



Internal Audit Report 2020/21

Hackney Education

**Queensbridge Primary School & Mapledene Children's Centre
2021SCH03**

Executive Summary

Purpose of the Audit

The purpose of this audit is to provide assurance over the controls and processes in relation to Queensbridge Primary School and Mapledene Children's Centre. Sarah Bailey, Executive Headteacher will take ownership of this review and will be responsible for agreeing the draft report and providing management responses.

This audit is being undertaken as part of the 2020/21 Internal Audit Plan, as approved by the Audit Committee on 22 April 2020. This plan was developed following an assessment of the key risks facing the Council.

Overall Finding and Key Issues

We identified three areas for improvement in the design and operational effectiveness of controls in place at the time of our audit, of which all were assessed as medium priority and discussed with Sarah Bailey, Executive Headteacher and Tracy Cullen, Business Manager during and at the conclusion of the audit.

The impact of the Covid-19 pandemic and the cyberattack on the day to day operations at the school was highlighted and noted. It has contributed to the limited access to supporting documents to be reviewed by Internal Audit. We have had to change and adapt to new ways of working such as requesting that schools complete and submit a pre-audit internal control questionnaire (ICQ) and audit meetings are now held virtually. This report is issued with an assurance level based on the information provided in the ICQ and the supporting evidence provided by Queensbridge Primary School and Mapledene Children's Centre.

This report presents detailed findings and recommendations for exceptions identified during the audit.

Appendix 1: Management Action Plan

Appendix 2: Definitions of audit assurances

Appendix 3: The Terms of Reference for this audit

Limitation of Scope

The audit reviewed the extent to which potential risks associated with the processes noted in the Terms of Reference were addressed, controlled and managed.

Distribution List:

- Sarah Bailey, Executive Headteacher
- Tracy Cullen, Business Manager
- Dipti Mouj, Chair of Governors
- Annie Gammon, Director, Education and Schools
- Anne Canning, Group Director, Children, Adults and Community Health
- Stephen Hall, Assistant Director, Hackney Education

- Ophelia Carter, Head of Schools Finance, Hackney Education
- Jo Larkin, Head of Human Resources, Hackney Education

Executive Summary

Report Classification



Significant

Trend



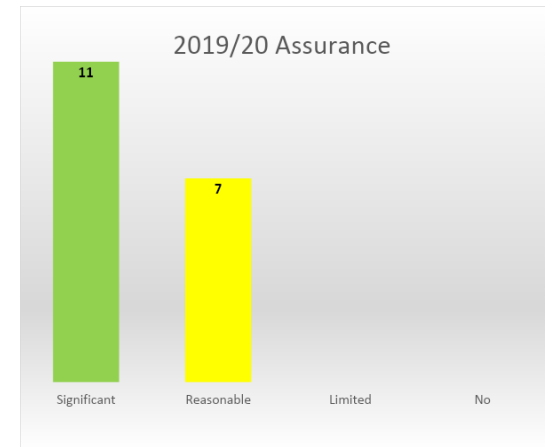
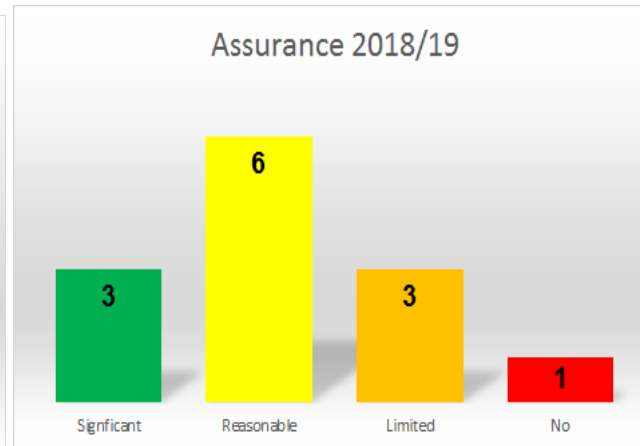
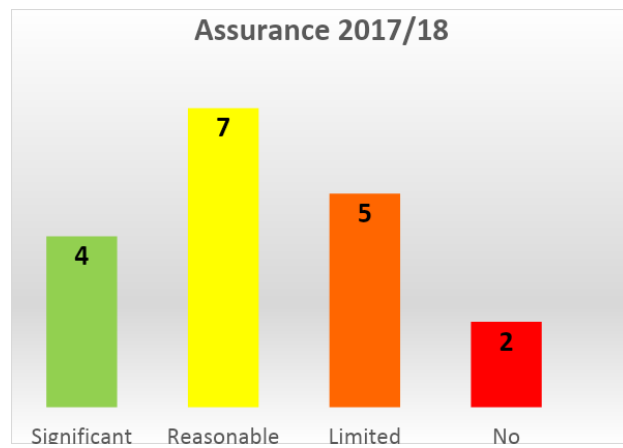
The assurance level of the last audit was “Reasonable”, so the assurance level’s direction of travel of this audit has increased.

Accountable officers for Recommendations	Priority			Agreed	Total
	High	Medium	Low		
Sarah Bailey, Headteacher	0	1	0	1	1
Tracy Cullen, Business Manager	0	2	0	2	2
	0	3	0	3	3

Fieldwork dates	25/03/2021 to 09/04/2021
Draft Report	26/04/2021
Auditee Response	07/05/2021
Final Report	10/05/2021
Responsible Auditor	
Ade Ayinde, Principal Auditor	

Executive Summary

Comparison with other Hackney schools (2017/18, 2018/19 & 2019/20) of overall assurance levels of reports



Executive Summary

Areas Audited and Assurance level:

Area	Area of assurance	Issues for Consideration
Governance	Reasonable	The register of pecuniary interests for governors and staff with financial responsibilities needs to be reviewed and updated.
Financial Procedures	Reasonable	The school does not have its own tailored financial procedures.
Financial Planning/Budget Setting & Monitoring	Significant	No issues.
Purchasing	Reasonable	The school does not raise purchase orders on its financial management system
Income	Significant	No issues.
Banking	Significant	No issues
Petty Cash	Significant	Petty cash is not used at the School.
Payroll & Pre-employment Checks	Significant	No issues.
Voluntary Funds	Significant	No issues.
Assets	Significant	No issues

Findings and Recommendations

1. Governance - Register of Pecuniary Interest for Governors

<p>Recommendation</p>	<p>a. All governors should supply an electronic declaration of pecuniary interests to ensure there is an accurate record held by the school.</p> <p>b. The declaration of pecuniary interests register should be updated and signed when governing body meetings are held at the school.</p> <p>Priority: Medium</p>		
<p>Rationale</p>	<p>Control Objective: Paragraph 2.7 of the Financial Procedures Manual for Schools states: In accordance with the Scheme for Financing Schools, the Governing Board is required to establish and maintain a register which lists, for each member of the Governing Board and the Headteacher, any business interests which they or any member of their immediate family have. The register must be kept up-to-date by the Headteacher notifying the Governing Board of changes. The Headteacher must ensure that the register is reviewed at least annually.</p> <p>Finding: Internal Audit reviewed the register of declaration of pecuniary interests for staff and governors published on the school’s website to ensure that it is complete. It was noted that although all current governors and staff with financial responsibility are on the register, it was last updated and signed in November 2019. It was explained that updating the register has not been possible due to governing body meetings taking place virtually since the start of the Covid pandemic.</p> <p>Potential Risk / Impact: If the register of declaration of pecuniary interests is not reviewed annually it could result in the non-disclosure of recent changes to business interests, relationships and conflicts of interests not being mitigated, leading to reputational risks to the School.</p> <p>Cause: The full governing body has not had the opportunity to meet physically since the advent of the Covid-19 pandemic.</p>		
<p>Accountable/ Responsible Officer</p>	<p>Sarah Bailey, Executive Headteacher</p>		
<p>Management Response</p>	<p>Agreed</p>	<p>Agreed Completion Date</p>	<p>ASAP</p>

2. Raising Purchase Orders

Recommendation

The School Business Manager should make sure that purchases for all goods and services, except utilities, rents and rates have a purchase order raised and recorded on the schools financial management system.

Priority: Medium

Rationale

Control Objective: Purchase orders are raised for the purchase of goods and services and recorded on the school's financial management system, thus raising a commitment entry.

Finding: The school does not raise purchase orders on its financial management system for expenditure incurred. Paper purchase orders are completed for each order but not entered on the financial management system. Internal Audit was informed that the school has commenced raising purchase orders on the financial management system this financial year 2021/22.

Potential Risk / Impact: Payments may be made which do not align with goods ordered or received. If purchase orders are not raised on the financial management system it may be difficult to accurately monitor committed expenditure and cash flow. This may lead to inadequate budget monitoring.

Cause: Historically the school has maintained a folder with purchase orders. It plans to start raising purchase orders on the financial management system from April 2021.

Accountable/ Responsible Officer

Tracy Cullen, School Business Manager

Management Response

Agree

Agreed Completion Date

30 May 2021

3. Financial Procedures - School Tailored Financial Procedures

Recommendation	<p>a. The school should produce a tailored financial procedures manual that is in line with the Hackney Education Financial Procedures Manual that should be reviewed and approved by the Full Governing Body and annually thereafter.</p> <p>b. Evidence of its review and approval should be recorded in the minutes of the governing body meeting.</p> <p>Priority: Medium</p>		
Rationale	<p>Control Objective: Paragraph 2.6.2 of the Financial Procedures Manual for Schools states “Schools must have in place documented tailored financial procedures, which should be based on those in the Hackney Education Financial Procedures Manual for Schools”.</p> <p>Finding: The school does not have its own tailored financial procedures. The school has an office procedures document which was provided as its tailored financial procedures manual. Internal Audit review of the office procedures document found that its contents were inadequate and not fit for the purpose required. Examples of key financial procedures not included in the office procedures include scheme of delegated authority, the use of self-employed contractors, bank reconciliations, managing schools bank accounts and insurance and risk management.</p> <p>Potential Risk / Impact: Staff may not be aware of the financial procedures leading to poor accounting, inadequate budgetary control or the risk of fraud or error.</p> <p>Cause: Management was not aware that it was required to have its own tailored financial procedures.</p>		
Accountable/ Responsible Officer	Tracy Cullen, School Business Manager		
Management Response	Agreed	Agreed Completion Date	31 October 2021.

Appendix 1 – Management Action Plan

Priority Scale: H = High, M = Medium

No.	Recommendations	Potential Risk / Impact	Priority	Management Comments	Accountable / Responsible Officer	Agreed Completion Date
1	<p>Register of Governor’s Pecuniary Interest</p> <p>a. All governors should supply an electronic declaration of pecuniary interests to ensure there is an accurate record held by the school.</p> <p>b. The declaration of pecuniary interests register should be updated and signed when governing body meetings are held at the school.</p>	<p>If the register of declaration of pecuniary interests is not reviewed annually it could result in the non-disclosure of recent changes to business interests, relationships and conflicts of interests not being mitigated, leading to reputational risks to the School.</p>	M	<p>Agreed.</p> <p>Sent over 5th May 21</p>	<p>Sarah Bailey, Executive Headteacher</p>	<p>ASAP</p>
2	<p>Purchase Orders</p> <p>The School Business Manager should make sure that purchases for all goods and services, except utilities, rents and rates have a purchase order raised and recorded on the schools financial management system.</p>	<p>Payments may be made which do not align with goods ordered or received. If purchase orders are not raised on the financial management system it may be difficult to accurately monitor committed expenditure and cash flow.</p>	M	<p>Agreed.</p> <p>2 examples showing orders from the system sent over</p>	<p>Tracy Cullen, School Business Manager</p>	<p>5th May 21.</p>

		This may lead to inadequate budget monitoring.				
3	<p>School Financial Procedures</p> <p>a. The school should produce a tailored financial procedures manual that is in line with the Hackney Education Financial Procedures Manual that should be reviewed and approved by the Full Governing Body and thereafter annually.</p> <p>b. Evidence of its review and approval should be recorded in the minutes of the governing body meeting.</p>	Staff may not be aware of the financial procedures leading to poor accounting or budgetary control or the risk of fraud or error.	M	<p>Agreed.</p> <p>Business Manager has started working on this format.</p>	Tracy Cullen, School Business Manager	31 October 2021

Appendix 2 – Assurance Grading

The **Overall Assurance** given in respect of an audit is categorised as follows:

Level of assurance	Description	Link to risk ratings
Significant	Control weaknesses, if found, were of low impact and when addressed would improve overall control. However, these weaknesses do not affect key controls and are unlikely to impair the achievement of the objectives of the system. Therefore we can conclude that the key controls have been adequately designed and are operating effectively to deliver the objectives of the system, function or process.	There are two or less medium-rated issues and/or only low rated issues to report.
Reasonable	There are some weaknesses in the design and/or operation of controls which could impair the achievement of the objectives of the system, function or process. However, either their impact would be less than critical or they are unlikely to occur.	There is no more than one high priority finding and/or a low number of medium rated findings. However, where there are many medium rated findings, consideration will be given as to whether the effect is to reduce the assurance to Limited.
Limited	There are some weaknesses in the design and / or operation of controls which could have a significant impact on the achievement of key system, function or process objectives but should not have a significant impact on the achievement of organisational objectives. However, there are discrete elements of the key system, function or process where we have not identified any significant weaknesses in the design and / or operation of controls which could impair the achievement of the objectives of the system, function or process. We are therefore able to give limited assurance over certain discrete aspects of the system, function or process.	There are up to three high-rated findings. However, if there are three high priority findings and many medium rated findings, consideration will be given as to whether in aggregate the effect is to reduce the opinion to No assurance.
No	There are weaknesses in the design and/or operation of controls which [in aggregate] have a significant impact on the achievement of key system, function or process objectives and may put at risk the achievement of organisation objectives.	There are a significant number of high rated findings (i.e. four or more).

Recommendations are categorised according to risk as follows:

Risk Rating	Assessment Rationale
High	<p>Control weakness that has or is likely to have a significant impact upon the achievement of key system, function or process objectives. Whilst high impact for the system, function or process it does not necessarily have a significant impact on the achievement of the overall Council objectives.</p> <p><i>Guidance: Issues of this nature would typically be of interest to the Director.</i></p>
Medium	<p>Control weakness that has a low impact on the achievement of the key system, function or process objectives; or has exposed the system, function or process to a key risk, however the likelihood of this risk occurring is low.</p> <p><i>Guidance: Issues of this nature would typically be of interest to the Assistant Director or Head of Service.</i></p>
Low	<p>Control weakness that does not impact upon the achievement of key system, function or process objectives; however implementation of the recommendation would improve overall control.</p>

A.

Appendix 3 - Terms of Reference

London Borough of Hackney – 2020/21

Queensbridge Primary School & Mapledene Children’s Centre (2021SCH03)

Introduction

The purpose of this audit is to assess the extent to which the key risks relating to financial and operational administration within Queensbridge Primary School & Mapledene CC are being managed and controlled. Sarah Bailey, Executive Head Teacher will take ownership of this review and will be responsible for agreeing the draft report and providing management responses.

The audit is being undertaken as part of the 2020/21 Internal Audit Annual Plan which was approved by the Audit Committee on 22 April 2020. This plan was developed following an assessment of the key risks facing the Council.

The approach of the Internal Audit Service when auditing schools will be based on a risk assessment of the school's control environment using requested information and supporting evidence provided by the school at the outset of the audit to determine if an audit visit is required to reach an assurance conclusion. Schools will be scheduled for audit by rotation although in certain circumstances audits may be undertaken outside the scheduled time frame.

Queensbridge Primary School was last audited in the 2015/16 financial year. The school was awarded a Reasonable assurance level at that time.

Scope of the Audit

The audit will review the extent to which potential risks associated with the processes noted below are being addressed, controlled and managed: -

- B. Governance Arrangements
- C. Financial Procedures
- D. Financial Planning
- E. Purchasing
- F. Income
- G. Banking
- H. Petty Cash
- I. Payroll & Pre Employment Checks
- J. Voluntary Funds
- K. Assets

Limitations of Scope

This audit will only cover the areas highlighted above, unless during the audit we find an issue which requires further investigation.

Methodology

The review will be undertaken using the following approach:

- collect information from the school using the pre-audit internal control questionnaire and request for information;
- assess the adequacy of procedures and controls in operation to mitigate potential risks identified;
- test adherence to these controls by review and sample testing of documentation and system outputs;
- assess compliance (where appropriate) with the Hackney Education's Finance Procedure Manual.

Reporting Arrangements

Our internal audit report will focus on high and medium priority issues and will include detailed recommendations for specific actions to improve control, where necessary.

The Head Teacher, the School's Governing Body and Hackney Education will be informed of the outcome of our review. A report will be issued with an assurance level based on our assessment of the information provided in the ICQ and the evidence provided by the school. Any recommendations raised will be discussed with the Head Teacher or Business Manager prior to the issue of the report. The responses to the questionnaire will not be divulged to other schools.

The draft report will be distributed to the following officers:

- Sarah Bailey, Executive Head Teacher
- Tracy Cullen, Business Manager

The final report will be distributed to the above and: -

- Dipti Mouj, Chair of Governors
- Annie Gammon, Director, Education and Schools
- Anne Canning, Group Director, Children, Adults and Community Health
- Stephen Hall, Assistant Director, Hackney Education
- Ophelia Carter, Head of Schools Finance, Hackney Education
- Jo Larkin, Head of Human Resources, Hackney Education

Proposed Timescale

Action	Date
Issue of terms of reference	09 March 2021
Fieldwork start	16 March 2021
Fieldwork complete and discussion of issues arising during audit	30 March 2021
Draft report	19 April 2021
Formal response by auditee	26 April 2021
Final report	26 April 2021

Main Contacts and Roles

Name	Job Title
Tracy Cullen	Business Manager

Internal Audit Contacts

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