

AUDIT COMMITTEE

8 April 2014

Subject Heading:	Internal Audit School Report Summaries 29.01.2014 to 18.03.2014
Report Author and contact details:	Vanessa Bateman, Internal Audit & Corporate Risk Manager ext 3733
Policy context:	To inform the Committee of the findings and recommendations made in school audit reports issued during Quarter Four 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 29th January 2014 to 18th March 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.

At the time of producing this report there are three further school audits to complete in 2013/14.

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 One school audit was finalised during the period 29th January 2014 to 18th March 2014.

SCHOOL	ASSURANCE
<ul style="list-style-type: none">• Scargill Infants School	Substantial

- 1.5 The summary of the school audit report is provided in Section 2 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.

- 1.7 There are a further three schools audits where fieldwork has taken place and a report is due to be issued imminently.

2. SCARGILL INFANTS SCHOOL

Summary of Audit Findings

- 2.1 The internal audit review found:
- Staff not using their car for work purposes had not completed a declaration;
 - The inventory policy had no version control;
 - Equipment on loan did not contain an authorising signature;
 - Cheque stubs were not being initialled/ signed;
 - Orders were being raised retrospectively; and
 - The Head Teacher's mobile phone bill was being paid via purchasing card.

Audit Opinion

- 2.2 A **Substantial Assurance** has been given as the audit found that 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.

Recommendations

- 2.3 The audit makes four medium and three low priority recommendations which comprise:
- Formal checks to be carried out on staff using their car for business use, and declarations completed for staff using alternative transport;
 - The inventory policy to contain a date of review and date to next be reviewed;
 - An authorising signature given when equipment is loaned to staff;
 - Cheque stubs to be initialled to demonstrate a segregation of duties throughout the procurement process;
 - Orders to be raised on the system in advance of invoices being received;
 - Authorisation to be sought from LMS in order to pay the mobile phone bill by Direct Debit; and
 - A process to be established to review the cost of the mobile phone when paid by direct debit.

Audit Health Check Progress

- 2.4 There was one priority one, six priority two and one priority three recommendations made at the Annual Audit Health Check undertaken in April 2012.

- 2.5 A review of progress made to implement recommendations found that six of the recommendations had been implemented at the time of the audit.
- 2.6 One of the outstanding recommendations related to the need for the school to raise orders on the FMS system before invoices are received. This recommendation has been reiterated as part of this audit.
- 2.7 In the remaining case it was recommended that recurring payments should not be made using the school purchasing card, as well as the governors review the transaction limits attached to the school purchasing card. Recurring payments relate to the Head Teachers mobile which the school are not permitted to pay by Direct Debit. Transaction limits were reviewed by governors and increased.

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:

There are no apparent legal implications or risks from noting the content of 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