



Pear Tree Community Junior School

Internal Audit Report

For the Autumn Term 2018

Completed by Kevin Saunders

27/02/2019

1. Scope

In accordance with the Trust Finance Policy Handbook, the internal audit programme has been created to give assurance that:

- "- The financial responsibilities of the Trust/Governing Body are being properly discharged;*
- Resources are being managed in an efficient, economical and effective manner;*
- Sound systems of internal financial control are being maintained; and*
- Financial considerations are fully taken into account in reaching decisions."*

For this visit to Pear Tree Community Junior School the following areas were tested.

- Income
- Purchasing
- Staff expenses
- Charge card transactions
- HR & Payroll
- Bank & cash
- Control account reconciliations
- Other compliance matters

Testing over each section above was performed through a selection of a sample of items that have been selected and agreed to supporting documentation, in order to gain comfort over the accuracy and the completeness of the data provided.

Any controls that have been tested as part of this process have also been tested through a sample in order to test the operating effectiveness of the control, which includes ensuring that the control has been implemented in line with the design and that all controls have been appropriately authorised.

A summary of findings and recommendations for each of the sections above can be found on the next page.

2. Summary of findings and recommendations

Area Tested	Risk Category	Findings	Recommendations
Income	Low Risk	1 ESFA remittance was not found within the folders, but was appropriately agreed to bank.	Ensure that all income remittances are printed and put into the income folder.
Purchasing	Low Risk	5 purchases sampled did not have POs raised for them. These were all appropriately authorised.	Ensure that all purchases have a purchase order raised for them, if able.
Staff expenses	High Risk	Headteacher expense within the period was not approved by the Exec team at the Trust, in line with the Finance Policy.	All Headteacher expenses must be sent for approval to the Exec Team.
Charge card transactions	No exceptions noted		
HR & Payroll	Low Risk	<ul style="list-style-type: none"> - 2 personnel files did not have signed contracts on file - 2 personnel files did not have evidence of salary increments and therefore did not originally match to payroll - 1 personnel file did not have evidence of the employee's Equated Weeks increasing and therefore did not originally match to payroll. 	<ul style="list-style-type: none"> - All contracts are to be printed and signed by the employee. - Evidence of payroll amendments to be included within each employee's personnel file
Bank & cash	No exceptions noted		
Related Party Transactions	No exceptions noted		
Control account reconciliations	Low Risk	No evidence of action on old balances seen within the month end folders.	To make a note on the creditors ledger reconciliations of the reasons for old balances still being outstanding.
Other compliance matters	No exceptions noted		

3. Detailed Testing

Area Tested	Specific Testing	Findings
Income	Receipts from the ESFA and sponsors checked to ensure that the amounts received agreed to source documentation	Receipts from ESFA remittances have been agreed to bank statements with no differences noted. 1 of the remittances has not held within the folder and was unsigned, but otherwise agreed.
Income	Income collection source paperwork checked for completeness, correct recording in PSF and appropriate authorisation	No issues noted.
Income	Dinner money collections checked for completeness, authorisation and that the amounts collected and banked reconcile to the systems balances and to bank deposits.	For the sample of catering income, no issues were noted and all payments were able to be agreed to bank statements, via paying-in slip references.
Income	Trip income and expenditure to be agreed to source documentation, reviewing any reconciliations performed.	For the sample of trip income collections, no issues were noted and all payments were able to be agreed to bank statements, via paying-in slip references.

Area Tested	Specific Testing	Findings
Purchasing	Purchases checked to ensure an order has been placed and appropriately authorised, quotes have been obtained where relevant and goods have been confirmed as received.	Of the purchases that were sampled, 5 of the invoices did not have a PO raised for them, of which 2 were for purchases >£10k. All invoices were appropriately authorised, and evidence of quotes seen for the purchases >£10k.
Purchasing	Purchases checked to ensure invoices have been appropriately authorised and recorded correctly in PSF.	All invoices sampled have been appropriately authorised and recorded correctly within PSF.
Purchasing	Payments checked to ensure appropriate authorisation and that the payment matches the approved expenditure.	All paylists sampled have been appropriately authorised and confirmed that the payment matches the approved expenditure.
Purchasing	For items with an individual value or cumulative spend of over £10,000, checked to agree to supporting documentation (quotes) or to an unobtainable quotes form.	There were 2 purchases >£10k, which included supporting quotes and both had governor approval.
Purchasing	Ensure that contract renewals or new contracts in excess of £100,000 have been appropriately considered for Value For Money in accordance with the Trust Financial Policy.	n/a - There were no purchases over £100k identified within the period.
Purchasing	Headteacher expenses checked to ensure these have been appropriately authorised and agreed to supporting documentation.	There was 1 Headteacher expense in the period, which was only authorised by the Deputy Headteacher and did not have Exec approval.

Area Tested	Specific Testing	Findings
Staff expenses	Employee expenses agreed to supporting documentation and checked for appropriate evidence and recorded correctly in PSF. All reimbursement agreed to bank statements.	No issues noted with the employee expenses that were sampled.
Charge card transactions	Debit card payments checked for pre-transaction approval by the appropriate budget holder, quotes have been obtained where relevant, correct recording in PSF and appropriate sign off by bank signatories.	No issues noted with the charge card transactions.
HR & Payroll	Employee salaries checked to personnel records to ensure they have a signed contract on file and their gross pay matches the pay documentation, including checking of the Equated Weeks calculation.	1 employee had no signed contract within their personnel file and 1 other employee had an unsigned temporary fixed term contract on file and not their latest, permanent contract. On recalculating 3 employees' pay, there were differences due to the fact the employees had incremented or had a change in their Equated Weeks, but there was no record of this within the personnel file. Evidence for the increment was obtained, so there is assurance that they are paid the correct amounts.
HR & Payroll	Starters and leavers within the period checked to ensure appropriate treatment of their pay has taken place.	No starters or leavers within the period sampled.
HR & Payroll	Any payroll amendments checked to ensure they are appropriately authorised and that the amounts are correct.	The payroll amendments found (less the 3 amendments documented above) within the personnel files were all appropriately authorised and the amounts were correct.
HR & Payroll	Probationary review forms checked to ensure that the probationary review process is taking place for new starters.	n/a - No employees selected required a probationary review.

Area Tested	Specific Testing	Findings
HR & Payroll	Ensure that monthly payroll figures are reconciled against expected pay and appropriately authorised.	All monthly payrolls were reconciled and authorised appropriately.
HR & Payroll	Personnel files reviewed to ensure that the appropriate Right to Work documentation is held for employees.	All personnel files sampled held the appropriate Right to Work documentation within the file.
Bank & cash	Bank reconciliations checked for authorisation and that they match both the bank statement and the trial balance and explanations documentation for any unreconciled items.	Bank reconciliations were seen within the Month End reconciliations folder, with explanations for reconciling items and appropriate authorisation.
Bank & cash	Ensure that the paying-in slip control account is appropriately reconciled.	All nominal receipt forms include the details of the paying-in slip number that is then able to be reconciled to the bank statements.
Related Party Transactions	Ensure all governors and senior members of staff have completed a declaration of pecuniary interests. Declarations to be compared to Companies House to ensure completeness.	All members of staff have completed a pecuniary interests form.
Related Party Transactions	Ensure that any purchases made from related parties during the period were made at appropriate rates and with appropriate authorisation.	n/a - No purchases were made with related parties in the period.

Area Tested	Specific Testing	Findings
Control account reconciliations	Ensure that balance sheet reconciliations have been performed and appropriately authorised and also checked for accuracy and agreed to PSF.	All balance sheet reconciliations for the sample month of December 2018 were performed and appropriately authorised and agreed to PSF.
Control account reconciliations	Evidence of action taken against any old/outstanding balances on control accounts.	No evidence of action regarding old and outstanding creditors seen within the month end reconciliations.
Control account reconciliations	Prepayments balances recalculated to ensure that the adjustment represents the correct value.	Prepayments log for December 2018 was obtained and reviewed, no issues found with any of the recalculations.
Other compliance matters	Ensure that Trust and School websites include the relevant business and pecuniary interests	The school website includes the updated list of business and pecuniary interests.