



Havering
LONDON BOROUGH

AUDIT COMMITTEE

3 December 2013

Subject Heading:

Internal Audit School Final Report
Summaries, 29 June 2013 to 31
September 2013

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 Two of
2013/14

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 June 2013 to 30th September 2013. 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 Five school audits were finalised during the period July to September 2013. The five schools and the level of assurance provided comprise:

SCHOOL	ASSURANCE
• Crownfield Juniors	Substantial
• Gidea Park Primary	Full
• Mead Primary	Full
• St Mary's Catholic Primary	Substantial
• Wykeham Primary	Substantial

1.5 Summaries of the five school audit reports are provided in Sections 2 to 6 below.

2. CROWNFIELD JUNIOR SCHOOL

2.1 The Internal Audit review found:

- (i) Whilst approval to key documents has been obtained from the Governing Body, decisions are not clearly minuted.
- (ii) Checks to ensure staff have adequate insurance cover to use their car for work purposes remain outstanding in a number of cases.
- (iii) Expired CRB's were identified on the Single Central Record.
- (iv) Independent checks on income banked are not being carried out.
- (v) The schools Finance Policy & Procedures requires updating to accurately reflect the current authorised signatories.
- (vi) Retrospective orders are being placed in instances where it was possible for the order to be raised prior to the invoice being received.
- (vii) Charge Card Transactions Logs without signatures from key signatories in the process were found.
- (viii) Petty cash vouchers are completed by the Finance Assistant and are being paid out prior to authorisation to reimburse being obtained.
- (ix) Timesheets were found without key information such as the date in which the hours were incurred.
- (x) Since April 2013 Payroll reports have not been submitted to the Head Teacher for sign off.

2.2 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.

2.3 The audit made 9 medium and 1 low priority recommendations to address the weaknesses in control identified. The recommendations were agreed by the Head Teacher and deadlines for their implementation were set.

2.4 The Audit Health Check undertaken by the LMS Team in September 2012 made two Priority One and ten Priority Two recommendations. Implementation of the recommendations is followed up as part of the Internal Audit programme. We found that all but two of these recommendations have been implemented.

2.5 The two recommendations yet to be implemented are:

- A Priority Two recommendation to ensure that independent checks are being undertaken on monies received / banked; and
- A Priority One recommendation that the school keep governors fully informed of progress with the school inventory records.

3. GIDEA PARK PRIMARY SCHOOL

3.1 The Internal Audit review found:

- (i) Annual declarations of interest could not be found for all governors.
- (ii) Details regarding access to the SIMS finance system included in the Finance policy do not match current access rights held on the system.
- (iii) The current scheme of delegation does not detail the authorisation limits of the Deputy Head.
- (iv) Petty cash receipts were not being signed by an authorised signatory at the point of reimbursement.

3.2 The audit provided Full Assurance on the basis that there is a sound system of control designed to achieve the system objectives and the controls are being consistently applied.

3.3 The audit made 4 low priority recommendations to address the weaknesses in control identified. The recommendations were agreed by the Head Teacher and deadlines for their implementation were set.

3.4 The Audit Health Check undertaken by the LMS Team in September 2012 made one Priority One and five Priority Two recommendations. Implementation of the recommendations is followed up as part of the Internal Audit programme. We found that all recommendations have been implemented.

4. MEAD PRIMARY SCHOOL

4.1 The Internal Audit Review found:

- (i) A large number of staff have declared that they are not covered on their car insurance for business use. Whilst a recommendation is not being made, the increased risk of non-compliance must be highlighted as a concern. The school must be vigilant when staff without such cover are asked to attend external training by ensuring that they are aware they are not covered to use their car to attend.
- (ii) Responsibilities around certain aspects of Personnel, such as promotions and terminations are not documented within the Finance Policy & Procedure document.
- (iii) Whilst segregation of duties in the approval of orders and invoices is in place, this is masked by the signature of two cheque signatories on all critical documents.
- (iv) VAT invoices for on-line purchases may be difficult to obtain from suppliers. The school had not set a minimum threshold determining the value at which obtaining a VAT invoice becomes a cost effective exercise.

4.2 The audit provided Full Assurance on the basis that there is a sound system of control designed to achieve the system objectives and the controls are being consistently applied.

4.3 The audit made 1 medium and 2 low priority recommendations to address the weaknesses in control identified. The recommendations were agreed by the Head Teacher and deadlines for their implementation were set.

4.4 The Audit Health Check undertaken by the LMS Team in October 2012 made three Priority Two and one Priority Three recommendations. Implementation of the recommendations is followed up as part of the Internal Audit programme. We found that all recommendations have been implemented.

5. ST MARY'S CATHOLIC PRIMARY SCHOOL

5.1 The Internal Audit review found:

- (i) There is no Emergency Pack / Grab Bag in place.
- (ii) Absence of procedures to carry out checks on staff car insurance, driving licence and MOT for those members of staff using their cars on school business.
- (iii) A comprehensive list of valuable equipment held on site is not maintained.
- (iv) A comprehensive equipment on loan register is not maintained
- (v) Personnel responsibilities are not detailed within Finance / Pay policy
- (vi) Volunteers helping with swimming are not CRB checked.
- (vii) The template form for the hire of school premises does not facilitate the signature of a representative of the school to approve the requirements of the letting.
- (viii) The Scheme of Delegation does not allow for cheque signatories to sign cheques over £10,000.
- (ix) Petty cash receipts were not being signed by an authorised signatory at the point of reimbursement.

5.2 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.

5.3 The audit made 2 high, 5 medium and 2 low priority recommendations to address the weaknesses identified in the system of internal control. The recommendations were agreed by the Head Teacher and deadlines for their implementation were set.

5.4 The Audit Health Check undertaken by the LMS Team in October 2012 made eleven Priority Two recommendations. Implementation of the recommendations is followed up as part of the Internal Audit programme. We found that 9 recommendations have been implemented.

5.5 In the two remaining cases the need for the school to update the inventory records and report the findings to Governors was still to be implemented. The risks were reiterated within the Internal Audit Report. In the remaining recommendation the school was asked to review the authorised cheque signatories and removed the Finance Assistant as a signatory. The school did review the existing arrangements and decided to keep the Finance Assistant as an authorised cheque signatory.

6. WYKEHAM PRIMARY SCHOOL

6.1 The Internal Audit review found:

- (i) Absence of checks to ensure staff are appropriately covered on their insurance for business use have not been completed.
- (ii) Locations detailed on inventory are not clarified as to what room each relates to.
- (iii) The paying in book is not completed with the date the income is banked.
- (iv) Lettings are not authorised by an appropriate school officer.
- (v) Valid hirer documents are not retained on file.
- (vi) Orders are not raised on the SIMS finance system before invoices are received.
- (vii) The procurement process showed a lack of segregation of duties between invoices and cheques

6.2 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.

6.3 The audit made 1 high, 7 medium and 2 low priority recommendations to address the weaknesses in control identified. The recommendations were agreed by the Head Teacher and deadlines for their implementation were set.

6.4 The Audit Health Check undertaken by the LMS Team in September 2012 made nine Priority Two and two Priority One recommendations. Implementation of the recommendations is followed up as part of the Internal Audit programme. We found that all recommendations have been 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