



FINAL INTERNAL AUDIT REPORT
EDUCATION, CARE AND HEALTH SERVICES

REVIEW OF CHELSFIELD PRIMARY SCHOOL AUDIT FOR 2015-6

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REVIEW OF CHELSFIELD PRIMARY SCHOOL AUDIT FOR 2015-6

INTRODUCTION

1. This report sets out the results of our systems based audit of Chelsfield Primary School Audit for 2015-16. The audit was carried out in quarter3 as part of the programmed work specified in the 2015-16 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 school'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 14 October 2015. The period covered by this report is from 1 November 2014 to 2 November 2015.

AUDIT SCOPE

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

MANAGEMENT SUMMARY

5. Controls were in place and working well in the areas of financial management including budget monitoring, financial reports, debtors and creditors control, cash flow statements and primary accounting documentation including income and bank reconciliations. In addition, governance arrangements at the school including the scheme of delegation and updating DBS checks were also working effectively.
6. Our testing identified the following :-
 - Three invoices had not been paid within 30 days. There was one payment for expenditure over £5,000 to contractor 'A'. This had been arranged by contractor 'B' but the Headteacher and Finance Officer told us that they had not been

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provided with the other quotations, in spite of them asking for them. There were eight instances where an order had not been raised and seven instances where orders had been raised after the invoice had been received.

- The list of contracts is not presented to governors each year to approve the continued use of suppliers with contracts and agreements that they want to roll over into the following year.
- An asset register was in place but did not include the model and serial numbers of equipment or evidence that it had been checked and signed off by the Headteacher each year. Items are not security marked.
- The school needs to review its procedures for recording and reconciling meals information and income.
- Declarations of pecuniary interests had been signed but the form did not have 'None' written as evidence of no interests to declare.
- There was no evidence in minutes of the Finance Committee meetings held in March 2015 and July 2015 that an opportunity to declare interests was given.
- The school has not benchmarked expenditure against that of similar schools to compare and investigate where categories of spend appear high.
- The minutes of the Finance Committee meeting did not record the approval given by governors for changes to the original budget

SIGNIFICANT FINDINGS (PRIORITY 1)

7. There were no significant findings arising.

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.

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AUDIT OPINION

9. Overall, the conclusion of this audit was that substantial assurance can be placed on the effectiveness of the overall controls. Opinion definitions are given in Appendix C.

ACKNOWLEDGEMENT

10. We would like to thank all staff contacted during this review for their help and co-operation.

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
1	An asset register was in place but did not include the model and serial numbers of equipment or evidence that it had been checked and signed off by the Headteacher each year. Items are not security marked.	Assets may not be readily identified in the event of a loss through fire or theft	Items should be security marked and the asset register should be updated to include the model and serial numbers of equipment. It should be checked and signed off by the Headteacher each year. [Priority 2]
2	Finance Committee and Governing Body minutes show that an adequate number of members attend. Opportunity to declare interests was given in Oct 2015. There was however no evidence that opportunity to declare interests was given in minutes of FC meetings held in March 2015 and July 2015.	A conflict of interest may not be identified where the school trades with a company connected to a governor	Ensure that the opportunity to declare interests is given and recorded in the minutes of each Finance Committee and Governing Body meeting. [Priority 2]

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 contracts was seen and is up to date. The list does not however show the end date of the contracts. It is not presented to governors each year to approve the continued use of suppliers with contracts and agreements that they want to roll over into the following year.	Contracts may be let without following proper procedures and/or rolled over without proper approval.	Ensure that the list of contracts/agreements is updated to include the end date of formal contracts currently in place and is presented to governors annually to approve the continued use of suppliers for the following year. The school should seek competitive quotations from other companies periodically, to ensure that value for money is being obtained from existing suppliers. [Priority 2]
4	The schools' meals income total is currently showing a credit balance as some parents have paid in advance. We checked that the income received this term as recorded on the meals' spreadsheet was shown in the paying in book and bank statement. The Admin Officer maintains the spreadsheet,	Information about meals consumed by children and staff may not be accurate, leading to possible loss of income.	Review the procedures for recording and reconciling meals information and income. [Priority 2]

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DETAILED FINDINGS

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	<p>which, in part, replicates the daily meals information in the meals registers. We checked the daily meals information for four teachers for this term and found ten instances where there was a meal recorded in the register but not on the spreadsheet. There were also two instances where there was a meal recorded on the spreadsheet but not in the register.</p>		
5	<p>We saw that all staff and Governors had signed and dated an annual declaration of pecuniary interests but the form did not have 'None' written by them as evidence of no interests to declare.</p>	<p>Staff and Governors may not have verified that they have no interests to declare.</p>	<p>Staff and Governors update their pecuniary interest forms and write 'None' to certify that they have no interests to declare.[Priority 2]</p>
6	<p>The school has not benchmarked expenditure against that of similar schools to compare and investigate where categories of spend appear high.</p>	<p>The school may not be achieving value for money in its expenditure.</p>	<p>Benchmark expenditure against that of similar schools to compare where categories of spend appear high. Investigate and report the results to governors. [Priority 2]</p>

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DETAILED FINDINGS

No.	Findings	Risk	Recommendation
7	<p>Three invoices had not been paid within 30 days. There was appropriate authorisation and there was evidence of separation of duties in place. There was one payment for expenditure over £5,000 to contractor 'A' for £11,756.40. This had been arranged by contractor 'B' but the Headteacher and Finance Officer told us that they had not been provided with the other quotations, in spite of them asking for them. There were eight instances where an order had not been raised and seven instances where orders had been raised after the invoice had been received.</p>	<p>Payments may not be made in compliance with Financial Regulations and the Schools own procedures. Value for money may not be obtained.</p>	<p>Ensure that :- a) invoices are paid within 30 days, b) orders are raised for all expenditure and are raised before the invoice is received so that expenditure is committed on the school's financial system and c) 3 quotations for any work/services over £5,000 are obtained and evaluated before a supplier is selected and the Council's tender process is adhered to for any work/services over £50,000. [Priority 2]</p>

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DETAILED FINDINGS

No.	Findings	Risk	Recommendation
8	The minutes of the Finance Committee held on 9 Nov 2015 showed that variances made to the original budget had been discussed but there was no evidence in the minutes that these changes had been approved formally by governors following discussion.	No evidence that changes to the original budget were agreed by governors, leading to inaccurate financial reporting of decisions made.	Ensure that in future the minutes of the Finance Committee meeting record the approval given by governors for any changes to the original budget. [Priority 2]

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MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1	Items should be security marked and the asset register should be updated to include the model and serial numbers of equipment. It should be checked and signed off by the Headteacher each year.	2	It is planned that all items are security marked and serial numbers recorded.	Caretaker and Admin Staff	31 January 2016
2	Ensure that the opportunity to declare interests is given and recorded in the minutes of each Finance Committee and Governing Body meeting.	2	This will be included on all Finance Committee and full Governing Body Agendas and recorded in minutes in future.	Clerk to Finance Committee and Governing Body, Governors and Headteacher	31 March 2016
3	Ensure that the list of contracts/agreements is updated to include the end date of formal contracts currently in place and is presented to governors annually to approve the continued use of suppliers for the following year. The school should seek	2	This will be updated and investigated. We are at present looking into various contracts with a view to inviting suppliers to provide quotations.	Admin Staff and Headteacher	31 March 2016

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	competitive quotations from other companies periodically, to ensure that value for money is being obtained from existing suppliers.		Details of suppliers will be presented to Governors at the next meeting of the Governing Body.		
4	Review the procedures for recording and reconciling meals information and income.	2	We will revert to the previous method of good practice with a view of moving towards using SIMS from April 2016.	Admin Staff and Headteacher	30 April 2016
5	Staff and Governors update their pecuniary interest forms and write 'None' to certify that they have no interests to declare.	2	This will be undertaken immediately by staff and completed by Governors at the next meeting of the Governing Body.	Clerk to Governing Body and Admin Staff	31 March 2016
6	Benchmark expenditure against that of similar schools to compare where categories of spend appear high. Investigate and report the results to governors.	2	We have started to undertake benchmarking.	Admin Staff & Headteacher	31 March 2016

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MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
7	Ensure that :- a) invoices are paid within 30 days, b) orders are raised for all expenditure and are raised before the invoice is received so that expenditure is committed on the school's financial system and c) quotations for any work/services over £5,000 are obtained and evaluated before a supplier is selected and the Council's tender process is adhered to for any work/services over £50,000.	2	This information will be presented to Governors to ensure that they are aware of responsibilities by the School a & b) Admin staff will be informed by Teaching Staff of orders raised so that the commitment is recorded and invoices will be paid within 30 days c) We will ensure quotations are obtained.	Admin Staff and Headteacher	31 March 2016
8	Ensure that in future the minutes of the Finance Committee meeting record the approval given by governors for any changes to the original budget.	2	The Governors & Clerk to the Finance Committee will be informed of this requirement.	Clerk to the Finance Committee, Headteacher & Chair of Finance Committee.	31 March 2016

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SCHOOLS OPINION DEFINITIONS

As a result of their audit work auditors should form an overall opinion on the extent that actual controls within the school provide reasonable 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 system and school procedures objectives tested.

Substantial Assurance

While there is a basically sound system 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 schools finances. Examples would include no regular bank reconciliation, non-compliance with legislation, substantial lack of documentation to support expenditure, inaccurate and untimely reporting to Governors, material income losses.

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.