



AUDIT COMMITTEE

19 February 2014

Subject Heading:

Internal Audit School Final Report
Summaries, 01.10.2013 to 28.01.2014

Report Author and contact details:

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Policy context:

To inform the Committee of the findings
and recommendations made in school
audit reports issued during Quarter Three
of the 2013/14 Internal Audit Plan

Financial summary:

N/A

The subject matter of this report deals with the following Council Objectives

Clean, safe and green borough	X
Excellence in education and learning	X
Opportunities for all through economic, social and cultural activity	X
Value and enhance the life of every individual	X
High customer satisfaction and a stable council tax	X

SUMMARY

This report provides the Audit Committee with summaries of school internal audit reports issued during the period 1st October 2013 to 28th January 2014. Information on recommendations made by audit and managements' response to the recommendations is provided for reports where limited assurance was given. This will provide the Committee with assurance that appropriate plans to mitigate risk have been put in place.

RECOMMENDATIONS

1. To note the contents of the report.
2. To raise any issues of concern and ask specific questions of officers where required.

REPORT DETAIL

1.1 School Audit Programme

1.1 Local Authority maintained schools are subject to triennial audit. The purpose of the audit is to provide the Governing Body and Head Teacher with audit assurance on the appropriateness and effectiveness of the systems of internal control in operation within the school.

1.2 In order to assess the systems of internal control, the audit team has developed a risk based audit programme covering the following key risk areas:

- Corporate Governance & Risk Management;
- Strategic Planning;
- Information Governance;
- Safeguarding;
- Financial Management; and
- Procurement & Capital Projects.

1.3 The audit programme includes a follow up of recommendations raised at the schools most recent Audit Health Check, which is available to schools as a tradable service from the LMS Team.

1.4 Seven school audits were finalised during the period 1st October 2013 to 28th January 2014. The seven schools and the level of assurance provided for each school comprise:

SCHOOL

- Broadford Primary School
- Brookside Infant School
- Crownfield Infant School
- Dycourts School
- Engayne Primary School
- Harold Court Primary School
- Whybridge Junior School

ASSURANCE

- Substantial
- Substantial
- Substantial
- Substantial
- Substantial
- Full
- Substantial

- 1.5 Summaries of the seven school audit reports are provided in Sections 2 to 8 below.
- 1.6 There are four possible assurance levels which comprise:
- Full:** There is a sound system of control designed to achieve the system objectives and the controls are being consistently applied.
 - Substantial:** While there is a basically sound system, there are limitations that may put some of the system objectives at risk, and/or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
 - Limited:** Limitations in the systems of control are such as to put the system objectives at risk, and/or the level of non-compliance puts the system objectives at risk.
 - No Assurance:** Control is generally weak, leaving the system open to significant error or abuse, and/or significant non compliance with basic controls leaves the system open to error or abuse.

2. BROADFORD PRIMARY SCHOOL

Summary of Audit Findings

2.1 The internal audit review found:

- There is an absence of documentary evidence to confirm that staff have been informed that they are not to use their car for work purposes without appropriate insurance cover.
- The recent building works undertaken at the School has rendered the previous Asset Management Plan redundant. The development of a new plan will provide a basis for planning and funding future premises related works.
- The most recent check of the School's inventory was incomplete. Discrepancies between the inventory and the actual items on site were identified.
- CRB/DBS checks have not been completed for three Governors. The DBS/CRB checks for five Governors have exceeded the three yearly renewal date set by the LB Havering.
- School meals income is normally collected by the Borough cook. Occasionally the School collects this income on behalf of the borough; however a formal process for documenting and recording collection and transfer of the money has not been produced.
- Expenditure has been coded to cost centres that do not accurately reflect the items being purchased.
- VAT Invoices may not always be received when goods are purchased on-line. The School has not set a minimum threshold determining the value at which the time spent obtaining a VAT invoice becomes cost effective.
- Personnel related responsibilities are not documented within the Finance Policy & Procedure document.

Audit Opinion

2.2 **Substantial Assurance** on the system of internal control operating at the time of audit is given.

Recommendations

2.3 The audit made four medium priority recommendations which comprise:

- Driving checklists to be completed for all staff;
- A full check of the inventory to be completed;
- CRB checks to be completed or renewed for all Governors;
- Expenditure to be coded to appropriate cost centres;

and four low priority recommendations which comprise:

- Asset Management planning to begin in light of the recent building works;
- A process for recording and verifying the collection of school meals income to be established;
- A minimum threshold for pursuing VAT invoices to be agreed; and
- Roles and responsibilities around Personnel activities to be defined.

2.4 All eight recommendations were agreed by the Head Teacher and have been scheduled for implementation by March 2014.

Audit Health Check Progress

2.5 There were six Priority One and six Priority Two recommendations made at the Annual Audit Health Check undertaken in June 2013.

2.6 A review of progress made to implement recommendations found:

- Eight recommendations have been implemented.
- One recommendation, priority two, relating to retrospective orders is still being taken forward. The audit sample included cases of retrospective orders that were picked up by the Audit Healthcheck highlighting the need for the school to continue to improve this control.
- A priority one recommendation regarding the use of the main school account for paying for refreshments was also noted during the audit. We were informed that issues regarding access to the school fund account had impacted on the implementation of the recommendation. Action has now been taken to rectify the issues with the school fund account.
- Progress is being made to implement a priority one recommendation relating to the process surrounding the collection and recording of income. The recommendation comprises four elements one of which relates to school trip income. We were unable to verify that the recommendation has been implemented because the School has not organised a school trip since the recommendation was made.
- The remaining priority one recommendation related to the need for the School to complete an inventory check. This recommendation was implemented however our audit identified further issues with the accuracy and completeness of the check. As a result an additional recommendation is raised within this report.

3. BROOKSIDE INFANT SCHOOL

Summary of Audit Findings

3.1 The Internal Audit review found:

- (i) Checks not completed to ensure that staff are suitably insured to use their car for work purposes;
- (ii) A lack of clarity regarding the meaning of financial authorisation levels recorded in the School's Finance Policy;
- (iii) HMRC checks on individuals providing a service have not been completed;
- (iv) A small number of personnel responsibilities such as recruitment and promotions are not included within the School's Finance Policy and Procedures document; and
- (v) Minor miscalculations on two timesheets.

Audit Opinion

3.2 The audit provided **Substantial Assurance** on the basis that whilst there is a basically sound system, there are limitations that may put some of the system objectives at risk, and/or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

Recommendations

3.3 The audit makes two medium recommendations which comprise:

- Driving checklists to be completed to ensure staff are appropriately insured to use their car for business purposes;
- Verification of individuals' self-employment status to be completed in advance of any services being provided;

and three low priority recommendations which comprise:

- Financial thresholds for cheque signatories to be clarified with the Governing Body;
- The Finance Policy and Procedures document to be updated with responsibilities surrounding recruitment and promotion of staff; and
- Action to be taken to resolve the errors identified on the timesheets.

3.4 All recommendations were agreed by the Head Teacher and are scheduled for completion by the end of April 2014.

Annual Audit Health Check Follow up

3.5 The Annual Audit Health Check undertaken by the LMS team in March 2013 made two priority one and seven priority two recommendations. A review of progress made in implementing the recommendations found that eight of the recommendations, comprising two priority one and six priority two recommendations, had been implemented at the time of the internal audit review.

3.6 In the remaining case, the recommendation related to the raising of orders on the system retrospectively. Internal audit also found instances of retrospective orders. Whilst this report does not raise a recommendation to duplicate that raised by the LMS team there is a need for the school to ensure that orders are raised in the finance system at the time the orders are placed with

suppliers. This will ensure that financial records accurately reflect expenditure committed.

4. CROWNFIELD INFANT SCHOOL

Summary of Audit Findings

4.1 The internal audit review found:

- A copy of the Governors skills audit documentation is not held on file at the school;
- Absence of documents to evidence that staff were informed that they are not to use their car for work purposes without appropriate insurance cover;
- The equipment on loan register does not include reference to the terms and conditions for the loan and does not facilitate a clear audit trail including certification by an independent witness that the item was returned;
- Regular checks are not undertaken to ensure that expiring CRBs/DBS checks are renewed in a timely manner;
- Staff with expired CRB/DBS checks were found;
- CRB/DBS checks on Governors is inconsistent;
- Due to recent staffing changes the bank mandate and Finance Policy and Procedures document is in need of updating. Additional staff changes due shortly after the audit review will require additional action to be taken;
- Orders are not being raised on the system in a manner which ensures funds are committed at the earliest opportunity;
- The petty cash account has not been reconciled and documentation to evidence the paid claims not available; and
- Payroll reports are not being passed to the Head Teacher for review / approval.

Audit Opinion

4.2 **Substantial Assurance** on the system of internal control operating at the time of audit is given. The definition of the 4 potential assurance levels is given in section 5 below.

4.3 The audit made one high priority recommendation which comprises:

- Driving checklists to be completed for all staff;
- five medium priority recommendations which comprise:
- Checks on the school's Single Central Record should be diarised to ensure CRBs/DBS checks that are about to expire are identified at the earliest opportunity;
 - CRB/DBS checks on those with existing, but expired checks should be completed as a matter of urgency.
 - The delegated authority and cheque signatories sections of the Finance Policy & Procedures document should be amended to reflect changes made to the bank mandate;
 - Orders should be raised on the system at the time the order is placed and in advance of the invoice being received in order to ensure funds are committed against the budget at the earliest opportunity;

- The petty cash account should be accurately reconciled including the retention of documentary evidence to support the payments already reimbursed from the petty cash fund;

and five low priority recommendations which comprise:

- A copy of the Governors skills audit should be retained on file by the school to assist in the identification of Governors' training needs and the recruitment of future Governors;
- The equipment on loan register should be amended to enable the recipient and the approver of the loan to evidence the loan at the time of issue and upon return. Reference to the terms and conditions upon which the item is being loaned, such as the Acceptable Use policy, should also be recorded;
- All Governors are subject to CRB/DBS checks as a matter of good practice. Whilst it is appreciated that not all Governors visit the school premises whilst pupils are present, it is possible that circumstances may change and visits during the school day may be necessary;
- Consideration should be given to reducing the value of the petty cash account or closing the account;
- Payroll reports should be passed to the Head Teacher for review and approval.

4.4 All eleven recommendations were agreed by the Head Teacher and have been scheduled for implementation by March 2014.

Annual Audit Health Check Follow up

4.5 The Annual Audit Health Check undertaken in February 2013 made five priority one, eight priority two and one priority three recommendations.

4.6 A review of progress made to implement the recommendations found:

- Eleven recommendations have been implemented, consisting of four priority one, six priority two and one priority three;
- One recommendation, priority two, regarding declarations of interest was in the progress at the time of the audit. The school were awaiting the return of completed declarations for three Governors;
- One recommendation, priority two, related to the need for the school to complete HMRC checks on individuals being paid for the provision of goods / services. During the audit it was noted that a payment to an individual made after the Audit Health Check was not completed. Whilst the school did not feel that the check was necessary in this instance, it is imperative that the school completes this check in all instances where payment is being made to an individual;
- In the remaining case, the school received a priority one recommendation that related to the payment of goods and services in advance of provision. The management response to the recommendation stated that this was a one off occurrence and would not be repeated. There is no way to evidence the implementation of this recommendation, although it is noted that this has not happened since.

5. DYCORTS SCHOOL

Summary of Audit Findings

5.1 The internal audit review found:

- The schools Emergency Plan had not reviewed or approved within the last year;
- Driving checks were being carried out by the Head Teacher, however no records were being maintained;
- The Schools Asset Management Plan had not been approved by the Governing Body;
- SIMS access within the Finance Policy did not match access noted on the system;
- The equipment on loan form is not designed to record the date on which items are returned;
- Orders were being raised retrospectively;
- A small number of personnel responsibilities, such as recruitment and promotions are not included within the schools Finance Policy and Procedures document; and

Audit Opinion

- 5.2 **Substantial Assurance** on the system of internal control operating at the time of audit is given. This reflects the fact that the system was basically sound, limitations were identified that may put some of the systems objectives at risk, and/or there was evidence that areas of non-compliance with some of the controls may put some of the system objectives at risk.

Recommendations

5.3 The audit made three medium priority recommendations which comprise:

- The Emergency Plan should be reviewed and approved by the Governing Body annually;
- The Asset Management Plan should be reviewed and presented to the Governing Body for approval;
- The need for the Finance Policy and Procedures document to be updated with responsibilities surrounding recruitment and promotion of staff;

and four low recommendations which comprise:

- The standardised driving checklist to be used to keep a record of checks of relevant car documents;
- The Finance Policy should be amended to accurately reflect access to the SIMS system;
- The equipment on loan forms should be amended to include a return date;
- Orders should be raised on SIMS before invoices are received.

- 5.4 All eleven recommendations were agreed by the Head Teacher and have been scheduled for implementation by March 2014.

Annual Audit Health Check Follow up

- 5.5 The Annual Audit Health Check undertaken in February 2013 made two priority one, twelve priority two and one priority three recommendations. A

review of progress made to implement the recommendations found that thirteen recommendations, comprising two priority one and eleven priority two recommendations, had been implemented at the time of the audit.

- 5.6 We were informed that the school had experienced difficulties registering the school oyster card on the TfL website and the priority three recommendations remained outstanding as a result.
- 5.7 At the time of the audit review plans were under way to implement the priority two recommendations that required the school transfer its existing Excel inventory to the SIMS system. We were informed that the task is resource intensive and may take some time to complete. All elements of the inventory were reviewed and tested as part of this internal audit review. We found that the school's existing inventory was accurate and recorded sufficient detail.

Internal Audit Recommendation Follow up

- 5.8 One recommendation made in the 2011 internal audit report remained outstanding in 2013. The recommendation that the school applied for a corporate purchase card had not been progressed by the school, this has now been replaced by the charge card. The recommendation was made to reduce the number of orders raised in the SIMS system following receipt of an invoice. The recommendation is reiterated in this audit report.

6. ENGAYNE PRIMARY SCHOOL

Summary of Audit Findings

6.1 The internal audit review found:

- The School Improvement Plan did not contain a review date;
- The inventory records contained no serial numbers or locations;
- Lettings are not authorised by the Head Teacher;
- Valid insurance certificates and CRBs weren't available for lettings;
- A profit and loss was not completed for the most recent school trip; and
- A small number of personnel responsibilities, such as recruitment and promotions are not included within the schools Finance Policy and Procedures document.

Audit Opinion

6.2 **Substantial Assurance** on the system of internal control operating at the time of audit was given. This reflects the fact that the system was basically sound system, limitations were identified that may put some of the systems objectives at risk, and/or there was evidence that areas of non-compliance with some of the controls may put some of the system objectives at risk.

Recommendations

6.3 The audit makes five medium recommendations which comprise: and

- The inventory records to contain serial numbers and locations of equipment;
- The hire of accommodation form to be authorised by the Head Teacher;
- Valid insurance and CRB documentation to be retained relating to lettings;
- A profit and loss to be completed relating to residential trips;
- The need for the Finance Policy and Procedures document to be updated with responsibilities surrounding recruitment and promotion of staff;

And one low priority recommendation which comprises:

- The School Improvement Plan updated to include date or month of update to ensure adequate version control;

6.4 All recommendations were agreed by the Head Teacher and are scheduled for completion by the end of December 2014.

Annual Audit Health Check Follow up

6.5 There was one priority one and eight priority two recommendations made at the Annual Audit Health Check undertaken in March 2013.

6.6 A review of progress made to implement recommendations found that eight of the recommendations, the priority one and seven priority two recommendations, had been implemented at the time of the audit.

6.7 In the remaining case, the recommendation related to the school applying for a Tesco clubcard to gain loyalty points. The school have inquired with Tesco

the possibility of a credit agreement, however this was not possible to pursue and therefore no further action will be taken regarding this recommendation.

7. HAROLD COURT PRIMARY SCHOOL

Summary of Audit Findings

7.1 The internal audit review found:

- The inventory policy was last reviewed by the Governing Body in 2011;
- The schools lettings policy was last reviewed in 2010; and
- A summary profit and loss account was not produced for the school residential trip.

Audit Opinion

7.2 **Full Assurance** on the system of internal control operating at the time of audit was given. This reflects the fact that there is a sound control environment in place to achieve the system objectives and that controls are being consistently applied.

Recommendations

7.3 The audit made two low priority recommendations which comprise:

- The need for the Governing Body to review and approve both the Inventory and the Lettings Policy; and
- The need for a profit and loss account to be completed for each residential school trip.

7.4 All recommendations were agreed by the Head Teacher and are scheduled for completion by the end of July 2014.

Annual Audit Health Check Follow up

7.5 There were seven priority two and recommendations made at the Annual Audit Health Check undertaken in January 2013.

7.6 A review of progress made to implement recommendations found that six of the recommendations had been implemented at the time of the audit.

7.7 In the remaining case, implementation of the recommendation could not be evidenced as the recommendation related to the need for the school to complete a waiver form when the relevant number of quotes cannot be obtained. An opportunity to demonstrate this recommendation has been implemented has not arisen since the Audit Health Check.

8. WHYBRIDGE JUNIOR SCHOOL

Summary of Audit Findings

8.1 The internal audit review found:

- The school's Finance Policy does not accurately reflect the current users with access to the SIMs Finance Module;
- Applications for lettings are not authorised by a representative on behalf of the school;
- Whilst segregation of duties in the approval of orders and invoices is in place, this is currently masked by the signature of two cheque signatories on all critical documents.; and
- The Finance Policy does not set out delegated responsibility to recruit full time employees.

Audit Opinion

8.2 Substantial Assurance on the system of internal control operating at the time of audit was given. This reflects the fact that the system was sound, however limitations were identified that may put some of the system's objectives at risk, and/or there was evidence that areas of non-compliance with some of the controls may put some of the system objectives at risk.

Recommendations

8.3 The audit made four low priority recommendations which comprise:

- Finance Policy to be updated with latest SIMS access;
- Application for Hire forms to include an authorising signature;
- Segregation of duties to be clearly evidenced; and
- Responsibility for employing permanent employees to be detailed within the Finance Policy.

8.4 All recommendations were agreed by the Head Teacher and are scheduled for completion by the end of January 2014.

Annual Audit Health Check Follow up

8.5 The Annual Audit Health Check undertaken in April 2013 made three priority one and twelve priority two recommendations.

8.6 A review of progress made to implement recommendations found:

- Thirteen recommendations had been implemented;
- One recommendation related to the need to raise orders on the system in advance of the invoice. At the time of the audit, instances of retrospective orders were identified. Internal audit has not raised this recommendation as the school has informed us that it requires to resolve this issue; and
- In the remaining case, the school received a recommendation made up of components relating to the inventory control process. The school has invested in an inventory monitoring system which is due to be implemented after the audit visit, at which point the outstanding elements of this recommendation will be implemented.

IMPLICATIONS AND RISKS

Financial implications and risks:

By maintaining an adequate audit service to serve the Council, management, Head Teachers and Governing Bodies are supported in the effective identification and efficient management of risks. Failure to maximise the performance of the service may lead to losses caused by insufficient or ineffective controls or even failure to achieve objectives where risks are not mitigated. In addition recommendations may arise from any audit work undertaken and Head Teachers and Governing Bodies have the opportunity of commenting on these before they are finalised. In accepting audit recommendations, Head Teachers and Governing Bodies are obligated to consider financial risks and costs associated with the implications of the recommendations. Head Teachers and Governing Bodies are also required to identify implementation dates and then put in place appropriate actions to ensure these are achieved. Failure to either implement at all or meet the target date may have control implications, although these would be highlighted by any subsequent audit work.

Legal implications and risks:

None arising directly from this report

Human Resources implications and risks:

None arising directly from this report

Equalities implications and risks:

None arising directly from this report

BACKGROUND PAPERS

None