



FINAL INTERNAL AUDIT REPORT
EDUCATION, CARE AND HEALTH SERVICES

REVIEW OF MARJORIE MCCLURE SCHOOL AUDIT FOR 2015-16

Issued to: Head Teacher
Cc: School Business Manager
Chair of Governors (Final only)
Schools Finance Team (Final only)

Prepared by: Principal Auditor

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REVIEW OF MARJORIE MCCLURE SCHOOL AUDIT FOR 2015-6

INTRODUCTION

1. This report sets out the results of our systems based audit of Marjorie McClure School Audit for 2015-6. The audit was carried out in quarter 3 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 16th November 2015. The period covered by this report is from November 2014 to 26th 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, Asset Management however there were elements of Governance Arrangements that need to be considered. Similarly controls were working well for income, petty cash, bank reconciliations and school meals however there were issues arising for expenditure, purchase cards and the contract register, summarised as follows: -
 - The asset register for IT equipment was available on a shared area, not password protected
 - The scheme of delegation had not been approved by Governors annually
 - Governors had not completed a pecuniary interest form and the opportunity to declare interests was not minuted for the Finance Committee meeting.

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- Additional expenditure was not supported by an adequate audit trail to support the variation; Separation of duties was not achieved when the school used the non-order requisition; no unique invoice reference detailed on the invoice and payment made on a pro forma invoice that cannot be used to recover VAT.
- Reconciliation of the procurement card statement did not identify an error between the authorised order and statement; procurement from online sites may include excessive postage and packing and non VAT invoices being the supporting documentation, preventing the VAT to be recovered which impacts on value for money.
- The list of contracts and SLA's is used for budget purposes and does not include start and end dates.

SIGNIFICANT FINDINGS (PRIORITY 1)

6. None

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

7. 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.

AUDIT OPINION

8. 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

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

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
1	The IT equipment is held on an excel spread sheet in the shared area, managed by the Deputy Head. The document is not password protected. Short term loans are supported by a manual form signed and dated by the borrower.	Assets may be altered by any party which could compromise the register.	The asset register for IT equipment should be secured on the shared area by applying password protection to the document. [Priority 3]
2	The Scheme of delegation was last updated in January 2014 and although there have been no changes to the structure or procedures, the document is not formally approved by Governors annually.	Financial delegation may not be adequate	The Scheme of Delegation should be presented to Governors annually to minute their approval of the document. [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

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
3	<p>There was no minuted confirmation that Governors were asked to declare any pecuniary interests for the Finance meetings.</p> <p>The 12/10/15 minutes recorded that a Governor had joined this meeting as the appointed Governor had left and therefore would mean that this Committee was served by staff governors only.</p> <p>Governors had not signed a declaration of pecuniary interests.</p>	<p>Financial delegation may not be adequate</p>	<p>The Finance Committee must include a non-staff Governor to ensure an adequate level of scrutiny from an external Governor, independent to the school.</p> <p>All governors, who have not already completed a pecuniary interest form, should be asked to complete the declaration annually. A copy of the form should be held on site.</p> <p>[Priority 2]</p>

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4.	<p>A sample of 20 payments was selected from the Bank History report November 2014 to November 2015. The main issues arising were:-</p> <ul style="list-style-type: none"> For 2/20 payments (Contractor A -£773.14 and Contractor B - £874.38) additional work had been carried out (20% and 14% variance) but this had not been recorded on the purchase order to allow an adequate audit trail to support the variation. For 1/20 payments (Contractor C - £1650) there was insufficient information on the invoice - no unique identification number has been detailed as required by gov.uk guidelines. For 1/20 payments (Contractor D - £7861.68) payment has been made against a pro forma invoice. The school should have paid the gross amount then requested a VAT invoice. For 3/20 non order payments, separation of duties has not been achieved as the H/T has signed both the requisition and the invoice. 	<p>Payments may not be made in compliance with Financial Regulations and the Schools own procedures.</p>	<p>The school should evidence adequate separation of duties, specifically for non-order payments.</p> <p>Any variation to the original order should be detailed on the purchase order to evidence an adequate audit trail.</p> <p>The correct procedures should be followed to process pro forma invoices.</p> <p>The supplier invoice should comply with standard accounting conventions and record a unique reference number. [Priority 2]</p>

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5	<p>The September statement for the two purchase cards was selected. A total spend of £2,467.02, relating to 8 transactions was checked to the requisition authorised by the H/T and the supporting documentation.</p> <p>1/8 transaction, statement value £144 did not agree to the supporting documentation of value of £120. Further checking verified the actual cost of £144; this should have been identified as an error when the statement was reconciled.</p> <p>1/8 transaction related to the purchase of a camera from Supplier A. In this case there was a VAT invoice to support the school claiming back the VAT element however the Business Manager confirmed that a recent purchase from Supplier A was being held as the only supporting documentation was the non VAT invoice.</p>	<p>Payments may not be made in compliance with Financial Regulations and the Schools own procedures.</p>	<p>The security and financial management of the purchase cards is well controlled, however the reconciliation of the statement to the authorised requisition and supporting documentation should have identified the error.</p> <p>It is suggested that all staff be reminded that when using Supplier A they should consider postage costs and the location of the supplier for recovering VAT, both of which would have value for money implications.</p> <p>[Priority 3]</p>

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No.	Findings	Risk	Recommendation
6	The Business Manager maintains a list of contracts and SLA's for budget purposes, however there is no formal contract register to detail start and end dates.	Contracts may be let without following proper procedures and/or rolled over without proper approval.	<p>The contract register should detail all contracts and agreements held by the school. The start and end date will enable Governors to identify contracts due to expire and ensure action is taken to terminate, extend or retender in a timely manner.</p> <p>Identifying a lead officer for each contract will promote ownership and facilitate effective contract monitoring.</p> <p>[Priority 2]</p>

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MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1	The asset register for IT equipment should be secured on the shared area by applying password protection to the document.	3	Raised with assistant headteacher, they will ensure only assessment room staff have access, and password protect it.	Assistant Head	By Easter 2016
2	The Scheme of Delegation should be presented to Governors annually to minuted their approval of the document.	3	Discussed at governors focus meeting 18.1.16, and at previous SLT meeting	Admin Team	For next academic year 2016

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Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
3	<p>The Finance Committee must include a non-staff Governor to ensure an adequate level of scrutiny from an external Governor, independent to the school.</p> <p>All governors, who have not already completed a pecuniary interest form, should be asked to complete the declaration annually. A copy of the form should be held on site.</p>	2	At governors focus meeting 18.1.16 Governor A agreed to be on this committee	<p>Governors</p> <p>Admin Team</p>	<p>Already completed</p> <p>Already completed</p>

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Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
4	<p>The school should evidence adequate separation of duties, specifically for non-order payments.</p> <p>Any variation to the original order should be detailed on the purchase order to evidence an adequate audit trail.</p> <p>The correct procedures should be followed to process pro forma invoices.</p> <p>The supplier invoice should comply with standard accounting conventions and record a unique reference number.</p>	2	<p>Discussed at governors focus meeting 18.1.16. This will be reviewed as we have limited signatories.</p> <p>Noted</p> <p>Noted</p> <p>Providers will be told again, we will not accept invoices without an invoice no.</p>	<p>Governors</p> <p>School Business Manager</p> <p>School Business Manager</p> <p>School Business Manager</p>	<p>In next academic year</p> <p>Immediate</p> <p>Immediate</p> <p>immediate</p>

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5	<p>The security and financial management of the purchase cards is well controlled, however the reconciliation of the statement to the authorised requisition and supporting documentation should have identified the error.</p> <p>It is suggested that all staff be reminded that when using Supplier A they should consider postage costs and the location of the supplier for recovering VAT, both of which would have value for money implications.</p>	3	<p>On-off error on manual record. Computer record was correct.</p> <p>All staff reminded. No payments reimbursed without vat invoice.</p>	<p>School Business Manager</p> <p>School Business Manager</p>	<p>Immediate</p> <p>immediate</p>

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Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
6	<p>The contract register should detail all contracts and agreements held by the school. The start and end date will enable Governors to identify contracts due to expire and ensure action is taken to terminate, extend or retender in a timely manner.</p> <p>Identifying a lead officer for each contract will promote ownership and facilitate effective contract monitoring.</p>	2	<p>Contracts are only rolled over after governor approval, either at the beginning of financial year or academic year. Most contracts are annual. This is minuted.</p> <p>School business manager is the lead officer for all contracts but discussion/liaison takes place with those who are involved in the contracts, i.e. I.T. P.E.</p>	School Business Manager	Summer 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.