

FINAL INTERNAL AUDIT REPORT

EDUCATION CARE AND HEATH SERVICES DEPARTMENT

REVIEW OF CLARE HOUSE PRIMARY SCHOOL AUDIT FOR 2014-15

Issued to: Mr. J. Budden, Head Teacher
Mrs J Tibbalds, Chair of Governors (final report only)
Schools Finance Team, (final report only)

Prepared by: Principal Auditor

Date of Issue: 12/03/2015

Report No.: CYP/P15/01/2014

REVIEW OF CLARE HOUSE PRIMARY AUDIT FOR 2014-15

INTRODUCTION

1. This report sets out the results of our systems based audit of Clare House Primary Audit for 2014-15. The audit was carried out in quarter 4 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 original scope of the audit was outlined in the Terms of Reference issued on 07/01/2015. The period covered by this report is from 07/01/2014 to 07/01/2015.

AUDIT SCOPE

4. The scope of the audit is detailed in the Terms of Reference.

AUDIT OPINION

5. 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

6. Controls were in place and working well in the areas of financial management information, primary accounting documents, expenditure, income, leases and contracts, petty cash, voluntary funds, payroll records and governance arrangements. Based on our testing of expenditure, payroll, income and school meals there has been a significant improvement in controls operated by the School. We would however like to highlight following areas for improvement:

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- The school meals are recorded on SIMS Dinner money module. Reports from the system for period ending July 2014 were reviewed and compared to a report from the start of September 2014. This highlighted a discrepancy of £624.60 in the carry forward and brought forward figure which could not be explained.
 - Declaration of Interest for Governors were not recorded for Governing Body meetings on 15/09/2014 and 20/10/2014.
 - The list of contracts has not been presented to the Governors to ensure they are aware of all ongoing commitments.
 - The school does not have a loans book to record when items are taken offsite and returned.
7. Nine recommendations made as part of 2012-13 audit were followed up of which seven have been implemented. 2/9 recommendations relating to circulation of list of contracts to Governors and reconciliation of School meals have been partially implemented. Further recommendations are being made as part of 2014-15 audit to address these areas.

SIGNIFICANT FINDINGS (PRIORITY 1)

8. There is no priority one finding in this report.

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

9. 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

10. 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 meals are recorded on SIMS Dinner money module. Reports from the system for period ending July 2014 were reviewed and compared to report from start of September 2014. This highlighted a discrepancy of £624.60 in carry forward and brought figure which could not be explained.</p>	<p>Inaccurate records may lead to income not being collected.</p>	<p>The School should establish the reason for discrepancy and resolve it. It would be recommended that the school carry out regular reconciliation of School Meal Account to ensure that meals income received equates to the meals income banked.</p> <p>[Priority 2]</p>
2	<p>The minutes for the Governing Body meetings for 12 months to January 2015 were reviewed to ensure that the opportunity to declare interests is offered at each meeting and that they are well attended with a full range of issues discussed including financial matters.</p> <p>Declaration of Interest for Governors were not recorded for Governing Body meetings on 15/09/2014 and 20/10/2014.</p>	<p>Governors may have a financial interest in issues discussed.</p>	<p>Declaration of Interest should be an agenda item and should be recorded for every Governing Body meetings.</p> <p>[Priority 2]</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 list of current contracts was reviewed at the School. The Business Manager advised that these contracts are only presented to Governors when they are renewed.	Governors may be unaware of ongoing commitments	<p>The list of contracts should be presented to Governors annually to ensure that they are kept informed of ongoing commitments.</p> <p>[Priority 3]</p>
4	The school does not have a loans book to record when items are taken offsite and returned.	Assets are not kept secure.	<p>A procedure of recording equipment when they are taken out and brought back to school should be put in place.</p> <p>Priority 3]</p>

Priority 1
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Priority 2
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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	The School should establish the reason for discrepancy and resolve it. It would be recommended that the school carry out regular reconciliation of School Meal Account to ensure that meals income received equates to the meals income banked.	2*	<p>The control and debt recovery of the school meal procedures have improved significantly since the previous Audit. An escalation procedure and termly reconciliation have been put in place. It is the aim of the school to have a nil balance for all Leavers (Y6 & transferred pupils) before the end of academic year. However, there are cases where it was not possible (e.g. parents in bankruptcy situation).</p> <p>There is no discrepancy on the b/f however SIMS "standard" Report was not clear and it was not explained properly to the Auditor that Leavers balance were not carry forward into the new academic year Report. Pupil balance as of 23/07/2014 = - 595.08. (-£619.20 balance of the Leavers). Please note some pupils are in credit</p>	School Business Manager and Admin Officer	2 nd quarter of 2015 to develop a robust report with SIMS IT

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Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
			balance as refund are done at the beginning of new term). Pupil balance b/f as of 01/09/2014 Brought forward balance £22.02 (£619.20 minus £595.08 = £24.12) One pupil left mid term in debit = - £2.10) We are working with SIMS IT on the possibility of producing a more robust SIMS report to show the on-going balances clearly.		
2	Declaration of Interest should be an agenda item and should be recorded for every Governing Body meetings.	2	The Governing Body Agenda includes the Declaration of Pecuniary Interest however, there has been an oversight on the Minutes checked.	Chair of Governors and Head Teacher	Actioned

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Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
3	The list of contracts should be presented to Governors annually to ensure they are kept informed of ongoing commitments.	3*	An annual review of SLAs are conducted at the end of each year. The Report was discussed and signed by the Head Teacher. Any recommendations for termination or new contracts are discussed during the Finance Committee meeting. The recommendation to take the list of SLAs annually has been added to the Spring Term Finance agenda.	School Business Manager	Actioned
4	A procedure of recording equipment when they are taken out and brought back to School should be put in place.	3	A reminder has been sent to all Staff about their responsibility in logging out and in of any equipment (including camera and video recorder for journey/trips). A reminder will be sent every term. The equipment loan book is kept in the Office.	School Business Manager and Admin Officer	Actioned

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Management comment:

Clare House Primary School Summary

“The School and the Governing Body take very seriously all matters relating to financial control and financial management and are fully committed to achieving continuous improvement in this area. Accordingly we welcome the opportunity to receive feedback in the form of the Internal Audit process. The fact that you have raised substantially fewer audit findings this time has reinforced our belief that the financial management and control at Clare House have improved immeasurably in the last two to three years. You will also have noted that the continuous focus on budgetary and cost control has enabled the school to shorten its projected deficit reduction period by one year.

In respect of the four points raised, we note that three have already been addressed through straightforward administrative processes. The other finding – relating to the reconciliation of the School Meal Account – has been investigated and the apparent ‘discrepancy’ has found to be partly attributable to the design of the standard SIMS report, rather than to a weakness in internal control.

Clearly, there is no room for complacency and we are aware that the school is approaching a period of substantial change, throughout which we will need to maintain our grip on the management of the school’s finances. However, given the nature and number of audit points raised, we consider that the school does in fact have a sound system of control, and therefore believe that the overall assessment should be closer to “full” rather than “substantial” assurance.

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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.