# Poppleton Road Primary School

# Internal Audit Report 2021/22

Headteacher: D Glover
Date Issued: 22 July 2022
Status: Final
Reference: 15691/021

| | P1 | P2 | P3 |
|---|---|---|---|
| **Actions** | 0 | 3 | 4 |
| **Overall Audit Opinion** | Reasonable Assurance | | |

## Summary and Overall Conclusions

### Introduction

This audit was carried out remotely as part of the internal audit plan for People Directorate for 2021/22. In response to guidance proposed by the Department of Education, key members of City of York Council's finance team and school business management team confirmed they would benefit from periodic full school audits across the maintained schools in the city. All schools selected for these audits are done so in accordance with a detailed risk assessment.

### Objectives and Scope of the Audit

The purpose of this audit was to provide assurance to governors, the headteacher and management that internal controls within school and its systems are operating effectively to manage key risks both of a financial nature and otherwise.

The audit covered the following areas in accordance with the specification:

- Governance
- Financial management
- System reconciliation
- Contracts – ordering, purchasing and authorisation
- Income
- Capital and property
- Human resources
- Payroll
- School meals
- School fund
- Data protection
- Insurance and risk management
- Inventory records
- Security and
- Safeguarding arrangements.

### Key Findings

A review of the school's governance procedures confirmed that meetings for both the full governing body and the finance committee are held frequently, with evidence of a key communication channel between the two bodies seen within meeting minutes. Key processes including budget setting and the SFVS (school financial value standard) return are completed correctly with the appropriate authorisation.

A log of statutory policies is in place to ensure review and authorisation of key documents occurs in line with requirements. However, the budget management policy and scheme of delegation have not been reviewed since 2014. Declarations of interest were found to be in place for all governors and these had been reviewed recently and uploaded to the school's website. The terms of reference for the finance committee could be provided, however the last approval date could not be evidenced and the document had not been signed.

Bank reconciliations are undertaken on a monthly basis and are independently signed off before submission to the local authority. Testing of expenditure confirmed that there is a good level of independent checking throughout any procurement of goods and services. Invoices are paid promptly and accurately in relation to supporting documentation. Quotations had been sought for recent, significant value expenditure and details of suppliers and costings could be provided by the school bursar and headteacher. A contract schedule is in place and the school has retained evidence of contractor insurance. The school had not recently undertaken any capital projects.

A review of procurement card usage confirmed purchases had not always been made by the card holder and transaction logs were often not completed by the card holder, but instead by the school bursar who also reconciles card usage with the bank statements. There was also some evidence to confirm use of a personal loyalty card alongside payment using the school procurement card.

A sample of income was reviewed and this confirmed that the school encourages a cashless environment through the use of electronic income methods. Records of income across all streams are maintained and frequent reconciliations help to ensure that payment is received or chased accordingly. School meals are monitored through weekly registers and supporting evidence relating to free school meal status is checked and reconciled frequently.

Payroll amendments, including instances of sickness absence and maternity leave, are being managed correctly and notifications of these amendments are submitted to the payroll provider promptly. A further check of the payroll identified no discrepancies between current staff and the latest payments made. However, it was confirmed that the payroll output reports are checked by the same member of staff who is also responsible for submitting payroll information. The review of HR files confirmed that fit notes were all present for a sample of sickness absence, but return to work interviews were not being completed and absence trigger points had not been followed up.

A sample of HR files checked during the audit contained all required evidence of right to work to UK and relevant staff qualifications. However, some DBS certificates had been retained for longer than 6 months following initial recruitment. A single central record is maintained and risk assessments are completed for staff who start work prior to DBS clearance being received. The school's child protection policy was last reviewed in January 2022 and clarifies the roles of designated safeguarding lead and the processes in place should a deputy need to stand in. All members of staff with key safeguarding responsibilities have undertaken the correct training for their roles.

A review of the school fund was carried out and this confirmed that the account is independently checked and the transactions within this account are appropriate. A £30 petty cash fund is maintained and this is also used as expected and is kept securely with limited access.

Security of both information and tangible assets is well maintained with data protection procedures in place as well as an extensive inventory of all physical goods. Veritau Ltd is the DPO (data protection officer) for the school and therefore there is a good level of guidance and support available to staff and governors in relation to data protection. A well-established inventory is maintained and contains key information that would support any claim that would need to be made in the event of theft or loss. A record of disposal is also in place to ensure any items that are sold or disposed of are recorded. However, the school needs to ensure that independent checks of a sample of inventory items are carried out on an annual basis.

## Overall Conclusions

There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited. Our overall opinion of the controls within the system at the time of the audit was that they provided Reasonable Assurance.

## 1 Budget management policy

| Issue/Control Weakness | Risk |
|---|---|
| The budget management policy and scheme of delegation have not been reviewed since 2014. | Budget management and monitoring is ineffective and this leads to financial implications. |

### Findings

The budget management policy and appended scheme of delegation, produced during the audit, were last reviewed and authorised by governors in 2014. This therefore means that the requirement to review these documents on annual basis has not been met.

### Recommendation

The budget management policy and scheme of delegation should be reviewed, updated and authorised on annual basis to ensure the contents of these documents remains current and valid.

### Agreed Action 1.1

| The budget management policy and scheme of delegation will be reviewed in the Autumn term, and then on an annual basis. | Priority | 2 |
|---|---|---|
| | Responsible Officer | Headteacher |
| | Timescale | December 2022 |

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## 2 Terms of reference

| Issue/Control Weakness | Risk |
| --- | --- |
| The terms of reference for the finance committee had not been signed off and the school was unable to evidence the last review of these terms. | The finance committee is able to operate outside of its delegated limits and powers. |

**Findings**

The terms of reference for the finance committee were provided during the audit. These had not been signed by the chair of governors and the last review date of these terms of references could not be confirmed.

**Recommendation**

Where a finance committee exists, the governing body should define in writing the terms of reference for the committee and the extent of its delegated authority. These should be reviewed annually or whenever there are any changes to the committee members.

**Agreed Action 2.1**

| The terms of reference for the finance committee will be defined in writing in the Autumn term and then on a annual basis or when there are any changes to the committee members. | Priority | 3 |
| --- | --- | --- |
| | Responsible Officer | Headteacher |
| | Timescale | December 2022 |

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# 3 Procurement card use and management

| Issue/Control Weakness | Risk |
|---|---|
| Procurement cards have been used by staff members other than the card holders. Transaction logs and reconciliation with the bank statement were being completed by the same person. | Procurement cards could be used for unsuitable purchases and not be identified from the reconciliation of the transaction log with the bank statement. |

### Findings

Procurement cards had been used frequently by members of staff not named on the cards. One card holder's procurement card had been used by a staff member while they were away on maternity leave. Staff members had used personal loyalty cards when making purchases for school. Whilst personal loyalty cards can reduce the purchase cost of items they also result in a small benefit to the card holder. Staff members should not personally benefit from purchases made on behalf of the school and school loyalty cards should be obtained to benefit from any reduced costs.

Transaction logs were not completed by the card holder, but instead being maintained by the same person responsible for the final checking of card usage. The transaction log was being completed from invoices provided by the card users and then reconciled against the bank statement. VAT invoices were recorded as attached to the transaction log, however correct VAT invoices were not present on file for all purchases. If VAT is reclaimed on purchases the correct VAT invoices should be obtained.

### Recommendation

Procurement cards should only be used by the card holder. Transaction logs should be completed by the card holder then passed onto the school bursar for final reconciliation with the bank statement. Personal loyalty cards should not be used when making purchases for school. VAT invoices should be obtained if VAT is reclaimed on purchases.

### Agreed Action 3.1

| The school is aware that procurement cards should only be used by the card holders and the transaction logs completed by the card holders and cross-referenced by the Bursar. VAT invoices are obtained if the VAT is to be reclaimed, and the card holders are aware that personal loyalty cards must not be used with their procurement cards | **Priority** | 2 |
|---|---|---|
| | **Responsible Officer** | Headteacher |
| | **Timescale** | May 2022 |

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## 4 Absence management

| Issue/Control Weakness | Risk |
| --- | --- |
| Return to work interviews have not been completed and absence management procedures have not been followed. | Sickness absence and staff fitness to work may not be effectively monitored or managed, resulting in further absence or litigation. |

### Findings

Return to work interviews had not always been completed or documented following sickness absence. Return to work forms were not fully completed and/or signed off consistently. A member of staff had reached one of the absence trigger points but no documented review of this was available and this same member of staff had not received a formal return to work interview.

### Recommendation

Return to work interviews should be completed and documented after each staff absence. Any instances of absence meeting trigger points should be documented and followed up accordingly.

### Agreed Action 4.1

| Return to work interviews are now carried out on the employee's return and any meeting trigger points are correctly documented and followed-up accordingly. | Priority | 2 |
| --- | --- | --- |
| | Responsible Officer | Headteacher |
| | Timescale | May 2022 |

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## 5 Retention of DBS certificates in HR files

| Issue/Control Weakness | Risk |
|---|---|
| DBS certificates are held for longer than necessary. | Breaches of DBS code of practice and data protection regulations leads to fines payable by the school. |

| Findings |
|---|
| Some DBS certificates had been retained in staff HR files for longer than 6 months following initial recruitment. Guidance on retention of DBS ceritifcates states that they should be destroyed after a suitable period has passed which is usually no longer than 6 months: DBS check requests guidance for employers |

| Recommendation |
|---|
| HR files to be checked and any DBS certificates securely destroyed for staff who have been employed longer than 6 months. |

| Agreed Action 5.1 | | |
|---|---|---|
| All HR files have now been checked and any DBS certificates have been shredded. | **Priority** | 3 |
| | **Responsible Officer** | SBM |
| | **Timescale** | May 2022 |

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## 6 Payroll checks

| Issue/Control Weakness | Risk |
|---|---|
| There is a lack of independence between the inputting and checking of payroll data. | Amendments to pay are made fraudulently and are not identified meaning the school suffers avoidable financial loss. |

| Findings |
|---|
| The final payroll calculations are checked by the same member of staff with the responsibility for submitting payroll information. Although there was no evidence to suggest discrepancies in any payments made, the current process lacks the key separation in duties that would help to capture any inaccuracies in the payroll. |

| Recommendation |
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| The monthly payroll reports should be checked and countersigned by a second officer who is independent of the data input process. |

### Agreed Action 6.1

| | | |
|---|---|---|
| The Powersolve prints for payroll are now checked and signed by the headteacher on a monthly basis. | **Priority** | 3 |
| | **Responsible Officer** | SBM |
| | **Timescale** | May 2022 |

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# 7 Independent checks of the inventory

| Issue/Control Weakness | Risk |
|---|---|
| Independent checks of the inventory are not carried out on an annual basis. | Theft or loss of school property is not identified and the school suffers financial loss. |

| Findings |
|---|
| The school currently maintains an extensive and detailed inventory along with a record of disposal. However, the inventory is not currently subjected to independent checking on a regular basis. |

| Recommendation |
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| The school should continue to maintain the inventory and introduce annual, independent checks of a sample of inventory items. The details of these independent checks should be recorded. |

| Agreed Action 7.1 | | |
|---|---|---|
| The inventory has now been checked by the site manager against items held in school and this will now be done on an annual basis. The inventory will be updated accordingly. | **Priority** | 3 |
| | **Responsible Officer** | SBM |
| | **Timescale** | May 2022 |

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# Audit Opinions and Priorities for Actions

| Audit Opinions |
| --- |

Our work is based on using a variety of audit techniques to test the operation of systems.  This may include sampling and data analysis of wider populations.  It cannot guarantee the elimination of fraud or error. Our opinion relates only to the objectives set out in the audit scope and is based on risks related to those objectives that we identify at the time of the audit.

Our overall audit opinion is based on 4 grades of opinion, as set out below.

| Opinion | Assessment of internal control |
| --- | --- |
| Substantial Assurance | A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited. |
| Reasonable Assurance | There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited. |
| Limited Assurance | Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited. |
| No Assurance | Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited. |

| Priorities for Actions |
| --- |

| Priority 1 | A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management. |
| --- | --- |
| Priority 2 | A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management. |
| Priority 3 | The system objectives are not exposed to significant risk, but the issue merits attention by management. |

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