



Portsmouth  
CITY COUNCIL

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## Internal Audit Report

EXTERNAL - [REDACTED]

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Approved by Chief Internal Auditor, Lyn Graham:

## Executive Summary

In July 2013 Internal Audit carried out an investigation into alleged financial irregularities at [REDACTED] and as a result of the overall findings the School were issued with a 'Notice of Concern' under the scheme for Financing Schools Section 2.15 jointly by the Section 151 Officer and Director of Children's Services.

The Notice of Concern set out specific actions required by the City Council to be implemented by the Governing Body and the School's senior management team to address concerns raised. The purpose of this visit was to ascertain the progress made in relation to those actions and to perform an audit on the remaining financial activities that were not covered during the investigation.

The audit was carried out from 6<sup>th</sup> to 8<sup>th</sup> August 2014 and the detailed exceptions arising from the audit are contained within the main body of this report. The majority of actions agreed in the school's action plan were evidenced as having been resolved by resignation, retirement, or implementation; for example significant progress has been made to resolve the concerns relating to safeguarding of assets, including physical verification and disposal authorisation and obtaining value for money for purchases of IT equipment and general supplies. Discussions during the exit meeting confirmed that the interim Head teacher (who is still employed at the School in a support role) and new Chair of Governors were the main instigators for achieving the action plan.

The causes for the original findings were largely down to a lack of financial operational competence compounded by a lack of challenge in this area.

Following on from the full financial audit, which has resulted in an unprecedented 14 high risk exceptions and 1 medium risk exception being raised, the lack of financial management and oversight remains a major cause for concern. Many of the new audit findings detailed in this report indicate that there is a lack of financial competence across the School and Governing Body; this was evidenced from the following:

- Errors were found in the 2014/15 budget preparation where the proposed underspend position moved significantly and changes had to be factored in at a later date, although the supporting minutes were unclear in reflecting this.
- Errors were found in transaction entries and coding, examples of this was found in petty cash and the School Improvement Plan

- Failure to comply with Financial Rules, specifically raising orders in advance of the purchase, representing a false budgetary position for the school.
- Lack of monitoring and challenge by the Finance and Staffing Committee on the information presented, regular meetings between the Chair of Finance and the Bursar had not taken place.
- Lack of monitoring and oversight of the whole budget by the Head teacher, regular meetings between the Head and Bursar had not taken place, other than to verify the purchase card transactions.
- Insufficient communication between the Bursar and those members of staff authorised to spend from the school's budget. The Bursar does not attend the senior management team meetings and was not aware that the school was working on version 8 of the School Improvement Plan. The Bursar's physical location may also be influencing this issue as she is located in a separate building with other non-financial members of staff.
- Failure by the School to identify any skills gaps in relation to financial management and address the issues in a timely manner. Whilst training is proposed for the Bursar in the new term, alternatives have not been considered and no actual skills gaps assessment has been carried out.
- Failure by the School to effectively safeguard individuals with adequate separation of duties, evidenced in the preparation and banking of official income.
- Failure to set financial performance objectives and development for staff.

In addition to this, during the site visit the Internal Audit team was furnished with incorrect documents by the Bursar in relation to Governing Body minutes and School Improvement Plan.

The information presented to the Governors could not be evidenced and neither the Clerk nor Bursar retained the supporting financial documentation making it difficult to establish what had or had not been presented and or agreed.

It is Internal Audit's opinion that the issues identified may be resolved by training and development of key staff and the introduction of monitoring and verification controls, however it is also imperative that the school work cohesively as a team.

In summary, the documentation currently in place and the financial practices followed by the Head teacher, Governing Body and Finance staff does not demonstrate clear reporting lines or understanding of the expected Financial Management Standards for the strategic or operational financial running of the School, therefore no assurance can be given that financial controls are working effectively.

Response from [REDACTED]

The responses to the Internal Audit Report from the Head teacher and Chair of Governors are attached as Appendices 1, 2 and 3.

The role of Internal Audit is to give an opinion on the effectiveness of the Internal Control Framework, specifically, but not exclusively, relating to the financial operations, including preparation, monitoring and oversight. Internal Audit does not make any judgement on the academic side of the school's activities.

Overall, areas of weak financial practices and non-compliance with PCC Financial Rules, Ofsted requirements, the DBS Code of Practice, the Data Protection Act and Keeping Children Safe in Education legislation forms the basis for our overall opinion that, based on audit testing, no assurance can be given on the effectiveness of financial controls.

## Objectives and Scope

A Full Internal Audit was carried out at [REDACTED] on 6<sup>th</sup>, 7<sup>th</sup> and 8<sup>th</sup> August 2014 during which time a sample of documentation relating to the following areas was examined to ensure that;

### *Organisation of Responsibility & Accountability*

The School has defined and documented the responsibilities of each person involved in the administration of its finances to avoid the duplication or omission of framework of accountability for Governors and Staff.

- Governing Body Committee timetable for the period September 2013 to July 2014
- Governing Body Terms of Reference
- Governing body Agendas & Minutes for the period September 2013 to date
- Job descriptions for staff with financial responsibilities and the clerk
- SFVS documentation
- Skills matrix for Governors and Finance Staff
- Current Register of Pecuniary Interest
- Single Central Record document
- Whistleblowing Policy

### *Budget*

The School has developed and documented budgetary processes to enable the Governing Body and Head teacher to control expenditure in line with the overall objective of the school and there is a clear, identifiable link between the schools budget and the plan for raising standards and attainment.

- School Improvement / Development / Strategic Plan
- Three year Budget Plan and supporting monitoring evidence
- Budget Planning / Monitoring timetable
- School Budget Share
- BB502 reports
- Staffing Budget
- Bench Marking data

### *Income*

All income due to the School is identified, recorded, receipted and banked promptly and intact. Vat is correctly accounted for.

- Receipt books.
- Record of cash received pads.
- Bank paying - in books.
- M1 forms
- Lettings invoices, agreements and charging policy
- Stock control sheets
- Miscellaneous income records.

***Petty Cash***

Income and expenditure made through the Petty Cash Account is accurately recorded and authorised. VAT is accounted for correctly and segregation of duties is appropriate

- Bank Statements for the period September 2013 to date
- Petty Cash Vouchers and supporting documentation
- Petty Cash reconciliation reports

***Ordering, Receipt and Payment of Goods***

All commitments and expenditure are accurately recorded and expenditure is authorised, represents value for money and is for the proper purposes of the School

- Purchase orders and invoices
- Purchase cards, bank statements and receipts
- Hire agreement forms
- Contracts (including compliance with the tendering process)

***Business Continuity / Resilience Plan***

An appropriate business continuity / disaster recovery plan is in place which complies with the best practice guidance issued by PCC

- Business Continuity Plan
- Documentation relating to the Senior Management Emergency Team membership
- Evidence of Governing Body approval and drills / tests conducted

***Inventory***

All appropriate assets are recorded, safeguarded and controlled and disposal of equipment is properly administered and controlled

- Inventory sheets
- Loans register

***Computer Security***

Access to mainframe data is restricted to authorised staff only and adequate controls exist over security of passwords and environmental controls are sound

- Data Protection Registration Certificate
- IT / Internet Policy

***Unofficial Fund***

There is appropriate control over the operation of unofficial funds and the Audited Statement of Account is authorised by the Governing Body

***Mini bus***

The use of the minibus is restricted to authorised staff with all journey details being recorded.

- Service History book / receipts
- MOT and Road Tax Certificates
- Midas Training Certificates
- Mini bus log of mileage record

There was also a review of the recommendations made as a result of the investigation which took place during 2013 and resulting action plan.

<b>EX 1 - 1415-120 - [REDACTED] - Computer Security - CCTV Policy</b>	
<b>Priority Level</b> <b>High Risk</b>	
<b>Exception</b> <p>CCTV cameras are in operation on the school premises and signs are positioned around the school to alert the school community and visitors to the site that CCTV cameras are in place.</p> <p>However, discussions with the Head teacher during the course of the Audit confirm that the Governors have not adopted a CCTV Policy as required by the Information Commissioner's Office (ICO) CCTV Code of Practice.</p>	
<b>Risks and Consequences</b> <p>Legislative and financial risk resulting in non-compliance with the ICO Code of Practice, Regulation of Investigatory Powers Act (RIPA) and the Data Protection Act which could result in a potential fine to the School.</p>	
<b>Agreed Action</b>	<b>Person Responsible / Action by Date</b>
Model Policy received from Karen Gibbs to be adopted by Full Governing Body.	Adopted by Full Governing Body Meeting on 16.10.2014



<b>EX 2 - 1415-120 - [REDACTED] Official Income - Keys to safe</b>	
<b>Priority Level</b> <b>High Risk</b>	
<b>Exception</b> <p>During on-site testing it was established that the School have two key operated safes for the retention of official and unofficial income prior to banking. The first safe is located in the Bursar's Office (one key is retained by the Bursar at all times and the second is kept in a key safe in another part of the building) and the second safe is in the Support Manager's Office (it is our understanding that there is only one key to this safe which is retained by the Support Manager at all times).</p> <p><b>PCC Cash Handling Instructions</b> require that –</p> <p><b>5.2</b> - Access to safes must be restricted to as few officers as possible that have relevant responsibility and kept locked when not in use. Keys must be kept securely on the key holder's person, <i>off-site outside of business hours</i> and access restricted to those with the relevant responsibility.</p>	
<b>Risks and Consequences</b> <p>Operational and financial risk as the current practice places;</p> <ul style="list-style-type: none"> <li>• The Bursar in a potentially vulnerable position in the event of loss or theft of money from the safe in her office.</li> <li>• The School in a potentially vulnerable position in the event of the key to the safe in the Support Managers Office being lost.</li> </ul>	
<b>Agreed Action</b>	<b>Person Responsible / Action by Date</b>
Copies of keys to both safes to be held by Head Teacher in a locked drawer during business hours and off-site outside of business hours. New key to be cut for safe in Support Manager's office.	Head Teacher and caretaker – safe key already transferred to Head, new key to be cut by 19.09.2014 Exam safe key has also been moved to Head Teacher's office

<b>EX 3 - 1415-120 - [REDACTED] - Petty Cash - Bank Account overdrawn</b>	
<b>Priority Level</b> <b>High Risk</b>	
<b>Exception</b> <p>Bank statements for the petty cash account were reviewed for the period July 2013 (statement 42) to July 2014 (statement 53) and it was noted that the account was overdrawn on one occasion to the value of £29.91.</p> <p>Discussions with the Bursar during the audit visit confirmed that the situation had partly arisen as a result of her absence from the school during the period tested.</p> <p><b>Financial rule P2 (g)</b> states that; School Governors and Head teachers are responsible to ensure that a bank account in which an imprest account is held is not permitted to become overdrawn.</p>	
<b>Risks and Consequences</b> <p>Operational and financial risk resulting in a potential bank charge as a result of the bank account becoming overdrawn.</p>	
<b>Agreed Action</b>	<b>Person Responsible / Action by Date</b>
<p>The Chair of Governors has requested an investigation into this issue. The petty cash account has been overdrawn on more than one occasion and during the time the Bursar has had responsibility for the petty cash account. Disciplinary action taken in July 2013 will be re-visited.</p>	<p>Head Teacher with HR intervention – 30.10.2014</p>

**EX 4 - 1415-120 - [REDACTED] Petty Cash - Non-compliance with PCC Financial Rules**

**Priority Level**

**High Risk**

**Exception**

Petty Cash Reconciliation Vouchers were evidenced for the period September 2013 to July 2014 (12 reconciliations). There was evidence of reconciliation by the Bursar and approval by the interim Head teacher for 2 of the 12 claims, but no evidence for the remaining 10.

Petty Cash Transaction number 7046-008 for March 2014 was checked during on-site testing. There were 26 claims in this batch and the checks confirmed that 1 voucher was missing to the value of £8.76 (this item of expenditure was found to have been entered twice and the voucher and receipt were located in the May 2014 paperwork). 1 voucher totalled £10.00 but only £3.00 was entered on the Transaction sheet. Whilst these errors are minor they demonstrate weak controls in the operational process which may have been identified if the claim has been appropriately approved.

Petty Cash Transaction number 7046-005 for November 2013 was also checked. There were 11 claims in this batch and all expected controls were in place.

During on site testing the Cash total from Schools Petty Cash Transactions report number 7046-011 for July 2014 was reconciled to the cash held on site. The cash totaled £158.16 and the balance should have been £157.64 (Over by 0.52p)

**Financial rule P2 (i)** states that Officers must; Obtain and retain vouchers to support each payment from the imprest account. Where appropriate, an official receipted VAT invoice must be obtained in the name of the City Council and

**Financial rule P2 (m)** states that Officers must; Reconcile and balance the account to the total of the sum advanced, at least monthly; with a copy of the reconciliation sheet signed and retained by the imprest holder.

**Risks and Consequences**

Operational and financial risk resulting from a lack of internal control as the current practice places the Bursar and School in a potentially vulnerable position in the event of loss or theft of money.

**Agreed Action**

All reconciliations to be approved by Head Teacher or

**Person Responsible / Action by Date**

Head Teacher and Chair of Finance with immediate effect.

<p>Operations Manager. Monthly balance reconciliation sheet to be shown at the appropriate weekly meeting with Head Teacher.</p> <p>The Chair of Governors has requested an investigation into this issue. The petty cash account has been overdrawn on more than one occasion and during the time the Bursar has had responsibility for the petty cash account. Disciplinary action taken in July 2013 will be re-visited.</p>	<p>Head Teacher with HR intervention – 30.10.2014</p>
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**EX 5 - 1415-120 - [REDACTED] - Emergency Plan - Reporting of drills**

**Priority Level**  
**Medium Risk**

**Exception**

The School has an Emergency / Resilience Plan in place which complies with best practice guidance issued by PCC. This was evidenced during on site testing. The plan was approved by the Full Governing Body (FGB) on 20.05.2014 as part of the Schools Financial Value Standard (SFVS) submission. Contact details of the SMT are evidenced in the plan via a Telephone Tree for Emergency Closure.

The Head teacher confirmed during the audit visit that the plan was put in place during a 'snow day' but the results were not reported back to the FGB to evidence that the drill achieved the expected requirements.

**Risks and Consequences**

Operational risk that the Governing Body will not be aware of the effectiveness of drills / tests so will not be able to determine if any remedial actions are necessary when monitoring and reviewing the plan on an annual basis.

**Agreed Action**

Full Governing Body to be informed of 'Snow Day' procedure on 16<sup>th</sup> October 2014 and effectiveness of the drill. However the previous Chair of Governors was informed of the last time the drill took place on a snow day and the outcome.

**Person Responsible / Action by Date**

Head Teacher 16.10.2014

<b>EX 6 - 1415-120 - [REDACTED] Official Income - Income trail and separation of duties</b>	
<b>Priority Level</b> <b>High Risk</b>	
<b>Exception</b> <p>The Bursar is responsible for the collation, entering on the EBS Finance System, preparation of all official income for banking and physically banking income but there is no independent check to confirm that;</p> <ul style="list-style-type: none"> <li>• The money paid into the bank account equates to the amount collected.</li> <li>• Income is banked intact</li> <li>• Income is banked promptly</li> </ul>	
<b>Risks and Consequences</b> <p>Operational and financial risk as the lack of internal controls places the Bursar and School in a potentially vulnerable position in the event of loss or theft of money</p>	
<b>Agreed Action</b>	<b>Person Responsible / Action by Date</b>
These duties to be conducted and checked with another member of clerical staff to be determined by the Head Teacher.	Head Teacher reporting to Chair of Governors - 30.10.2014
The Chair of Governors has requested an investigation into this issue. Disciplinary action taken in July 2013 will be re-visited.	Head Teacher with HR intervention – 30.10.2014

<b>EX 7 - 1415-120 - [REDACTED] Official Income - Cash Handling Instructions</b>	
<b>Priority Level</b> <b>High Risk</b>	
<b>Exception</b> <p>Discussions with the Head teacher and Bursar during onsite testing confirmed that four members of the finance team are involved in cash collection; however, there was only evidence during testing that two of the team had signed a copy of the PCC Cash Handling instructions. Neither member of staff was clear as to who was responsible for ensuring the Cash Handling instructions are signed.</p> <p>The Cash Handling Instructions apply to all PCC Staff involved in cash handling as part of their duties. Strong internal controls for cash collection and banking are necessary to prevent mishandling of Council funds and are also designed to safeguard and protect employees from inappropriate charges of mishandling funds by defining their responsibilities in the cash handling process.</p> <p>Staff are required to sign a copy of the PCC Cash Handling instructions to confirm receipt and understanding of procedures and the consequences of failing to comply with them.</p>	
<b>Risks and Consequences</b> <p>Operational risk if employees are not aware of expected cash handling procedures they may not be protected from inappropriate charges of mishandling funds.</p>	
<b>Agreed Action</b>	<b>Person Responsible / Action by Date</b>
<p>All staff are potentially involved in cash handling as part of their duties and will be asked to read and sign PCC Cash Handling instructions – place in Staff Handbook as a requirement.</p> <p>The Chair of Governors has requested an investigation into this issue. Disciplinary action taken in July 2013 will be re-visited.</p>	<p>Head Teacher reporting to Chair of Governors with immediate effect.</p> <p>Head Teacher with HR intervention – 30.10.2014</p>

<b>EX 8 - 1415-120 - [REDACTED] - Mini Buses - Security of keys</b>	
<b>Priority Level</b> <b>High Risk</b>	
<b>Exception</b> <p>Discussion with the Caretaker during on site testing confirmed that the keys to the mini buses are kept on the reception desk along with the Log Sheet and instructions for use. Although the reception is manned during business hours external groups of people who use the school premises outside of business hours would have access to the keys.</p> <p><b>PCC Insurance requirements</b> Section 19 - Special Conditions require that the insured will; (b) take all reasonable steps to safeguard the vehicle from damage.</p>	
<b>Risks and Consequences</b> <p>Operational, financial and reputational risk that a mini bus may be used by an unauthorised driver which could potentially lead to injury and a financial loss to the School as Insurance would be negated if a bus were to be driven by an unauthorised user.</p>	
<b>Agreed Action</b>	<b>Person Responsible / Action by Date</b>
Minibus keys and log books to be kept in Bursar's office at all times, when not in use.	Caretaker: Keys and logs were moved to Bursar's office by 01.09.2014



<b>EX 9 - 1415-120 - [REDACTED] Ordering &amp; Receipting - Purchase Orders</b>	
<b>Priority Level</b> <b>High Risk</b>	
<b>Exception</b> <p>A random sample of 6 purchase orders was selected for testing purposes for the Financial year 2014/2015. All of the expected criteria as per Portsmouth City Council Financial Rules were met for the sample tested except for the fact that all of the purchase orders were raised retrospectively.</p> <p>Discussions with the Bursar during the on-site visit indicated that she is not always informed when orders for goods and services are made and is therefore unable to raise purchase orders before incurring expenditure in those instances.</p> <p><b>Financial Rule R9</b> states that purchase orders must be raised before incurring expenditure.</p>	
<b>Risks and Consequences</b> <p>Operational and financial risk that raising purchase orders retrospectively results in a failure to commit the expenditure to the budget in advance of procurement and negates internal controls in relation to the ordering of goods and services.</p>	
<b>Agreed Action</b>	<b>Person Responsible / Action by Date</b>
<p>All staff to be made aware that purchase orders must be placed with Bursar before an invoice is raised – place in staff handbook</p> <p>The Chair of Governors has requested an investigation into this issue. Disciplinary action taken in July 2013 will be re-visited.</p>	<p>Head Teacher reporting to Chair of Governors with immediate effect.</p> <p>Head Teacher with HR intervention – 30.10.2014</p>

**EX 10 - 1415-120 - [REDACTED] Register of pecuniary interest - Incomplete**

**Priority Level**

**High Risk**

**Exception**

The agendas and minutes for the Full Governing Body (FGB) and Finance & Staffing Committee (F&S) which were reviewed as part of audit testing evidenced that Governors are given the opportunity to declare any pecuniary interests at the beginning of each FGB and F&S meeting.

The Register of Pecuniary Interests (RPI) was compared to the attendee list from the minutes of the FBG meeting which was held on 20<sup>th</sup> May 2014 and the names of the Governors from the school website. It was noted that all Governors have completed, signed and dated the register except for [REDACTED] and [REDACTED] (both Parent Governors). [REDACTED] (Staff Governor) has signed the register but not declared [REDACTED]

**PCC Scheme for Financing Schools - section 2. 9** - states that the Governing Body must maintain a current register which lists for each member of the Governing Body, the Head teacher and any member of staff with financial responsibilities, any business interests, they or any member of their immediate family have. This register should be updated regularly and the entries should be thoroughly reviewed annually. The register should be available for inspection by Governors, Staff and Parents and the Authority.

**OFSTED** requirements are that "The governing body should establish a register of pecuniary interests for the governors and staff which should be open to inspection. Governors and staff should declare any links they have with local firms from which the school may wish to buy goods or services. It is important for anyone involved in spending public money to demonstrate that they do not benefit personally from decisions that they make. **Indirect pecuniary interest** is if a governor or member of staff has a spouse or is living with another person who has an interest in the contract or matter being discussed, including an appointment to the school staff".

**Risks and Consequences**

Reputational risk as non-declaring of a pecuniary interest could potentially place the School Finance staff and Governors in a vulnerable position.

**Agreed Action**

Pecuniary interest to be explained fully at next Full Governing Body and ALL including the 2 absent

**Person Responsible / Action by Date**

Chair of Governors/Clerk to Governors at Full Governing Body meeting 16.10.2014

governors to complete signing of register.

The Chair of Governors has requested an investigation into this issue. Disciplinary action taken in July 2013 will be re-visited.

Head Teacher with HR intervention – 30.10.2014

<b>EX 11 - 1415-120</b> [REDACTED] <b>Budget - DBS retention</b>	
<b>Priority Level</b> <b>High Risk</b>	
<b>Exception</b> <p>During onsite testing a random sample of three employees (a Teacher, Teaching Assistant and the Network Manager) was selected from the Single Safeguarding document and PC100 Payroll Report for June 2014.</p> <p>The personnel files for all three employees were checked to evidence that recruitment and vetting checks had been carried out and it was noted that DBS certificates had been retained in all three files.</p> <p><b>The DBS Code of Practice - section 3. MANAGEMENT AND USE OF DISCLOSURE INFORMATION</b> (part 3) stipulates that copies of the applicant's certificates and associated documents should not be retained longer than is necessary. Generally this is for a period of up to six months, but if exceptional circumstances require the DBS certificates to be retained longer than six months the DBS should be notified.</p> <p><b>The Data Protection Act</b> (Principle 5) states that 'Personal data processed for any purpose or purposes shall not be kept for longer than is necessary for that purpose or those purposes'.</p>	
<b>Risks and Consequences</b> <p>Legislative and financial risk as non- compliance with the DBS Code of Practice and the Data Protection Act may result in a financial penalty to the school.</p>	
<b>Agreed Action</b>	<b>Person Responsible / Action by Date</b>
<p>All DBS documentation to be held by individual staff.</p> <p>The Chair of Governors has requested an investigation into this issue. Disciplinary action taken in July 2013 will be re-visited.</p>	<p>Head Teacher reporting to Chair of Governors with immediate effect.</p> <p>Head Teacher with HR intervention – 30.10.2014</p>

**EX 12 - 1415-120 - [REDACTED] Budget - references**

**Priority Level**

**High Risk**

**Exception**

During onsite testing a random sample of three employees (a Teacher, Teaching Assistant and the Network Manager) was selected from the Single Safeguarding document and PC100 Payroll Report for June 2014.

The personnel files for all three employees were checked to evidence that recruitment and vetting checks had been carried out and it was noted that only one reference had been evidenced for two employees and no references had been evidenced for the third employee.

**Keeping Children Safe in Education** - which is statutory Guidance to Schools requires that;

61. Employers should always ask for written information about previous employment history and check that information is not contradictory or incomplete. If a candidate for a teaching post is not currently employed as a teacher, it is also advisable to check with the school, college or local authority at which they were most recently employed, to confirm details of their employment and their reasons for leaving.

62. The purpose of seeking references is to obtain objective and factual information to support appointment decisions. References should always be obtained, scrutinised and any concerns resolved satisfactorily, before the appointment is confirmed. They should always be requested directly from the referee and employers should not rely on open references, for example in the form of 'to whom it may concern' testimonials.

63. Ideally, references should be sought on all short-listed candidates, including internal ones, before interview, so that any issues of concern they raise can be explored further with the referee, and taken up with the candidate at interview.

**Risks and Consequences**

Reputational, operational and legislative risk that failure to take up references and obtaining independent verification of a candidate's suitability for the position may result in appointing an employee who does not have the appropriate skills, abilities or qualifications for the job.

Agreed Action	Person Responsible / Action by Date
<p>All references to be fully in place</p> <p>The Chair of Governors has requested an investigation into this issue. Disciplinary action taken in July 2013 will be re-visited.</p>	<p>Head Teacher reporting to Chair of Governors with immediate effect</p> <p>Head Teacher with HR intervention – 30.10.2014</p>

<b>EX 13 - 1415-120 - [REDACTED] Whistleblowing Policy - staff not aware</b>	
<b>Priority Level</b> <b>High Risk</b>	
<b>Exception</b> <p>The SFVS - Q20 – which was completed on behalf of the Governors for the period ending March 2014 - confirms that the standard PCC Whistleblowing Policy has been adopted by the School and is available to all staff. Staff and Governors are given a copy and requested to sign to confirm understanding and acceptance. The register is kept by the Bursar.</p> <p>No register was available during on-site testing and no explanation was given for its absence. The Bursar stated that a copy of the policy was in the Staff Handbook and on the staff notice Board - but neither was evidenced.</p>	
<b>Risks and Consequences</b> <p>Operational and reputational risk that staff will not be aware of the Whistleblowing Policy and to whom they should report concerns.</p>	
<b>Agreed Action</b>	<b>Person Responsible / Action by Date</b>
All staff will sign to acknowledge they have read the Whistleblowing policy, copy to be kept in Bursar's Office.	Head Teacher reporting to Chair of Governors with immediate effect
The Chair of Governors has requested an investigation into this issue. Disciplinary action taken in July 2013 will be re-visited.	Head Teacher with HR intervention – 30.10.2014

**EX 14 - 1415-120 - [REDACTED] Budget - Transparency of the span of Budgetary control**

**Priority Level**

**High Risk**

**Exception**

Full Governing Body and Finance & Staffing Committee terms of reference and minutes (September 2013 to July 2014), Job descriptions for staff with key financial roles, the PDR review for the Bursar and financial skills matrices for Governing Body and Finance staff were reviewed to ensure that there is a clear definition of the relative financial responsibilities of the Head teacher, Bursar, Governors and staff to ensure that channels of reporting are clearly defined and implemented.

Testing highlighted;

- The draft Terms of Reference for Full Governing Body and Finance & Staffing Committee are not clear from a finance point of view. Reference is made to a Finance Policy which was not made available during on site testing and there is no requirement to approve the revised budget or agreement of the delegated spending limit for the HT.
- A lack of a Financial skills matrix for Finance staff which means that any financial skills gaps have not been identified
- No evidence of budget monitoring from the current Head teacher
- Staff working on different versions of the School Improvement Plan and miscoding's in the School Improvement Plan dated 25.06.2014 (i.e. £20,000.00 computer hardware was coded to 4051 and it should have been 4501)
- Lack of transparency in the Budget monitoring and setting process, it is not clear what paperwork the Governing Body Committees are being presented with and there are anomalies in figures presented to the Governors under some budget headings.
- Lack of financial challenge by the FGB

**Risks and Consequences**

Reputational, operational and financial risk that;

- The Governing Body will not be able to demonstrate that they have fulfilled their role of challenge and support in the field of budget management
- Weak internal controls could potentially result in the mishandling of Council funds and the failure to safeguard and protect employees from inappropriate charges of mishandling funds.

**Agreed Action**

- Review of draft terms of reference to include the

**Person Responsible / Action by Date**

Chair of Governors/Clerk – Governors AGM 11.09.2014



<p>requirement to approve the revised budget and the agreed delegated spending limit for the head.</p> <ul style="list-style-type: none"> <li>• Finance Policy to be reviewed and placed within policy folder on ratification</li> <li>• Complete financial skills matrix for Finance Staff</li> <li>• Weekly meetings with Head Teacher to minute to include budget monitoring for evidence</li> <li>• Correct transposition of numerals to read the correct code on SIP vs 9</li> <li>• Narrative for Governors Meetings on budget to include the processes and outcomes that have been used to inform Budget monitoring and setting progress</li> <li>• Further training to support the skills set required to challenge financial decisions and budget reports (review Finance and Staffing Governing board)</li> <li>• The Chair of Governors has requested an investigation into this issue. Disciplinary action taken in July 2013 will be re-visited.</li> </ul>	<p>Finance Policy will be developed further during first 6 months. 7<sup>th</sup> October meeting Finance and staffing being the first one of the academic year</p> <p>This will be completed when the new committee structure is embedded into the school. At the 6 month stage matrix for staff and Governors will be given for a true picture of the skill level.</p> <p>Bursar to retain notes weekly meetings, with immediate effect</p> <p>Completed</p> <p>To be available for each Governor Meeting when a budget report is tabled, with immediate effect</p> <p>Further bespoke training to be agreed with [REDACTED] Autumn Term 14 - AGM Full Governing Body 11.09.2014</p> <p>Head Teacher with HR intervention – 30.10.2014</p>
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**EX 15 - 1415-120 - [REDACTED] Budget - Performance Development**

**Priority Level**

**High Risk**

**Exception**

A Performance Management review for the Bursar was conducted by the Head teacher on 16<sup>th</sup> June 2014 and the resulting Performance Management Planning Record was reviewed as part of Audit testing.

It was noted that the Planning Record is principally anecdotal and fails to set clear financial performance objectives, expectations or development for the member of staff, in addition, the record has not been signed by the member of staff or line manager.

It has also been noted that the Interim Head Teacher acted as 'a personal mentor' to the Bursar for 'bespoke training'. However, his financial expertise would have been strategic rather than operational and there was no evidence of a written remit for his role as mentor. Discussions with the Bursar during the audit visit confirmed that she was not sure what the role of the Interim Head teacher was in relation to her work.

**Risks and Consequences**

Reputational, operational and legislative risk that if Performance Development Reviews (PDR's) are not conducted effectively there will be no evidence that staff are aware of or complying with expectations regarding their work, conduct and behavior in the workplace.

This could affect the day to day business of the School and may potentially result in legal action against the School resulting in litigation costs.

**Agreed Action**

Although there is no statutory requirement to have appraisals or performance measures for non-teaching staff including Bursars the Head Teacher will seek exemplars of any Performance Measures for Bursars from other local schools. However The Governing Body favours appraisals for all staff

The Chair of Governors has requested an investigation into this issue. Disciplinary action taken in July 2013 will be re-visited.

**Person Responsible / Action by Date**

HT by 14.09.2014

HT by end of Sep 2014

Head Teacher with HR intervention – 30.10.2014

## EXCEPTIONS

The following tables outline the exceptions from the recent audit and are reported in priority order. Internal Audit report regularly to the Governance & Audit Committee on findings and management actions. However, in accordance with agreed protocols, all critical exceptions are brought to the attention of the Committee.

Priority Level	Description
<b>Critical Risk</b>	Control weakness that could have a significant impact upon not only the system function or process objectives but also the achievement of the organisation's objectives in relation to: <ul style="list-style-type: none"><li>▪ The efficient and effective use of resources</li><li>▪ The safeguarding of assets</li><li>▪ The preparation of reliable financial and operational information</li><li>▪ Compliance with laws and regulations</li></ul> And corrective action needs to be taken immediately.
<b>High Risk</b>	Action needs to be taken to address significant control weaknesses but over a reasonable timeframe rather than immediately. These issues are not "show stopping" but are still important to ensure that controls can be relied upon for the effective performance of the service or function. If not addressed, they can, over time, become critical. An example of an important exception would be the introduction of controls to detect and prevent fraud.
<b>Medium Risk</b>	These are control weaknesses that may expose the system function or process to a key risk but the likelihood of the risk occurring is low.
<b>Low Risk - Improvement</b>	Very low risk exceptions or recommendations that are classed as improvements that are intended to help the service fine tune its control framework or improve service effectiveness and efficiency. An example of an improvement recommendation would be making changes to a filing system to improve the quality of the management trail.

Dear Ms Gibbs

**Re : Portsmouth City Council Internal Audit Report – 21<sup>st</sup> August 2018**

Please find attached the response from [REDACTED] from your Audit report dated 21<sup>st</sup> August 2018.

It was disappointing that even after a great deal of hard work that we once again find ourselves with a recommendation that you had no assurance on Financial Management Standards or controls were working effectively.

The Governing body would like you to take the following points into account when evaluating our responses and action plan.

1. The Governing Body since forming in April 14 have worked tirelessly to deal with action plan from your last visit. It is a shame you have chosen not to recognise that journey in the latest report only the issues still facing the school. The SFVS is working and from September 14 fully linked to the Governor agenda and decision making process which will show in the next Ofsted and audit visits.
2. The Governing Body have changed the committee structure to a more streamlined model with only two committees and will be closely monitored for effective challenge.
3. The Audit covers the period from the time of a Local Authority appointed Governing Body and [REDACTED] The recruitment of a new Head Teacher [REDACTED] was a great success and [REDACTED] has been slowly addressing the major issues facing the school however this is not clear within the report. It is regrettable that since that time the Local Authority have chosen to disrupt the smooth transition by constantly aggressively challenging the confidence of the school.
4. In my capacity as Chair of Governors I actually requested an Audit visit at this time as I was having concerns in regards to Finance and skill level within the financial team.
5. The report clearly shows that the disciplinary issues from July 2013 have not been addressed and as a matter of urgency will be re-visited. The change of personnel outlined in 3 above has hampered dealing with the issue of Bursar.

The Governing Body believes we have made a number of important changes that will move the school forward.

Yours sincerely

[REDACTED]

## Appendix 1

### Chair of Governors

## **Appendix 2: Executive Summary - response from Chair of Governors and Head teacher, [REDACTED] - 10.09.2014**

In July 2013 Internal Audit carried out an investigation into alleged financial irregularities at [REDACTED] and as a result of the overall findings the School were issued with a 'Notice of Concern' under the scheme for Financing Schools Section 2.15 jointly by the Section 151 Officer and Director of Children's Services.

The Notice of Concern set out specific actions required by the City Council to be implemented by the Governing Body and the School's senior management team to address concerns raised. The purpose of this visit was to ascertain the progress made in relation to those actions and to perform an audit on the remaining financial activities that were not covered during the investigation.

The audit was carried out from 6<sup>th</sup> to 8<sup>th</sup> August 2014 and the detailed exceptions arising from the audit are contained within the main body of this report. The majority of actions agreed in the school's action plan were evidenced as having been resolved by resignation, retirement, or implementation; for example significant progress has been made to resolve the concerns relating to safeguarding of assets, including physical verification and disposal authorisation and obtaining value for money for purchases of IT equipment and general supplies. Discussions during the exit meeting confirmed that the [REDACTED] (who is still employed at the School in a support role) and new Chair of Governors were the main instigators for achieving the action plan.

The causes for the original findings were largely down to a lack of financial operational competence compounded by a lack of challenge in this area.

Following on from the full financial audit, which has resulted in an unprecedented 14 high risk exceptions and 1 medium risk exception being raised, the lack of financial management and oversight remains a major cause for concern. Many of the new audit findings detailed in this report indicate that there is a lack of financial competence across the School and Governing Body; this was evidenced from the following:

- Errors were found in the 2014/15 budget preparation where the proposed underspend position moved significantly and changes had to be factored in at a later date, although the supporting minutes were unclear in reflecting this.

### Chair of Governors and Head teachers response

*This was picked up strongly by Chair of Governors at FGB Meeting on 20<sup>th</sup> May 14 and all governors were made very aware that this discrepancy was unacceptable stressing the importance of co-ordinating decisions made. The Chair of Finance felt so strongly this may have been due to his lack of experience that he offered to resign. Statement of Internal Control not completed despite being implemented May 2014.*

- Errors were found in transaction entries and coding, examples of this was found in petty cash and the School Improvement Plan

## **Appendix 2: Executive Summary - response from Chair of Governors and Head teacher, [REDACTED] - 10.09.2014**

### Chair of Governors and Head teachers response

*Coding is not required for completion of a School Improvement Plan this was done by [REDACTED] and Bursar (B) to enhance the quality and relevance of the document and genuine mistakes occurred on input.*

- Failure to comply with Financial Rules, specifically raising orders in advance of the purchase, representing a false budgetary position for the school.

### Chair of Governors and Head teachers response

*Those raised with the Head Teacher included one trip when the charity Happy Days had to forgo funding for this event as originally agreed and all others were standing contracts for annual services that do need to be placed within the budget but had not been included on any previous budget despite the services being on-going for a number of years – the school accepts this needs to be addressed however fails to see how this constitutes ‘unexpected raising orders in advance of purchase’ unless others are alluded to but were not raised at the time of feedback.*

- Lack of monitoring and challenge by the Finance and Staffing Committee on the information presented, regular meetings between the Chair of Finance and the Bursar had not taken place.

### Chair of Governors and Head teachers response

*Given the high level of input from [REDACTED] and the requirement of time spent in school by the Chair of Finance working on other issues raised within the school from the Action Plan it had been thought that the support for the bursar was fully in place to strengthen the rigour of financial procedures. The quality of information given to the FGB this has much improved since [REDACTED] has talked through and supported the bursar in producing a narrative when talking to the budget. He modelled good practice by presenting the first narrative to give a framework for future meetings to follow and rehearsed each narrative before presentation, questions have been raised at each meeting but the school would accept these questions need to be more challenging.*

- Lack of monitoring and oversight of the whole budget by the Head teacher, regular meetings between the Head and Bursar had not taken place, other than to verify the purchase card transactions.

### Chair of Governors and Head teachers response

*It was made clear by [REDACTED] that each week when he met with the Bursar they then met with HT to ensure that the HT still had oversight of the whole budget - notes to evidence these meetings kept by HT and [REDACTED] – diary dates available and referred to in Performance Management (PM)*

- Insufficient communication between the Bursar and those members of staff authorised to spend from the school's budget. The Bursar does not attend the senior management team meetings and was not aware that the school was working on version 8 of the School Improvement Plan. The Bursars physical

## **Appendix 2: Executive Summary - response from Chair of Governors and Head teacher** [REDACTED] **- 10.09.2014**

location may also be influencing this issue as she is located in a separate building with other non-financial members of staff.

### Chair of Governors and Head teachers response

*The SIP had not changed significantly since the vs 6 presented to Audit the HT when working on this 'living document' will create a new version when even minor omissions/submissions are made to ensure that changes are known to all of latest document. Minor changes have been made at the start of the holiday where there have been omissions rather than any new submissions. Bursar was involved with the whole school in writing the document, staffing implications were thoroughly discussed with [REDACTED] B/HT on 17<sup>th</sup> March (Minute) and there is further evidence to support strategic planning has been discussed through Finance and FGB minutes. Since new HT appointment SLT meetings have focussed on restructuring (financial implications having been discussed beforehand with Bursar) timetabling and curriculum needs. The input for the SLT on the SIP has been the same as with all staff where the collective response has been written up and all staff have been asked to give comments. The school accepts there should be a time at the start of the meeting when the B will be asked to join the group and this will be in place from the start of the new academic year.*

- Failure by the School to identify any skills gaps in relation to financial management and address the issues in a timely manner. Whilst training is proposed for the Bursar in the new term, alternatives have not been considered and no actual skills gaps assessment has been carried out.

### Chair of Governors and Head teachers response

*Since appointment the new HT was made aware that there were no available courses for the bursar to attend this academic year. She attended bespoke governor training. A number of courses were signed up to by the HT/B as soon as they became available. Recognising the need for further support for the B it was agreed that as the [REDACTED] had worked nearly exclusively in supporting the B since his appointment it was agreed that in lieu of no further training being available the school would underpin the cost of continuing this high level of personal support to the B as outlined in her PM.*

- Failure by the School to effectively safeguard individuals with adequate separation of duties, evidenced in the preparation and banking of official income.

### Chair of Governors and Head teachers response

*The school is aware of this separation of duties as evidenced by the manner in which the Unofficial Fund is managed the B has been made aware by the school and this is evidenced by areas such as lunch money when the system works well.) Staff is available on request when this needs to be done.*

- Failure to set financial performance objectives and development for staff.

### Chair of Governors and Head teachers response

*Whilst PM was not in depth there are a number of valid reasons for choosing to write the PM in this style and it still clearly sets out that training would be factored*



## **Appendix 2: Executive Summary - response from Chair of Governors and Head teacher, [REDACTED] - 10.09.2014**

*in to the following year and there were 3 SMART targets as suggested by J. Coonie. The school has gone to the maximum support of financial SLA and the B is supported by regular visits from T Barfield.*

In addition to this, during the site visit the Internal Audit team was furnished with incorrect documents by the Bursar in relation to Governing Body minutes and School Improvement Plan.

### *Chair of Governors and Head teachers response*

*I do not feel it was an incorrect SIP it had merely been honed since vs 6, the new HT is striving to make this document user friendly and although it is not compulsory for a school to hold a School Improvement Plan the school recognises and adheres to best practice ensuring there is a working document to evidence a clear journey and action plan.*

The information presented to the Governors could not be evidenced and neither the Clerk nor Bursar retained the supporting financial documentation making it difficult to establish what had or had not been presented and or agreed.

It is Internal Audit's opinion that the issues identified may be resolved by training and development of key staff and the introduction of monitoring and verification controls, however it is also imperative that the school work cohesively as a team.

### *Chair of Governors and Head teachers response*

*There are clear strategies showing that these needs have been identified and actioned.*

In summary, the documentation currently in place and the financial practices followed by the Head teacher, Governing Body and Finance staff does not demonstrate clear reporting lines or understanding of the expected Financial Management Standards for the strategic or operational financial running of the School, therefore no assurance can be given that financial controls are working effectively.

### *Chair of Governors and Head teachers response*

*The Governing Body, [REDACTED], HT and B have all put steps into place to further improve their understanding and further training has been given to the majority of the governing body through bespoke training from the authority, there is clear evidence that everyone is working hard to improve communication and deploy more effective controls. Newly appointed Head Teacher, Governing Body and B had Finance Training delivered by the LA on 29<sup>th</sup> July and are signed up for 3 further courses.*

Dear [REDACTED]

Over the weekend I have had the opportunity to further reflect on your response. Please may I request that the following four points, and I apologise if I am repeating myself, are also acknowledged/attached within your report.

- The school has clearly shown that finance staff within our school 'can demonstrate clear reporting lines and understanding of the expected Financial Management Standards for the strategic or operational financial running of the School' since this is evidenced in the manner in which the school was run during the period the bursar was not in appointment. Finance staff worked well with the authority and due process was followed as acknowledged in your report: 'Petty Cash Transaction number 7046-005 for November 2013 was also checked. There were 11 claims in this batch and all expected controls were in place.' (EX 4 - 1415-120 - [REDACTED] Petty Cash - Non-compliance with PCC Financial Rules) I therefore dispute the finding that 'no assurance can be given that financial controls are working effectively'. Within the school we do have personnel who can carry out this role effectively. The [REDACTED] ensured that all discussions on budget were relayed to the Headteacher on a weekly basis so that she could be kept fully informed and these provided a further opportunity for the bursar to consolidate her understanding of the narrative for the budget.
- The [REDACTED] to [REDACTED] was appointed by the authority as they had confidence in him being able to support the school and the Audit Action Plan. His breadth of financial experience has been gained from his previous [REDACTED] posts and the role he was assigned within the authority. During his time as [REDACTED] and for two days a week for the following term he focussed on supporting and training the bursar to support the Action Plan that had been put into place. The bursar was in the privileged position of having a personal mentor, with a wealth of financial experience, over a period of six months. I believe that this should be classed as bespoke training that an experienced bursar should have been able to utilise to ensure all training needs were addressed. In addition issues that have arisen out of the latest report would not have occurred had the clear actions stated in the 2007 report been followed. I am at a loss to understand how the Chair of Governors or the Headteacher could have given further support to the bursar since at no stage did she express that the support and training she was being given were inappropriate or inadequate.
- I have now contacted three outstanding or good schools for copies of their Bursar's performance management and none of the schools had a copy, as they are not required to hold one. There is evidence that the school sought to provide additional training for the Bursar since calls were made to the LA who informed the school that no courses were available until September. The Headteacher and the Bursar are signed up to attend courses next year and this will be evidenced by the LA's receipt

of our bookings. This training was agreed and discussed with the Bursar in the Performance Management session during the first term of the headteacher's appointment. The [REDACTED] also held a copy. The copy of the PM was not signed since the head was waiting for the bursar to approve before finalising. The [REDACTED] had not initiated an earlier PM since he was managing the bursar daily during his appointment. The Chair of Governors and the Headteacher have supported and funded the training needs of the Bursar to an exceptional level by the appointment of a personal mentor for the summer term.

- Finally, I have sent evidence to support that the bursar did have a member of staff in school that she should have called upon to second check monies before banking. I hope this will also be included within the final evidence since the appointment of [REDACTED] has been at an additional cost to the school. The bursar has failed to recognise the appointment as a bespoke resource whom she has chosen not to manage. From the outset the employment of this [REDACTED] was made for the sole benefit of underpinning the bursar's role. She was involved in the interview stage and did have a voice in the appointment of the second apprentice [REDACTED] and her appointment was sealed by the bursar's high recommendation of her character.

These are important facts that should not be lost within the process.

Kind regards

[REDACTED]  
Headteacher