

FINAL INTERNAL AUDIT REPORT
EDUCATION AND CARE SERVICES DEPARTMENT

WORSLEY BRIDGE PRIMARY SCHOOL AUDIT FOR 2014-15

Issued to: Mrs Jacky Pike, Head Teacher

Cc: Susan Anderson, Chair of Governors
Schools Finance Team (Final report only)

Prepared by: Principal Auditor

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REVIEW OF WORSLEY BRIDGE PRIMARY SCHOOL AUDIT FOR 2014-15

INTRODUCTION

1. This report sets out the results of our systems based audit of Worsley Bridge Primary School Audit. The audit was carried out in quarter 3 as part of the programmed work specified in the 2014-15 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee.
2. The controls we expect to see in place are designed to minimise the department's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.
3. The period covered by this report is from September 2013 to October 2014.
4. The internal audit visit took place on 03/11/14.

AUDIT SCOPE

5. The original scope of the audit was to review the risks of financial management information, primary accounting documentation, asset control and governance arrangements and to examine the controls in place to mitigate these risks.

AUDIT OPINION

6. Overall, the conclusion of this audit was that substantial assurance can be placed on the effectiveness of the overall controls. Definitions of the audit opinions can be found in Appendix C.

MANAGEMENT SUMMARY

7. Controls were in place and working well in the areas of primary accounting documentation including payments, leases, petty cash, contracts, voluntary funds, payroll and school meal accounts.

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8. The school manages the Bromley Catering Consortium Fund by raising invoices, paying fees, maintaining financial information relating to the account including bank statements. Issues relating to the reconciliation are detailed below. It was noted that that on 24/09/14 there was £27,072.49 in this holding account.

Other issues to raise to management include

- Debtor invoices are not raised on the financial system and the school has two substantial debts owing.
- Cheques are prepared manually
- The serial numbers of assets are not recorded on the asset register
- No regular reconciliation is carried out on the Bromley Catering Consortium Fund
- Cash flow statements are not signed as checked by the Headteacher
- The school's financial procedures and the scheme of financial delegation were not evidenced during the visit

SIGNIFICANT FINDINGS (PRIORITY 1)

7. None

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

8. The findings of this report, together with an assessment of the risk associated with any control weaknesses identified, are detailed in Appendix A. Any recommendations to management are raised and prioritised at Appendix B.

ACKNOWLEDGEMENT

9. Internal Audit would like to thank all staff contacted during this review for their help and co-operation.

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
1	<p>The school raises manual debtor invoices on a Word Template. Audit identified:</p> <ul style="list-style-type: none"> • one invoice raised 15/7/14 for £53,933.28 for capital works for expansion to the school premises remained un-paid despite the finance officer chasing the debt. • Another invoice was raised on 23/07/14 for £4,400.00 for Headteacher Support [1/7/14] this balance also remained un-paid despite the finance officer chasing the debt. 	<p>Monies owed to the school may not be collected timely resulting in cash flow problems and loss of interest.</p>	<p>Ensure that debtor invoices are raised on the financial system to monitor the payment of monies owed to the school and outstanding debts are collected promptly [Priority 2] Consideration should be given for charging interest to debtors when debts are not made within agreed payment arrangements [Priority 3]</p>
2	<p>Cheques are prepared manually</p>	<p>Cheques may be raised for the in-correct amounts potentially effecting the bank account</p>	<p>The school should use pre-printed cheques to potentially prevent any errors between the financial system and bank statements in the future [Priority 3]</p>

Priority 1
Required to address major weaknesses and should be implemented as soon as possible

Priority 2
Required to address issues which do not represent good practice

Priority 3
Identification of suggested areas for improvement

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
3	The serial numbers of assets are not recorded on the asset register	An accurate register of assets may result in losses through fire or theft not being easily identified.	Ensure the serial numbers of assets are recorded on the asset register [Priority 2]
4	The balance of Bromley Catering Consortium Fund maintained by spreadsheet showed £27,150.00 in the account however the bank statement dated 24/09/14 showed £27,072.49 credit in the account.	Accounts may not be properly controlled and errors may go undetected.	Ensure a complete reconciliation is carried out on the Bromley Catering Consortium Fund. [Priority 2]
5	The school's financial procedures and the scheme of financial delegation has not been evidenced	Financial procedures and delegation may not be adequate	Ensure the school's financial procedures and the scheme of financial delegation are forwarded to audit for review [Priority 2]
6	Cash flow statements are prepared however these are not authorised by the Headteacher	Financial Reporting may not be accurate	It is good practice for cash flow statements to be signed as checked by the Headteacher [Priority 3]

Priority 1
Required to address major weaknesses and should be implemented as soon as possible

Priority 2
Required to address issues which do not represent good practice

Priority 3
Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1	<p>Ensure that debtor invoices are raised on the financial system to monitor the payment of monies owed to the school and outstanding debts are collected promptly</p> <p>Consideration should be given for charging interest to debtors when debts are not made within agreed payment arrangements</p>	<p>2</p> <p>3</p>	<p>Currently due to very small number of invoices issued, a manual system has been used. We believe that the system has been monitored adequately- but do recognise that to use the FMS Accounts receivable system would produce more complete records, and training has been arranged accordingly with the Schools Finance Team. (Dec 2014)</p> <p>The debtors outstanding are within the LBB, however in future the school will make clear on the invoices that late payments charges will apply.</p>	Finance Staff	Training Dec 2014- Implementation – Jan 15
2	The school should use pre-printed cheques to potentially prevent any errors between the financial system and bank statements in the future	3	The school have not previously used pre printed cheques, due to the cost of the personalised stationery. This will be reviewed again. However, due to the	Finance Staff	To be reviewed spring term GB meetings

Priority 1
Required to address major weaknesses and should be implemented as soon as possible

Priority 2
Required to address issues which do not represent good practice

Priority 3
Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
			possibility of Academy conversion in the near future, the costs may outweigh the benefits.		
3	Ensure the serial numbers of assets are recorded on the asset register	2	This is currently being undertaken.	Finance Staff	By end of term
4	Ensure a complete reconciliation is carried out on the Bromley Catering Consortium Fund [BCCF].	2	The £77.51 difference (2 cheques) was due to a timing issue between the printing of the 2 documents. It has since been reconciled and a tighter system has been put in place. We are also investigating software options for the BCCF records.	Finance Staff	With immediate effect
5	Ensure the school's financial procedures and the scheme of financial delegation are forwarded to audit for review	2	Chair of Resources to liaise with Clerk to Governing Body to find relevant documents	Chair of Resources	With immediate effect
6	It is good practice for cashflow statements to be signed as checked by the Headteacher	3	The cashflow is regularly reviewed by the Headteacher, it will be signed / kept on file from now on	Headteacher	With immediate effect

Priority 1
 Required to address major weaknesses and should be implemented as soon as possible

Priority 2
 Required to address issues which do not represent good practice

Priority 3
 Identification of suggested areas for improvement

OPINION DEFINITIONS

APPENDIX C

As a result of their audit work auditors should form an overall opinion on the extent that actual controls in existence provide assurance that significant risks are being managed. They grade the control system accordingly. Absolute assurance cannot be given as internal control systems, no matter how sophisticated, cannot prevent or detect all errors or irregularities.

Assurance Level

Definition

Full Assurance

There is a sound system of control designed to achieve all the objectives tested.

Substantial Assurance

While there is a basically sound systems and procedures in place, there are weaknesses, which put some of these objectives at risk. It is possible to give substantial assurance even in circumstances where there may be a priority one recommendation that is not considered to be a fundamental control system weakness. Fundamental control systems are considered to be crucial to the overall integrity of the system under review. Examples would include no regular bank reconciliation, non-compliance with legislation, substantial lack of documentation to support expenditure, inaccurate and untimely reporting to management, material income losses and material inaccurate data collection or recording.

Limited Assurance

Weaknesses in the system of controls and procedures are such as to put the objectives at risk. This opinion is given in circumstances where there are priority one recommendations considered to be fundamental control system weaknesses and/or several priority two recommendations relating to control and procedural weaknesses.

No Assurance

Control is generally weak leaving the systems and procedures open to significant error or abuse. There will be a number of fundamental control weaknesses highlighted.