

## **Standards & Audit Committee**

### **Internal Audit Progress Report 2015/16**

Date of Committee: 15<sup>th</sup> March 2016

## Introduction

The internal audit plan for 2015/16 was presented to the Standards & Audit Committee on 16<sup>th</sup> July 2015. This report provides the third update on progress against that plan since the 8<sup>th</sup> December 2015 meeting.

### **Table showing Reports issued as Final, Draft Reports issued and Work in Progress**

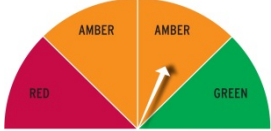
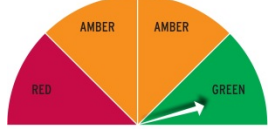
Assignment	Status	Opinion	Actions Agreed (by priority)		
			High	Medium	Low
Audits to address specific risks					
Arthur Bugler Primary School	Final	Amber/Green	0	3	4
Holy Cross Catholic Primary School	Final	Green	0	2	2
Bonnygate Primary School	Final	Amber/Red	0	5	5
Procurement Cards	Draft with Client	N/A	N/A	N/A	N/A
Safeguarding of Assets (Appointeeship and Deputyship)	Draft with IA Manager	N/A	N/A	N/A	N/A
Spend under £75K	Draft with IA Manager	N/A	N/A	N/A	N/A
Recruitment	Draft with IA Manager	N/A	N/A	N/A	N/A
Procurement in Schools	Work in Progress	N/A	N/A	N/A	N/A
Housing Contracts	Work in Progress	N/A	N/A	N/A	N/A
Out of Area Sexual Health	Work in Progress	N/A	N/A	N/A	N/A
Assets – Disposals and Acquisitions	Work in Progress	N/A	N/A	N/A	N/A
<b>Core Assurance</b>					
Adult Social Care Expenditure	Final	Green	0	2	1
Cash and Banking	Final	Green	0	0	3
Payroll	Draft with IA Manager	N/A	N/A	N/A	N/A
Adult Social Care Income	Work in Progress	N/A	N/A	N/A	N/A
Accounts Receivable	Work in Progress	N/A	N/A	N/A	N/A
Accounts Payable	Work in Progress	N/A	N/A	N/A	N/A

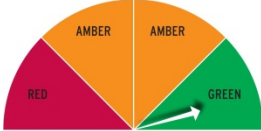
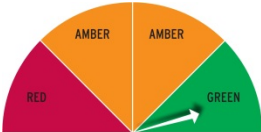
The report on Bonnygate Primary School, which received an Amber/Red assurance opinion, has been included in more detail at the end of this report.

At the request of management, the service has refocused resources on reviewing some of the major contracts and payments to consultants.

The Internal Audit Service has also been supporting the Corporate Fraud & Investigation Directorate on two on-going investigations and the National Fraud Initiative.

## Key Findings from Internal Audit Work

<b>Assignment: Arthur Bugler Primary School</b>	<b>Opinion: Amber/Green</b>	
<b>Headline Findings:</b> Our review of Arthur Bugler Primary School identified 3 medium and 4 low recommendations around the adequacy of the control framework. Of the 8 recommendations from the previous review, 3 remain outstanding and have been repeated within this review.		
<b>Action and Response</b>	<b>Responsible Officer</b>	<b>Date</b>
<b>Action</b> - In accordance with the school's Financial Regulations, all orders over £5k must be approved by a Governor in addition to the Headteacher. All purchase orders must be raised in the first instance, before goods are received, to ensure management information reports are up to date. <b>Response</b> – Agreed.	Headteacher School Administrator	April 2016
<b>Action</b> - It is recommended that all portable and valuable IT equipment is locked in a secure location overnight. Whilst leaving them out would not invalidate the insurance, if they are in plain view it could increase the risk of theft. <b>Response</b> – Agreed - The school will look into purchasing a lock-up cabinet.	Headteacher	March 2016
<b>Action</b> – Additional Hours forms must be completed for all claims and must be clear. They should be checked by the Headteacher, to ensure correct payments are made before submission to Essex County Council. Any forms handed to the office staff that are unclear, should be handed back to the claimant to re-do, without any crossings out. This will help reduce the likelihood of error. <b>Response</b> – Agreed.	Headteacher Office Staff	Immediate
<b>Assignment: Holy Cross Catholic Primary School</b>	<b>Opinion: Green</b>	
<b>Headline Findings:</b> Our review of Holy Cross Catholic Primary School identified 2 medium and 2 low recommendations around the adequacy of the control framework. It was pleasing to note that all 10 recommendations (1 high, 5 medium and 4 low) from the previous report which took place in January 2011 had been implemented.		
<b>Action and Response</b>	<b>Responsible Officer</b>	<b>Date</b>
<b>Action</b> - Where the purchase order exceeds £10k, it should be signed by the Chair. This ensures the school act in accordance with their own Financial Regulations. <b>Response</b> – Agreed.	Office Manager	Immediate
<b>Action</b> – Greater controls required regarding the collection and monitoring of the dinner money. The school should enforce their own rule that parents must bring in a packed lunch, if the amount of arrears reaches £10. This will reduce the likelihood of arrears escalating. <b>Response</b> – Agreed.	Office Manager Admin Assistant	September 2015

<p><b>Assignment: Adult Social Care Expenditure</b></p>	<p><b>Opinion: Green</b></p>	
<p><b>Headline Findings:</b> Our review of Adult Social Care Expenditure identified 2 medium and 1 low recommendations around the adequacy of the control framework. No similar reviews had been undertaken in this service area.</p>		
<p><b>Action and Response</b></p>	<p><b>Responsible Officer</b></p>	<p><b>Date</b></p>
<p><b>Action</b> - All large payments should be checked in addition to the 10% checks carried out on invoice payments. Checks to large payments ensure that they are accurate and appropriate. <b>Response</b> – Agreed. Going forward this has been escalated to the authorised signatories who authorise batches. There should be an additional check on large single invoices over the amount of £25k.</p>	<p>Interim Customer Finance Manager</p>	<p>Immediate</p>
<p><b>Action</b> – Regular reconciliation of ContrOCC data to the General Ledger should be reinstated to ensure that the two systems agree and accurately reflect expenditure for adult social care. <b>Response</b> – Agreed - The process has already been started to reconcile the two systems back to April and going forward this will be a monthly exercise carried out by Corporate Finance.</p>	<p>Management Accountant Social Care &amp; Commissioning</p>	<p>Immediate</p>
<p><b>Assignment: Cash and Banking</b></p>	<p><b>Opinion: Green</b></p>	
<p><b>Headline Findings:</b> Our review of Cash and Banking did not identify any significant issues around the adequacy of the control framework. All 3 medium and 2 low recommendations from the previous reports had been implemented. There were robust controls around policies and procedures, retention of records, receipting and recording of income and the reconciliation processes.</p>		

# 1 Executive Summary

## 1.1 INTRODUCTION

An audit of Bonnygate Primary School was undertaken as part of the approved internal audit periodic plan for 2015/16.

The audit was designed to assess the controls in place to manage the following objective:

<b>Objective</b>	To ensure the school is administered in the most economic, efficient and effective way possible in accordance with Central Government and Local Authority guidelines.
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## 1.2 SCOPE OF THE REVIEW

To provide an overall opinion on the control framework and risk management arrangements within the area under review by evaluating the extent to which controls have been applied. Control activities are put in place to ensure that risks to the achievement of the organisation's objectives are managed effectively. When planning the audit, the following controls to be reviewed and limitations to the scope of the work were agreed during the audit planning process:

### Control activities to be tested:

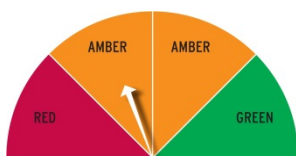
Governance, Budget setting, Income, Expenditure, IT Security.

### Limitations to the scope of the audit:

- Testing was undertaken on a sample basis only.
- Our work does not provide any guarantee against material errors, loss or fraud or provide an absolute assurance that material error, loss or fraud does not exist.

The approach taken for this audit was a Risk-Based Audit.

## 1.3 CONCLUSION



Taking account of the issues identified, whilst the Governing Body of Bonnygate Primary School can take some assurance that the controls upon which it relies to manage this risk are suitably designed, consistently applied and effective, action needs to be taken to ensure the risks are managed.

The above conclusions feeding into the overall assurance level are based on the evidence obtained during the review. The key findings from this review are as follows:

- The Financial Regulations had not been reviewed and signed in the last 12 months.
- Goods/Services had been purchased without a purchase order.
- Three quotes were not always obtained for orders over £5k.
- In one instance, payments for goods had been paid against a pro forma invoice.
- The school's inventories were not up to date and some of the school's IT equipment had not been security tagged.
- Controls around the recording of dinner money and checking of entitlement to free school meals were not robust.
- The school did not have a current registration as a data controller with the Information Commissioners Office.

## 1.4 RECOMMENDATIONS SUMMARY

The following tables highlight the number and categories of recommendations made. The Action Plan at Section 2 details the specific recommendations made as well as agreed management actions to implement them.

### Recommendations made during this audit:

The recommendations address the risks within the scope of the audit as set out below:

Risk	Priority		
	High	Medium	Low
Controls over the school's bank account(s) and governance may be weak resulting in financial loss to the school.	0	0	2
Procurement might not be controlled resulting in inappropriate purchases of goods and services. Repairs and maintenance might not be kept up to date and may not achieve value for money	0	3	0
Staff may not be informed of how to purchase, store or dispose of fixed assets.	0	1	1
There could be an inadequate separation of duties for making changes to personnel data.	0	0	0
Income due to the school might not be appropriately recorded and as such may not be collected in full.	0	1	1
The school's budget may not be balanced or aimed at recovering a deficit or achieving a prudent level of unspent balances resulting in inefficient use of school funds.	0	0	0
Security of school data might not be adequately controlled leading to a loss of information or breach of confidentiality.	0	0	1
<b>Total</b>	<b>0</b>	<b>5</b>	<b>5</b>

Recommendations implemented since the previous audit in this area:

<b>Date of previous audit: 24 April 2013</b>			
<b>Assurance:</b>	<b>Fundamental</b>	<b>Significant</b>	<b>Merits Attention</b>
Number of recommendations made during previous audit	0	0	3
Number of recommendations implemented	0	0	1
<b>Recommendations not yet fully implemented:</b>	<b>0</b>	<b>0</b>	<b>2</b>

## 1.5 ADDITIONAL FEEDBACK

**The following staff gave their time and co-operation during the review, and we would like to record our thanks**

Headteacher  
Primary School Manager  
Senior Admin Assistant  
Admin Assistant



## 2 Action Plan

The priority of the recommendations made is as follows:

Priority	Description
High	Recommendations are prioritised to reflect our assessment of risk associated with the control weaknesses.
Medium	
Low	

Ref	Recommendation	Risk Rating	Agreed (Y/N)	Management Action to address recommendations	Completion Date	Responsible Person
1.4	The Financial Regulations should be reviewed each year at the Governors' meetings and a copy, signed by the Chair, must be held in the office. This ensures the regulations reflect the current administrative arrangements within the school.	Low	Y	The Financial Regulations will be updated and signed at the next Governor's meeting	February 2016	Office Manager
1.6	The Consultant who attends meetings to provide advice of a financial nature should complete a Business Interest Form. This ensures there is no conflict between their role as a consultant and their business interests outside of the school.	Low	Y	The school will ensure that all Governors' attending the meetings will have completed a form	February 2016	Office Manager Chair
2.1	The Site Manager and teaching staff must be reminded of the importance of informing office staff, prior to making a purchase, so an order can be raised on the system. This then commits the expenditure and ensures senior management and the governors are receiving accurate management information on which they can base their decision making. It also ensures there is a proper authorisation process which is in line with the school's Financial Regulations.	Medium	Y	Agreed	February 2016	Headteacher Office Manager

Ref	Recommendation	Risk Rating	Agreed (Y/N)	Management Action to address recommendations	Completion Date	Responsible Person
2.2	The school should avoid paying for goods before delivery and only pay against a bona fide invoice, not a pro-forma. This reduces the financial risk to the school if the goods are not supplied e.g. if the company goes into liquidation.	Medium	Y	Agreed	February 2016	Headteacher Office Manager
2.4	Three quotes must be obtained for all orders over £5k. They must not be spread across a number of orders under this amount. This is in breach of the school's own Financial Regulations. In addition the Headteacher must complete the Client Details Form as soon as possible so that the school can be reimbursed through the grants awarded for lottery funded projects.	Medium	Y	Agreed	February 2016	Headteacher Office Manager
3.1	Both the IT and non-IT inventories need to be developed and put on a spreadsheet which contains the following information: order number; purchase date; make and model; serial number; price and location. It also needs to include a column for disposal date where applicable. Both these inventories should be independently reviewed and signed off on an annual basis.	Medium	Y	Agreed	February 2016	Headteacher IT Technician Office Manager
3.3	A schedule needs to be drawn up for the marking of the older IT equipment to ensure the tagging is completed as soon as possible.	Low	Y	Agreed	February 2016	IT Technician
5.1	The daily collection sheets for the recording of dinner money must be clear and dated. The total of the individual payments should be checked and agreed to the money banked. This ensures there is a clear audit trail of income banked.	Medium	Y	Agreed	February 2016	Office Manager Senior Admin Assistant

Ref	Recommendation	Risk Rating	Agreed (Y/N)	Management Action to address recommendations	Completion Date	Responsible Person
5.3	The frequency of banking income, or arrangements for storing cash, should be reviewed to ensure the cash held in the safe is not allowed to exceed the safe's rating for insurance purposes.	Low	Y	Agreed	February 2016	Office Manager Senior Admin Assistant
5.5	Monthly checks need to be carried out between the Council's free school meal pupil entitlement report and the schools own list to ensure only children who are entitled to free school meals receive them.	Low	Y	Agreed	February 2016	Office Manager Senior Admin Assistant
7.1	The school must register itself as a data controller with the Information Commissioners Office to ensure it complies with relevant legislation under the Data Protection Act.	Low	Y	Agreed	February 2016	Office Manager