

FINAL INTERNAL AUDIT REPORT

EDUCATION, CARE AND HEALTH SERVICES DEPARTMENT

**FOLLOW UP REVIEW OF SOUTHBOROUGH PRIMARY SCHOOL
2015/16**

Issued to: Mr P Foley, Head Teacher
Cc Mr C Edmunds, Chair of Governors
Schools Finance Team, (final report only)

Prepared by: Principal Auditor

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INTRODUCTION

1. This report sets out the results of our systems based follow up audit of Southborough Primary School. The audit was carried out in quarter four 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 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.

AUDIT SCOPE

3. This follow up review considered the Internal Audit report finalised on 11th September 2014 and the progress made to implement the 7 recommendations. The original report had identified a priority 1 finding, relating to bank reconciliation and credit card payments, which had been reviewed and reported as implemented to the Audit Sub Committee on 1st April 2015.
4. The Schools Finance Team (SFT) was asked to undertake an audit in September 2015 suggested 6 areas for improvement. In consultation with SFT it was agreed that these issues would also be followed as part of this review.

MANAGEMENT SUMMARY

5. At the site visit on the 3rd March 2016 the School Business Manager (SBM) satisfactorily evidenced implementation of the 7 recommendations identified in the Internal Audit Report dated 11th September 2014, detailed at appendix A. There are minor points detailed in the follow up comments for the school to consider. The 6 areas of improvement identified by SFT in September 2015 are shown at Appendix B; all 6 have been progressed to implementation.
6. No new issues were arising from the follow up site visit.

SIGNIFICANT FINDINGS (PRIORITY 1)

7. There are no priority one findings to report.

DETAILED FINDINGS/MANAGEMENT ACTION PLAN

8. Appendix A provides information on the Internal Audit recommendations that are being followed-up, Appendix B the areas for improvement reported by SFT and Appendix C give definitions of the priority categories.

ACKNOWLEDGEMENT

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

No	Recommendation	Management Comment	Target Date	Priority	Responsibility	Follow-up comments	Status
1	<p>Ensure orders are raised at the time of commitment to spend, when necessary, as defined in Financial Regulation for Schools and Colleges, Reg 5.</p> <p>Ensure payments [cheques] are made on receipt of an invoice as defined in Financial Regulation for Schools and Colleges, Reg 7.1.2</p>	<p>By far the vast majority of orders are raised in advance. The fact that the finance officer (no longer employed at the school) was working Monday and Tuesday did not work well in this regard. A new finance officer has been appointed to work over 5 days.</p> <p>Additionally, communication regarding verbal agreements on bought in services by SLT and other staff via use of order requisition is being instigated.</p> <p>This was a one off incident relating to need to raise cheque prior to financial year and finance officer working 2 days/week. New employee works 5 days/week</p>	Sept 2014	2	School Business Manager (SBM)/Finance Officer	Purchase orders are raised as the expenditure is committed; Finance officers regularly communicate the need to be made aware of all procurement through staff meetings and Senior Leadership Team (SLT) updates.	Implemented

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2	<p>Ensure tenders are sent direct to the school for opening to confirm best value is achieved</p> <p>Consideration should be given by school management to explore commissioning services themselves in respect of small school maintenance projects, achieving savings on Consultancy Costs which are currently charged at 8% of all works tendered.</p>	<p>Audit comments concerning the external consultants have been noted and should the school decide to use external consultants in the future the recommendations of audit will be adhered to.</p> <p>Apart from previously agreed Seed Challenge work, all works undertaken this summer were managed 'in house'.</p>	September 2014	<p>2</p> <p>3</p>	Head Teacher/SLT/SBM	<p>This finding related to the agreement with an external consultant to support school maintenance projects. Since the audit the school stopped procuring services from this contractor and has appointed an experienced site manager who is responsible for this area of work including seeking quotes and tenders complaint to Financial Regulations.</p>	Implemented

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3	<p>Ensure that the petty cash account is reconciled regularly, that regular reimbursement is sought and that the adequacy of the petty cash amount/continuing need for the petty cash is regularly reviewed as defined in Financial Regulations for Schools and Colleges, Reg 8.2.1</p> <p>Ensure all petty cash authorisation / receipt forms are properly authorised</p>	<p>In response to audit report and the closure of the bank in Petts Wood, management will recommend that Governors to approve closure of Petty Cash Account.</p> <p>See above</p>	October 2014	2	Governors	<p>The school does not operate a petty cash. Staff expenses are reimbursed by manual cheque raised against the main school account. All other cheques are produced by the system.</p> <p>Staff will complete a claim form, attaching the receipt and certified by the Head Teacher. The manual cheque book is secured in the safe, checked at the site visit to confirm that no cheques had been pre-signed.</p>	Implemented
4	<p>Ensure the schools main bank account and credit card statements are regularly reconciled and signed as checked by finance staff and authorised by the Headteacher. The overriding principle to be adhered to is that the authorisation and certification checks should be meaningful and any discrepancies between bank / credit</p>	<p>There was major concern at the discrepancies on cheques noted by audit. The member of staff responsible is no longer working at the school. As a new member of staff has been employed, in the immediate future the bank statement and credit card will be reconciled by the SBM rather than the finance officer. Any discrepancies will be documented and brought to Head Teachers notice prior to his authorisation.</p>	September 2014	1	Head Teacher/SBM	<p>As a priority 1 recommendation this was reported to Audit Sub Committee in November 2014. Members were informed at the meeting in April 2015 that the recommendation had been satisfactorily implemented. Controls had been improved as follows:-</p> <ul style="list-style-type: none"> - Upgraded support from the Schools Finance Team (SFT) from bronze to gold service. Additional support has been purchased from 	Implemented

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	<p>card statements and financial system bank reconciliations should be documented.</p> <p>Ensure a list of authorised credit card users, restrictions on the use of the card's spending limits and written instructions on the scope and use of the cards is made available as per the schools financial procedures</p> <p>The school should use pre-printed cheques to potentially prevent any errors between the financial system and bank statements in the future</p>	<p>At the time of audit the school had 2 credit cards (the third was sent back to finance when staff member left the school). A list of card users, instructions etc are available in school.</p> <p>This is the first audit since charge cards were introduced and audit recommendations have been noted and will be instigated.</p> <p>As the new copiers installed in May have adequate security print options pre-printed cheques be arranged.</p>				<p>SFT to focus on other areas such as benchmarking.</p> <ul style="list-style-type: none"> - Use of pre-printed cheques to reduce the risk of human error - Adopting the use of LA procedures for procurement cards. - Following a change in staffing, the bank reconciliations and procurement card reconciliations are now being carried out by the School Business Manager. - The SFT have confirmed that all bank reconciliations are up to date and that there have been no further errors. <p>Given the improved controls, the recommendation was removed from the Priority 1 rolling list in April 2015.</p> <p>At the site visit on the 3.3.16 the mandate forms for the two credit card users were evidenced and</p>	

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						<p>the procedures for their use. The monthly credit card reconciliation, Head Teacher/budget holder authorisation and supporting documents were evidenced for January 2016.</p> <p>As previously stated the school now use system printed cheques.</p>	
5	Ensure the draft scheme of delegation is agreed by governors	Audit verbally confirmed that the draft scheme of delegation was suitably flexible for a school of this size. It will therefore be represented to Governors.	Dec 2014	2	Governors	The scheme of delegation was agreed at Resources Committee March 2015. The policy will now be presented to Governors annually and was on the agenda for the resources meeting of the 29.2.16. It was suggested that for this and all policy documents the date of review, revision and updates are incorporated in the footer and that the retained hard copy show the print date.	Implemented
6	Ensure the schools financial procedures are reviewed and formally approved by governors	Schools financial procedures will be updated and presented to Governors for their approval.	Nov 2014	2	SBM/Head Teacher	It was agreed that the scheme of delegation represents the strategic management of school finances whereas the financial procedures are operational. The SBM evidenced procedure notes to cover all aspects of financial practice undertaken by the team.	Implemented

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7	Ensure the school appoints an appropriate clerk to governors	The SBM had recognised the conflict and requested removal of this part of her job description in March 2014. An independent clerk has been appointed for the Autumn term.	Sept 2014	2	Head Teacher/Chair of Governors	SBM confirmed that the school have engaged an independent clerk to governors. The payment of this officer will need to be reviewed as she currently submits invoices. Discussion with SFT had indicated that the role of clerk to the governors had been subject to the single status review and should be paid at a standard Bromley grade.	Implemented but consider the engagement of the Clerk of Governors.

No	Areas for Improvement (SFT) report September 2015)	Follow-up comments	Status
8	Monthly payroll reconciliations should be signed as checked by the business manager and authorised by the Head Teacher	SBM signs completion of the monthly payroll prior to the certification by the Head Teacher. The signatures on the January 2016 payroll report was checked and verified.	Implemented
9	The school meals system should accurately reflect current meal debts	<p>As at 3.3.16 there were 63 debts relating to school meals, totaling £850. The SBM evidenced an awareness of the higher debts for two families not currently at the school but likely to return. Finance staff will text, e-mail or phone families in debt to monitor arrear levels and recover promptly.</p> <p>Following the audit, Governors at the Resources meeting on 22.6.15 were requested to write off £351 aged debts for meals. At the Governing Body meeting on the 5.10.15, Governors acknowledged the write offs and the improvements made to monitor meals debt.</p>	Implemented
10	Budget holders should advise staff to raise orders at the time of commitment to spend to ensure accurate financial reporting.	As discussed in recommendation 1 above, all staff are regularly reminded to advise Finance Officer before expenditure is committed.	Implemented
11	In order to ensure best value, at least three competitive quotes must be obtained in writing or via e-mail where costs exceed £5K.	<p>This finding related to a payment of £9,900 to Contractor A. The SBM confirmed the procured project is still ongoing and no further payments have been made.</p> <p>In this instance the contractor secured funding for the school and as per the signed SLA was engaged to deliver the project. Had the SLA not included this clause. the school would have been expected to comply with Financial Regulations and obtain three quotes to evidence value for money. Although this funding was sourced outside of school budget share, the procurement for ring fenced funding should still comply with Financial Regulations.</p>	Implemented
5	SLA's should be signed by the supplier and the school prior to commencement of contracting arrangements.	The SLA relates to the project delivered by contractor A. The SLA for 2013 was signed by both parties; the current SLA signed July 2014 relates to the project planned to end June 16. The school is asked to consider the use of a consultant to complete an application for funding in the first instance and to be aware of the rigidity of the conditions imposed by that consultant. As with any contract the school should evidence performance monitoring to be considered before the contract is retendered or awarded.	Implemented

No	Areas for Improvement (SFT) report September 2015)	Follow-up comments	Status
6	Invoices should be appropriately authorised before payment is made.	The Head Teacher, Deputy Head and Assistant Head are authorised to sign off invoices once the appropriate checks have been completed. Authorising officers are aware that separation of duties must be achieved, specifically for invoices for expenses relating to those officers.	Implemented

Definition of priority categories.

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