	1	-	-
Staff Expenses & Petty Cash	Satisfactory	-	1	-
Income	Satisfactory	-	-	2
Payroll	Satisfactory	-	-	1
Head Teachers Pay	Substantial	-	-	-
Assets and Inventory	Limited	-	1	-
Unofficial Funds	Limited	-	1	-
<b>Total</b>		<b>1</b>	<b>4</b>	<b>5</b>

# 1. Executive Summary

## Issues identified

This review identified one 'High' priority matter and four 'Medium' priority matters. Details of the 'Low' priority matters can be found in Section 2 of this report.

The 'High' priority matter is:

- In order to assess the School's controls in relation to procurement, we selected a sample of 15 transactions from the bank history report for the past 12 months. The following issues were identified:
  - Purchase orders had not been raised in any applicable cases;
  - Ten transactions had no evidence of goods received checks being carried out;
  - Three payments were made in excess of 30 days after the invoice date.

The 'Medium' priority matters are:

- A Governors' skills audit could not be evidenced as having been carried out;
- There is no Expense Policy in place. Our sample testing of five expense claims found that they were all goods ordered for School use, which should have followed the process specified in the Scheme of Delegation. In addition, there was also no evidence of prior approval and in one instance, the expense claim form and receipt could not be located (value £217).
- An Asset Register is not in place; and
- The School's Voluntary Fund has not been independently audited.

## Examples of good practice

During our review we identified the following areas of good practice:

- Our review of the Instrument of Government (IoG), the Full Governing Body's (FGB) Terms of Reference (ToR) and FGB meeting minutes from the past 12 months confirmed that the composition of the FGB was in line with the IoG and that meetings were undertaken in line with the ToR.

- The Headteacher and School Business Manager monitor the budget on a monthly basis and report the findings to the meetings of the Finance and General Purpose Committee (which meets termly as set out in their ToR) and FGB.
- The School Business Manager completes monthly bank reconciliations which are reviewed and signed by the Deputy Headteacher as evidence of review.
- Our review of a sample of two lettings income sources noted that a clear paper and audit trail was in place from when income was received to when it was banked.
- Two contracts were selected for testing and we noted that they had been approved by the FGB, with a signed copy of the contract retained by the School.
- Our testing of the only new starter in the past 12 months confirmed that all relevant documentation was in place. Two leavers within the past 12 months were also reviewed and notification had been given to the payroll provider in a timely manner, with no payments made after they had left.

## 2. Observations & Recommendations

	Observation	Recommendation	Management Comments and Timeline
Governance and Leadership	<p><b>1. Governors skills</b></p> <p>Whilst we obtained evidence that individual members of the Governing Body had carried out a skills self-assessment, we were unable to confirm that a Governing Body skills audit had been undertaken with actions identified to address any skills gaps.</p> <p><b>Risks:</b> Where a skills audit is not appropriately conducted and assessed, there is a risk that skills gaps or a lack of balance within the Governing Body may not be identified and addressed.</p>	<p>A review of Governors' skills should be undertaken on a periodic basis to identify any potential skills gaps or imbalances in the composition of the Governing Body. Once identified, an action plan should be in place.</p> <p>This recommendation was also raised following the 2016/17 audit.</p>	<p>Skills Audit is updated when a new Governor joins the Federated Governing Body. This is a small Governing Body and there have been difficulties in recruiting new members. In addition there were no face to face Governor meetings between September 2019 and September 2021.</p> <p><b>Action Owner:</b> Headteacher &amp; SBM - Skills Audit was on the agenda for the virtual FGB meeting on 1<sup>st</sup> December 2021. Minutes not yet available.</p> <p><b>Implementation Date:</b> 1 December 2021</p>
	Priority Rating	Medium	
Governance and Leadership	<p><b>2. Declarations of interests</b></p> <p>We confirmed that Governors and staff who influence financial decisions are reminded to declare possible conflicts of interest at all Governing Body and Resources Committee meetings. We also confirmed that a register of declarations is held on the Governor Hub which includes all Governors and other staff who are able to influence financial decisions.</p> <p>However, we noted that the register is not annually reviewed by the Governing Body. In addition, we identified five instances where the declaration had not been provided in the last 12 months.</p> <p><b>Risks:</b></p> <p>Where not all Governors and relevant staff have confirmed declarations of interests annually, there is a risk that conflict of interests may not be detected.</p>	<p>The School should carry out an annual review of the declarations of business interests register in order to identify any potential conflicts of interests. Governors and staff who have not confirmed their declarations within 12 months should be reminded to do so.</p>	<p>Declarations of interests is a standing item on each FGB meeting. Governors are reminded to update any declarations on Governors Hub on a regular basis, if changes occur.</p> <p>Governors Hub is a new system for the Governing Body and all members have been instructed how to update and submit their entries.</p> <p>This item was discussed at the FGB meeting on 1<sup>st</sup> December and Clerk to Governors confirmed that the Governor Hub is a live document and a report for the website is published each academic year and checked on an annual basis.</p> <p><b>Action Owner:</b> Headteacher &amp; SBM</p> <p><b>Implementation Date:</b> FGB Mins 01.12.21</p>
	Priority Rating	Low	

## 2. Observations & Recommendations

	Observation	Recommendation	Management Comments and Timeline
Governance and Leadership	<p><b>3. Scheme of Delegation</b></p> <p>A Scheme of Delegation is in place which defines roles and responsibilities of the Governors, Committees, Headteacher and other relevant members of staff in relation to financial decision making and administration.</p> <p>However, we were unable to confirm through a review of Governing Body meeting minutes that the Scheme of Delegation had been reviewed and approved by the Governing Body in the last 12 months.</p> <p><b>Risks:</b></p> <p>Where Scheme of Delegation is not reviewed annually, there is a risk that it does not contain accurate information on delegated financial decision making, resulting in inappropriate authorisation on high value purchases.</p>	<p>The Scheme of Delegation should be reviewed by the Governing Body annually. This review and approval should be clearly documented in meeting minutes, with the date of last review included in the document.</p>	<p>The Scheme of Delegation/Terms of Reference are reviewed annually in September meetings. The Clerk to Governors has been instructed to make sure that this is minuted.</p> <p>The Scheme of Delegation was most recently reviewed, approved and adopted at the FGB on 01.12.21</p> <p><b>Action Owner:</b> Clerk to Governors</p> <p><b>Implementation Date:</b> FGB Minutes 01.12.21</p>
		<b>Priority Rating</b>	<b>Low</b>

## 2. Observations & Recommendations

	Observation	Recommendation	Management Comments and Timeline
Procurement	<p><b>4. Purchasing Goods and Services</b></p> <p>Through testing a sample of 15 transactions from the past 12 months, the following issues were identified:</p> <ul style="list-style-type: none"> <li>▪ In nine instances, a purchase order was not raised when it would have been applicable to do so;</li> <li>▪ In ten instances, there was no evidence of goods or services received checks being carried out when it would have been applicable to do so;</li> <li>▪ In three instances, payment was made in excess of 30 days after the invoice date (45, 98, and 95 days).</li> </ul> <p>We were informed that the School is aware of the issue and that they are looking to put in place a process that allows official orders to be raised on the financial system.</p> <p><b>Risks:</b></p> <p>Where purchase orders are not raised and authorised prior to placing the order with the supplier, there is an increased risk that inappropriate expenditure may be incurred, either directly through that purchase or indirectly through further purchases for which there is insufficient budgetary provision.</p> <p>Where goods and services received checks are not undertaken or are not formally recorded, there is a risk that the School may not identify instances where goods and services have not been received and/or are not of the required quantity or quality standards.</p> <p>Where payments are not made within 30 days, there is a risk that the School damages relationships with its suppliers. Furthermore, late payment charges may be applied.</p>	<p>Where costs relating to transactions can be identified in advance, a purchase order should be raised by the School Business Manager and authorised by the Headteacher prior to placing the order with the supplier.</p> <p>Goods/services received checks should be undertaken and recorded for all transactions.</p> <p>All invoices should be paid in a timely manner (within 30 days) and any queries or disputes preventing the invoice being paid in this time period should be recorded on the relevant invoice.</p>	<p>To date purchases have not been raised on FMS prior to ordering, but are authorized by the Deputy Head. There is a new Admin Assistant in place now who has recently attended FMS training and has instructions how to raise Purchase Orders going forward. This will be done where possible.</p> <p>Goods received are always checked by the Deputy Head and/or Admin Assistant. Going forward a “Goods Received” stamp has been ordered to comply with Audit requirements and the delivery notes will be stamped, dated and signed.</p> <p>During Covid both Vanessa nursery school and Cathnor Children’s Centre buildings were closed for extended periods. This did cause issues with postal deliveries and delays in receiving invoices for payment. The School Business Manager is based at Randolph Beresford and often had to chase expected invoices which had not been delivered or redirected. Every effort is made to ensure that missing invoices are chased and payment is made within 30 days.</p> <p><b>Action Owner:</b> School Business Manager</p> <p><b>Implementation Date:</b> December 2021</p>
		<p><b>Priority Rating</b> <span style="background-color: red; color: white; padding: 2px;">High</span></p>	

## 2. Observations & Recommendations

	Observation	Recommendation	Management Comments and Timeline
Income	<p><b>5. Lettings Policy</b></p> <p>The School has a Lettings Policy in place but it has not been reviewed and updated since January 2019. In addition, We could not obtain evidence for the Governing Body's approval of the Policy.</p> <p><b>Risk:</b></p> <p>Where the School does not have an up to date and approved Lettings Policy, there is a risk the School does not receive the level of income which accurately reflects the cost of buildings and equipment utilised.</p>	<p>The School's Letting Policy should be reviewed, updated and formally approved by the Governing Body on an annual basis. Approval should be recorded in the minutes of the relevant meeting.</p> <p>This recommendation was also raised in the 2016/17 audit.</p>	<p>Lettings Policy has been reviewed by the Head Teacher since 2019 but not presented to the FGB for formal approval. This will be added to the agenda for the next "in person" FGB on 9<sup>th</sup> March 2022.</p> <p><b>Action Owner:</b> Headteacher</p> <p><b>Implementation Date:</b> 09.03.22</p>
	<p><b>Priority Rating</b>    <b>Low</b></p>		

	Observation	Recommendation	Management Comments and Timeline
Income	<p><b>6. Charging Policy</b></p> <p>A charging policy is not in place at the School.</p> <p><b>Risk:</b></p> <p>Where the School does not have an up to date and approved Charging Policy, there is a risk the School does not receive the level of income which accurately reflects the cost of activities and that an inconsistent approach in taken in chasing arrears which may lead to ineffective debt management.</p>	<p>A Charging Policy should in place which identifies activities for which charges may be raised and the process of chasing arrears. The Charging Policy should be reviewed and formally approved by the Governing Body on an annual basis.</p>	<p><b><i>Charging Policy, separate from Lettings Policy, to be created and presented to next FGB for approval.</i></b></p> <p><b>Action Owner:</b> Headteacher &amp; SBM</p> <p><b>Implementation Date:</b> 09.03.21</p>
	<p><b>Priority Rating</b>    <b>Low</b></p>		

## 2. Observations & Recommendations

	Observation	Recommendation	Management Comments and Timeline
<b>Staff Expense &amp; Petty Cash</b>	<p><b>7. Staff Expenses</b></p> <p>There is no Expenses Policy in place. We were informed that the reason for this is that staff can only claim expenses incurred for ordering goods to be used by the School. However, in such instances, the approval process for procuring goods should still apply, i.e. a purchase order must be raised and authorised by designated signatories before placing the order.</p> <p>Our sample testing of five expense claims found that they were all goods ordered for School use, which should have followed the process of ordering goods and services as specified in the Scheme of Delegation with the exception of one where the supporting form and supporting receipt could not be located..</p> <p>Our sample testing also noted that, while all purchases appear reasonable, for one instance, the expense claim form and the receipt could not be located. Therefore, we could not confirm whether it had been certified by an authorised officer. The other four were certified by an authorised officer.</p> <p><b>Risk:</b></p> <p>Where the School does not have clear approved guidelines with regards expenses, there is a risk that the School's processes could be misunderstood or bypassed. In this instance, procurement process has been bypassed which may lead to an increased risk that the School does not obtain value for money.</p> <p>In addition, where there is a lack of documentation, there is a risk that claims have not been appropriately authorised.</p>	<p>The School should introduce an Reimbursement Policy which should be reviewed and approved by the Governing Body.</p> <p>As a minimum, the policy should set out the types of allowable reimbursements, time limits for submitting claims, approval requirements and the need to submit a signed expenses form with a valid receipt.</p> <p>Reimbursements should be submitted on the correct form, within the time limits set out in the policy, and should be signed and dated by claimants.</p> <p>Purchases made on behalf of the School should go through the appropriate approval process where possible in advance of the transaction being initiated.</p> <p>This recommendation was also raised following the 2016/17 audit.</p>	<p>The school follows the guidelines in the Scheme of Delegation.</p> <p>The majority of purchases which cannot be invoiced are claimed on a Staff Expenses Claim Form by the Deputy Head Teacher. These are signed and authorized by another designated signatory at the school. Any other staff claims are authorized by the Deputy Head, before purchase. Staff are required to complete a claim form and present it to the Deputy Head, with relevant invoices as proof of purchase, before reimbursement.</p> <p>The process for purchases made by staff members is referenced in the Financial Schemes of delegation policy and was approved by the FGB in September 2021.</p>
		<p><b>Priority Rating</b>      <b>Medium</b></p>	<p><b>Action Owner:</b> SBM</p> <p><b>Implementation Date:</b> February 2022</p>

## 2. Observations & Recommendations

	Observation	Recommendation	Management Comments and Timeline
Payroll	<p><b>8. Review of the Payroll Reports</b></p> <p>While payroll reports are reviewed for accuracy by the School Business Manager, these are not currently reviewed by the Headteacher (or the Deputy Headteacher).</p> <p><b>Risk:</b> Where the payroll reports are not reviewed by the Head Teacher, there is a risk that incorrect payments may not be identified and rectified in a timely manner.</p>	<p>The Head Teacher should review payroll reports on a monthly basis and investigate any discrepancies identified. This review should be signed and dated.</p>	<p>The monthly payroll reports are reviewed by the School Business Manager prior to each payroll. Any discrepancies or inaccuracies are highlighted and corrected by the SBM, liaising directly with the Payroll Provider, before the payroll payment date. These reports are signed and dated by the SBM.</p> <p>As a member of the Senior Management Team, the School Business Manager is the most qualified and experienced person to identify any discrepancies and correct them. Any problems are discussed with the Head Teacher, but it is the role of the SBM to review and investigate</p> <p><b>Action Owner:</b> SBM</p> <p><b>Implementation Date:</b> February 2022</p>
	<p><b>Priority Rating</b>    <b>Low</b></p>		
Asset and Inventory	<p><b>9. Asset Register</b></p> <p>The School does not have an up to date Asset Register in place. The copy we obtained was last reviewed in May 2019. The School Business Manager acknowledged that the School is aware of this issue and had obtained a quote for an external consultant to come in to carry out an assessment and update the asset register.</p> <p><b>Risk:</b> Where there is no asset register in place, there is a risk that the School is unaware of lost or misappropriated assets and an accurate record of assets may not be available in the event of an insurance claim.</p>	<p>The School should put in place an Asset Register. An annual check should then be carried out to verify the existence of valuable assets within the School's premises, and to ensure that the register is up to date. The result of the asset check should be presented to the Governing Body.</p> <p>This recommendation was also raised following the 2016/17 audit.</p>	<p>We have obtained a quote from B2Systems to undertake a full onsite check and set up an Asset Register spreadsheet.</p> <p>Visit arranged 5<sup>th</sup> January 2022</p> <p><b>Action Owner:</b> Headteacher and SBM</p> <p><b>Implementation Date:</b> 05/01/22</p>
	<p><b>Priority Rating</b>    <b>Medium</b></p>		

## 2. Observations & Recommendations

	Observation	Recommendation	Management Comments and Timeline
Unofficial Fund	<p><b>10. Unofficial fund</b></p> <p>The Nursery operates a voluntary fund which is administered by the School Business Manager. As of July 2021 the fund had a balance of £58,138.48. Audit were informed that the Voluntary fund had never been independently audited.</p> <p><b>Risk:</b> Where the voluntary fund is not audited on an annual basis by a registered auditor, there is an increased risk that funds may be used inappropriately and misappropriation of funds may not be recognised.</p>	<p>The voluntary fund should be subject to an independent audit by a registered auditor on an annual basis. This check should be presented to the Governing Body and evidenced as such in meeting minutes.</p> <p>A similar recommendation was also raised following the 2016/17 audit.</p>	<p><i>The previous audit did take place 2017 and was undertaken by a qualified accountant, but was not recommended by the Audit as the accountant was also a member of the Governing Body at the time.</i></p> <p><i>Due to covid and school closures there has been very little movement in the account over the past 2 years.</i></p> <p><i>We are currently seeking recommendations for an independent registered auditor to undertake an audit of the voluntary fund in Spring Term 2022.</i></p> <p><b>Action Owner:</b> Headteacher &amp; SBM</p>
		<p><b>Priority Rating</b>    <b>Medium</b></p>	<p><b>Implementation Date:</b> September 2022</p>

## Appendices

A1. Audit Scope

A2. Stakeholders Interviewed

A3. Definition of Assurance and Recommendations



## A1. Audit Scope

	Area	Coverage
1	Governance and Leadership	Assesses the effectiveness of the School's Governing Body and includes a review of the following: instrument of Government in line with the current list of School governors; regularity of Governing Body and Committee meetings and signed meeting minutes; induction and ongoing training for Governors with a periodic skills audit carried out; the scheme of delegation setting the roles and responsibilities and financial limits; documented financial procedures; declarations of interests held for Governors and relevant staff; whistleblowing procedures; and School Development Plan.
2	Financial Management	An evaluation of the School's approach to financial management and includes a review of the following: The School's three year budget and budget setting procedures; the budget monitoring process and control over expenditure; bank reconciliations; and the completion of the Schools Financial Value Standard (SFVS).
3	Procurement	Testing undertaken in order to assess the School's approach to procurement, including: purchasing and payments; high value purchases and contracts; verification of the tax status of self employed suppliers / contractors; and procurement cards.
4	Staff Expenses and Petty Cash	An evaluation of how staff expenses are managed, evidenced and approved; and petty cash usage and controls.
5	Income	A review of the School's processes for: income collection and banking; charging policy; School meals (including free School meals); and recharges for SEN.
6	Payroll	An evaluation of the School's approach to payroll including a review of: the payroll provider contract; payroll statements; starters and leavers processes; and overtime claims.
7	Head Teacher's Pay	An evaluation of the School's staffing structure and Pay Policy, in order to assess the appropriateness of the salaries provided to the Head Teacher and any Deputy / Assistant Headteachers. Additional payments and annual increases are also reviewed.
8	Assets and Inventory	An evaluation of the process for maintaining the asset register / inventory, together with reports provided to Governors. A check is carried out to confirm that the School regularly backs up data.
9	Unofficial Funds	A review of the School's approach to the management and independent audit of any voluntary funds that the School may hold

### Limitations to Scope

- The work has been undertaken using a risk based approach and testing will be on a sample basis to verify compliance;
- The records maintained by third parties to the School were not reviewed and are outside of the scope of this audit; and
- The audit review does not provide absolute assurance that material error, loss or fraud does not exist.

## A2. Audit Stakeholders And Timetable

Audit Team	
Kanta Patel	Client Engagement Manager
Nav Sidhu	Senior Auditor
Thu Nguyen	Senior Auditor

Stakeholders	
Michele Barret	Headteacher
Michelle Hodgkin	School Business Manager

Timetable	
End of Fieldwork	15/09/2021
Draft Report Issued	25/10/2021
Responses Received	03/02/2022
Final Report issued	03/02/2022

## A3. Definition Of Assurance And Recommendations

As part of the review we use the following definitions for the level of assurance and priority of recommendations included in Section 2

Assurance Level	Description
Substantial Assurance:	There is a sound system of internal control designed to achieve your objectives. The control processes tested are being consistently applied.
Satisfactory Assurance:	While there is generally a sound system of internal control, there are weaknesses which put some of your objectives at risk. There is evidence that the level of non-compliance with some of the control processes may put some of your objectives at risk.
Limited Assurance:	Weaknesses in your system of internal control are such as to put your objectives at risk. The level of non-compliance puts your objectives at risk.
Nil Assurance:	Control processes are generally weak, leaving the processes/systems open to significant error or abuse. Significant non-compliance with basic control processes/systems open to error or abuse.

Definitions of Recommendations	
Priority	Description
High (Fundamental)	Recommendations represent fundamental control weaknesses, which expose the organisation to a high degree of unnecessary risk.
Medium (Significant)	Recommendations represent significant control weaknesses which expose the organisation to a moderate degree of unnecessary risk.
Low (Housekeeping)	Recommendations show areas where we have highlighted opportunities to implement a good or better practice, to improve efficiency or further reduce exposure to risk.

# Contact Information

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For more information on the Internal Audit Service visit our SharePoint site:

<https://officesharedservice.sharepoint.com/sites/intranet/internalauditfraudriskmanagementandinsurance/Pages/Internal-Audit.aspx>

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. Any recommendations for improvements should be assessed by management for their full impact before they are implemented.

The performance of internal audit work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity.

Internal audit procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our audit work and to ensure the authenticity of these documents. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.