

London Borough of Hammersmith & Fulham

Final Internal Audit Report

St. Thomas of Canterbury Primary School

February 2017

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1 Introduction


This audit was undertaken as part of the 2016/17 audit plan. The London Borough of Hammersmith & Fulham's standard Schools audits are carried out using an established probity audit programme. Audits are currently undertaken on a three year cycle unless issues dictate a more frequent review.

The programme is designed to audit the main areas of governance and financial control. The programme's standards are based on legislation, the 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 of 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.

2 Executive Summary

2.1 Assurance Opinion

	Nil	Limited	Satisfactory	Substantial
Audit Opinion				

2.2 Recommendations Summary

The following table highlights the number and categories of recommendations made. The Action Plan at Appendix 1 details the specific recommendations made as well as agreed management actions to implement them.

Area of Scope	Adequacy	Effectiveness	Recommendations Raised		
			High	Medium	Low
Governance and Leadership			0	1	1
Financial Management			0	2	1
Procurement			0	2	0
Staff Expenses & Petty Cash			0	1	0
Income			0	0	0
Payroll			0	1	0
Head Teachers Pay			0	1	0
Assets and Inventory			0	1	0
Leasing			0	0	1
Unofficial Funds			0	1	0
Total			0	10	3

Please refer to the Appendix 2 for a definition of the audit opinions and recommendation priorities.

3 Summary of Findings

At the time of the audit, a number of control weaknesses were identified. In Internal Audit's opinion, Limited assurance can be given to the Governing Body on the current controls. The School's Administration team has had a restructure, with a new School Business Manager in place since September 2016.

Design of and compliance with controls to address the key risks identified

- The Governing Body and Finance Committee meet at least once a term in accordance with their terms of reference.
- A periodic skills audit has been carried out by Governors at the School to assess the level of training each Governor requires.
- All Governors and staff with financial responsibilities are required to sign the School register of pecuniary interests and we confirmed that this had been completed by all Governors.
- The School Development Plan 2015/16 was in place, however it did not include financial resource requirements. The 2016/17 School Development Plan is yet to be put in place.
- The School has access to the Council's Financial Procedures and have adopted their own Finance Policy. The Finance Policy was approved in February 2016 by the Resources Committee but not the Governing Body.
- The 2016/17 budget plan is in place and was approved by the Governing Body in June 2016.
- Budget monitoring is conducted by the Finance Committee. This was evident in the meeting minutes for the last 12 months.
- Budget monitoring reports were reviewed by the School Business Manager (SBM) and Head Teacher on monthly basis, however, evidence of this review is not documented or retained.
- Monthly bank reconciliations were completed by the SBM and reviewed by the Head Teacher.
- The SFVS was submitted to the Council on 27th June 2016, after the deadline of 31st March 2016.
- Petty cash reconciliations were undertaken on a periodic basis; however, these were not signed by the conducting or reviewing officer.
- From a sample of five petty cash claims tested, the forms had been completed and authorised with evidence of receipts/invoices retained on file. However, in all five cases, the claimant did not sign the form to confirm receipt of the money and validity of the claim.
- One expense identified was for a four night stay in a hotel. It was established that this was for a member of staff with a long commute to the School, who was required to work extended hours on site. The expense was approved by the Headteacher, however, given the nature of the expense this should also be reported and agreed by the Governing Body.
- From a sample of 10 purchases tested, the following exceptions were identified:
 - In four applicable instances, a purchase order was not raised;

- In one instance, a purchase in excess of £10,000 was not approved by the Governing Body or Finance Committee, and evidence that value for money had been sought was not retained;
- In four instances, the payment was not made within 30 days; and
- In one instance, the invoice was not authorised by the Headteacher.
- There was separation of duties with regards to the procurement of goods and services.
- For a sample of three contracts, we were unable to confirm that the market was tested and value for money was sought. Although contracts are discussed at Resources Committee meetings there was no evidence suggesting the contracts were discussed and approved.
- It was identified that income at the School was banked on a regular basis.
- Reconciliations are undertaken between income records and cash and cheques due to be banked, however evidence is not retained.
- For all main sources of income at the School, we found that there was an adequate audit trail to be able to trace income received through to banking.
- Payroll reports are not reviewed and signed off by the Head Teacher.
- From a sample of five new starters selected for testing, the following exceptions were identified:
 - In all five cases a letter of appointment was not available on file;
 - In two cases evidence of qualifications was not on file; and
 - In three cases only one reference was obtained.
- From a sample of five overtime claims tested, in all instances the form was authorised.
- During the audit, we confirmed the School's Individual School Range. Pay spinal points for the Head Teacher, Acting Head Teacher and Deputy Head Teacher were established, however, we were unable to confirm that these had been approved by the Governing Body.
- The Head Teacher receives additional payments in excess of their spine point, but we were unable to confirm that justification for this had been documented, and that this had been approved by the Governing Body.
- The School have data back-up arrangements with LGfL Gridstore.
- A full inventory check has not been evidenced as completed within the last 12 months.
- From a sample of five assets selected from the School, in all instances the asset could be traced to the asset register.
- From a sample of five assets selected from the asset register, in all instances the asset could be located to verify its physical location.
- The School has entered into a photocopier lease, however advice from the Council's Director of Finance was not sought.
- The School operates an Unofficial Fund Account. We were unable to confirm that bank reconciliations were undertaken and we were also unable to confirm that an independent audit has taken place this year.

4 Acknowledgement

We would like to thank the following members of staff for their time and assistance during the audit:

- Head Teacher
- School Business Manager

Appendix 1: Management Action Plan

1. Governance – Review and Approval of Policies and Documents

Priority	Issue	Risk	Recommendation
Low	<p>Examination of Governing Body meeting minutes identified that four documents had not been minuted as approved within the last 12 months:</p> <ul style="list-style-type: none"> • Finance Policy; • Expenses Policy; and • Charging Policy. 	<p>Where approval has not been documented in meeting minutes, there is a risk that the School may be operating under plans or procedures that are no longer in line with the wishes of the Governing Body.</p> <p>Furthermore, there is a risk that the Governing Body lack oversight of the plans, policies and procedures under which the School operates.</p>	<p>The following policies and documents should be subject to review and approval by the Governing Body on an annual basis:</p> <ul style="list-style-type: none"> • Finance Policy; • Expenses Policy; and • Charging Policy. <p>Approval should be documented within meeting minutes.</p>
Management Response			
Agreed.			
Responsible Officer			Deadline
Governing Body/ Head Teacher			July 2017

2. Governance – School Development Plan

Priority	Issue	Risk	Recommendation
Medium	Examination of the School Development Plan for 2015-16 confirmed that it includes targets and success criteria, but did not include budget and resource requirements. The 2016-17 School Development Plan is also yet to be developed and put in place.	Where the School Development Plan does not include budget and resource requirements, there is a risk that financial resources may be insufficient to achieve the desired outcomes, particularly where additional costs may exceed available funds.	The 2016-17 School Development Plan should be developed and approved by the Governing Body. This should include financial costs associated with delivering the agreed outcomes.
Management Response			
This was discussed at the Resources Committee on 15 November 2016. The new SDP is given to subject leaders who will add costings ready for the next budget planning March 2017.			
Responsible Officer			Deadline
Head Teacher / School Business Manager			March 2017

3. Financial Management – Monitoring Reports

Priority	Issue	Risk	Recommendation
Medium	Through examination of the latest budget monitoring reports and payroll reports, we were unable to confirm that these are reviewed on a monthly basis.	Where the School cannot demonstrate that reports are reviewed, there is a risk that functions are not adequately monitored, and that variances or discrepancies are not identified or addressed in a timely manner.	Budget monitoring reports and payroll reports should be reviewed on a monthly basis. Evidence of the review process should be retained.
Management Response			
These are now signed off monthly.			
Responsible Officer			Deadline
Head Teacher / School Business Manager			Implemented

4. Financial Management – Review of Reconciliations

Priority	Issue	Risk	Recommendation
Medium	Examination of the latest unofficial fund, income, and petty cash reconciliations identified that these had not been signed by the undertaking officer, or a second officer as evidence of review.	Where reconciliations, are not signed by the undertaking officer and a second officer as evidence of review, there is a risk that variances or discrepancies are not identified or addressed in a timely manner.	The unofficial fund, income, and petty cash reconciliations should be signed by the undertaking officer, and the reviewer on a monthly basis.
Management Response			
These are now signed off monthly.			
Responsible Officer			Deadline
Head Teacher / School Business Manager			Implemented

5. Financial Management – SFVS Return

Priority	Issue	Risk	Recommendation
Low	<p>It was identified that the 2015/16 Schools Financial Value Standard (SFVS) had been submitted to the Council on 27 June 2016, and not by the 31 March 2016 deadline.</p> <p>Additionally, from examination of Governing Body meeting minutes, it could not be confirmed that the SFVS had been reviewed by the Governing Body, although the SFVS had been signed by the Chair of the Resources Committee.</p>	<p>Where the Schools Financial Value Standard is not signed and submitted in a timely manner, there is an increased risk that the Local Authority does not have adequate oversight of the School's financial environment.</p>	<p>The SFVS should be approved by the Governing Body and submitted to the Local Authority in a timely manner.</p> <p>The review of the SFVS should be documented in Governing Body meeting minutes.</p>
Management Response			
<p>Reminders and time will be set aside to ensure this is sent off in the timeframe for March 2017. This will also be given to the Clerk of Governors to record in the full GB minutes as well as the Resources minutes.</p>			
Responsible Officer			Deadline
Governing Body / Head Teacher			April 2017

6. Procurement – Ordering Goods and Services

Priority	Issue	Risk	Recommendation
Medium	<p>From a sample of 10 purchases tested, the following exceptions were identified:</p> <ul style="list-style-type: none"> • In four applicable instances, a purchase order was not raised for goods/services; • In two instances, a purchase order was raised but in one case was not authorised; • In one instance, the invoice was authorised by the SBM and not the Head Teacher; • In one instance, a purchase in excess of £10,000 was not approved by the Governing Body or Finance Committee. Furthermore, there was no evidence that value for money had been sought; and • In four instances, payment was not made within 30 days. 	<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 the Governing Body or Finance Committee does not approve high value purchases, and where quotes are not obtained, there is a risk that inappropriate expenditure may be incurred and/or value for money may not be achieved.</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 and authorised prior to placing the order with the supplier.</p> <p>Purchases in excess of £10,000 should be approved by the Governing Body or Finance Committee, with quotes obtained in accordance with the School's Financial Regulations.</p> <p>Payment of undisputed invoices should be made within 30 days.</p>

Management Response

Costs identified in advance will now have an order raised against them and will follow the correct authorisation procedure. Consistency of authorisation will now be followed.

It was raised at the Resources meeting on 15 November 2016 that authorisation hadn't been signed off for an invoice over £10,000. This invoice was for Eden Catering and the committee advised that they authorise this as part of the SLA at the beginning of the year, so no need to sign off every invoice that comes through. It was agreed in the meeting on 15 November 2016 that Governors will sign off the supplier transaction listings at every meeting so they can see what expenditure has been raised against each supplier.

In September 2015, there were several suppliers chasing invoices, but these were sent to the previous Senior Admin Officer and were never passed on, so invoices had to be chased. In future any invoices dated outside of the 30 days will have a written reason on them.

Responsible Officer	Deadline
Head Teacher / School Business Manager	April 2017

7. Procurement – Contracts

Priority	Issue	Risk	Recommendation
Medium	For two contracts tested, we were unable to confirm that value for money had been sought and that quotes had been obtained in line with the School's Financial Regulations.	Where quotes are not obtained in line with the School's Financial Regulations, there is a risk that value for money is not obtained.	Quotes should be obtained before entering into contracts, or high value purchases in line with the School's Financial Regulations. Where it is not possible to obtain the required number of quotes, a waiver to the regulations should be sought from the Governing Body, and evidence of this retained.
Management Response			
Agreed.			
Responsible Officer			Deadline
Governing Body / Head Teacher / School Business Manager			May 2017

8. Petty Cash - Expenses

Priority	Issue	Risk	Recommendation
Medium	<p>For all five petty cash claims tested, the claimant had not signed the claim form to confirm receipt of payment.</p> <p>One expense identified was for a four night stay in a hotel. It was established that this was for a member of staff with a long commute who was required to work extended hours on site. The expense was approved by the Headteacher, however, given the nature of the expense this should also be reported and agreed by the Governing Body.</p>	<p>Where expense claim forms are not completed and signed by the claimant, there is an increased risk that inappropriate payments are approved and paid.</p> <p>Where expenditure in exceptional circumstances is not reported to the Governing Body, there is a risk that inappropriate expenses may be claimed.</p>	<p>Expense claim forms should be signed and dated by the claimant to confirm the receipt of payment.</p> <p>Where payments of significance are made in exceptional circumstances, this should be reported and agreed by the Governing Body.</p>
Management Response			
<p>These are now signed off and a report of expenditure was presented at the Resources committee meeting on 15 November 2016 and will be discussed at the next Full GB meeting in early 2017.</p>			
Responsible Officer			Deadline
Head Teacher / School Business Manager			Implemented

9. Payroll – Starters information

Priority	Issue	Risk	Recommendation
Medium	<p>From a sample of five new starters selected for testing, the following exceptions were identified:</p> <ul style="list-style-type: none"> • In three cases, only one reference was obtained; • In all five cases, a letter of appointment was not available on file; and • In two cases, evidence of qualifications was not on file. 	<p>Where two references, and evidence of qualifications are not obtained, there is a risk that the employee will not be suitable for the job.</p> <p>Where letters of appointment are not retained, there is a risk that the School cannot demonstrate transparency in the recruitment process.</p>	<p>The School should ensure that the following is obtained for new starters:</p> <ul style="list-style-type: none"> • Two satisfactory references; • Letter of appointment; and • Evidence of qualifications (where applicable).
Management Response			
Systems are now in place to ensure staff files have the satisfactory documentation that is needed. A tick sheet is now completed with the appropriate documentation enclosed.			
Responsible Officer			Deadline
Head Teacher			Implemented

10. Head Teacher's Pay – School's Individual School Range

Priority	Issue	Risk	Recommendation
Medium	<p>The Individual School Range (ISR) and spinal points for the Head Teacher, Acting Head Teacher and Deputy Head Teacher were established, however, we were unable to confirm that these had been approved by the Governing Body.</p> <p>Furthermore, the Head Teacher receives additional payments in excess of their spine point, but we were unable to confirm that justification for this had been documented and that this had been approved by the Governing Body.</p>	<p>Where the Head Teacher and Deputy Head Teacher's ISRs are not evidenced as approved by the Governing Body, there is a risk that the School is not complying with the School Teachers' Pay and Conditions.</p> <p>Where additional payments are not evidenced as approved by the Governing Body, there is an increased risk that inappropriate and excessive payments are made.</p>	<p>The School should ensure that the ISR and pay scales for the Head Teacher, Acting Head Teacher, and Deputy Head Teacher are formally approved and documented by the Governing Body.</p> <p>The School should ensure that additional payments to staff are in line with the Pay Policy, and approved by the Governing Body or delegated Committee with justification documented.</p>
Management Response			
This will be formally approved and put in the full GB minutes at the next appropriate meeting, rather than just email evidence.			
Responsible Officer			Deadline
Head Teacher			April 2017

11. Assets and Inventory – Annual Asset Check

Priority	Issue	Risk	Recommendation
Medium	Discussion with the ICT Systems Manager established that an asset check is not undertaken on a periodic basis.	Where asset register checks are not undertaken annually, there is a risk that theft or loss of assets will not be identified in a timely manner.	Asset register checks should be undertaken on an annual basis. This should be recorded and presented to the GB or delegated committee.
Management Response			
This was discussed at the Resources committee on 15 November 2016 and the Chair of Governors is visiting school to check and sign this off on 9 December 2016. A reminder has been set with the SBM to get this done every September.			
Responsible Officer			Deadline
Head Teacher / School Business Manager / Site Manager			Implemented

12. Leasing – Council Advice




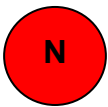
Priority	Issue	Risk	Recommendation
Low	The School has a lease in place for photocopiers, however, we were unable to confirm that advice and approval from the Director of Finance (via Children Services Finance) had been obtained prior to entering the leasing agreement	Where advice and approval from the Director of Finance (via Children Services) is not obtained prior to entering leasing agreements there is a risk that value for money is not obtained.	The School should ensure that advice and approval from the Director of Finance (via Children Services) is obtained prior to entering leasing arrangements.
Management Response			
The school didn't inform the LA when entering into the photocopier contract in August 2015, but will ensure this is addressed in future. This was also discussed at the Resources meeting on 15 November 2016.			
Responsible Officer			Deadline
Governing Body / Head Teacher			Implemented

13. Unofficial Funds – Reconciliation and Audit

Priority	Issue	Risk	Recommendation
Medium	<p>Discussion with the Senior Admin Officer established that the Unofficial Fund Account is not being reconciled on a regular basis.</p> <p>Additionally, whilst the Unofficial Fund Account has been audited on an annual basis, the results have not been presented to the Governing Body.</p>	<p>Where the Unofficial Fund Account is not reconciled regularly, there is a risk that errors and anomalies may not be identified.</p> <p>Where the Unofficial Fund Account Audit is not presented to the Governing Body, there is a risk that the Governing Body are not aware of the findings of the Audit.</p>	<p>Unofficial Fund Account reconciliations should be completed and checked by a second independent officer.</p> <p>The Unofficial Fund Account Audit should be presented to the Governing Body for review.</p>
Management Response			
<p>Discussed at the Resources meeting on 15 November, the chair of finance will recommend an independent auditor. The unofficial fund will be signed off by a second officer and this will be presented to the next full GB meeting.</p>			
Responsible Officer			Deadline
Governing Body / Head Teacher			April 2017

Appendix 2: Definition of Assurance Opinions and Recommendation Priorities

In order to help put the audit opinion and recommendation priority ratings in context the following tables detail the current ratings used by Internal Audit.

Rating	Description
 Su	There is a sound system of control designed to achieve the objectives. Compliance with the control process is considered to be substantial and no material errors or weaknesses were found.
 Sa	While there is a basically sound system, there are weaknesses and/or omissions which put some of the system objectives at risk, and/or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
 L	Weaknesses and / or omissions in the system of controls are such as to put the system objectives at risk, and/or the level of non-compliance puts the system objectives at risk.
 N	Control is generally weak, leaving the system open to significant error or abuse, and/or significant non-compliance with basic controls leaves the system open to error or abuse.

Priority	Description
High	Recommendation addresses fundamental weaknesses, which seriously compromise the effective accomplishment of the system's objectives. Risks presented by the control weaknesses could be damaging in the short term. The management action required should be implemented as soon as possible, certainly within 0-3 months.
Medium	Recommendation addresses serious weakness, which affect the reliance to be placed on the system. Risks presented by control weaknesses could be damaging in the medium term. Management action is required within 0-6 months.
Low	Recommendation addresses minor weaknesses, or suggests a desirable improvement. Risks presented by control weaknesses are unlikely and inconsequential. Management action is recommended to address concerns within 0-9 months.

Appendix 3: Timetable and Distribution List

Stage	Date
End of Fieldwork	24/11/2016
Draft Report Issued	25/11/2016
Responses Received	26/01/2017
Final Report Issued	27/02/2017

Audit Team
Client Engagement Manager: James Graham
Auditor: Mithen Kotecha
Client Sponsors
Executive Director of Children's Services
Staff Consulted
Head Teacher
School Business Manager