

**FINAL INTERNAL AUDIT REPORT**

**EDUCATION, CARE AND HEALTH SERVICES DEPARTMENT**

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

**Issued to:** Mr T Hyndley, Headteacher

**CC:** Gill Hannan Chair of Governors  
Schools Finance Team

**Prepared by:** Principal Auditor

**Date of Issue:** 20th April 2016  
**Report No.:** ECH/P14/01/2015

## **INTRODUCTION**

1. This report sets out the results of our systems based follow up audit of Churchfields 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 Schools Finance Team (SFT) audit report issued on 24<sup>th</sup> August 2015 and was limited to identifying progress made on the suggested areas for improvement.

## **MANAGEMENT SUMMARY**

4. Internal Audit have liaised with SFT officers and agreed to follow up the issues raised during their audit review in August 2015.
5. In an Internal Audit review these issues would have been reported as findings, associated risk and a priority rated recommendation. The school would then respond to these recommendations as a management comment, target date and responsibility for implementation. At the follow up review the school is requested to evidence implementation for the recommendation to be closed; progress to implementation is shown as partially implemented. Testing in a follow up review may identify new recommendations. For the purpose of this review Internal Audit will use the areas for improvement as a recommendation.
6. The bank history for the 6 month period September 2015 to February 2016 was reviewed and a sample of 5 payments selected for audit examination during the site visit on the 17<sup>th</sup> February. The visit was during half term and not all documents requested were accessible at that time; Resources Committee minutes and quotes to support payments over £5K were provided later.
7. Of the 11 issues identified in the SFT audit 2 have been implemented. 5 were still outstanding, 4 were partially implemented and have been re-recommended. Management need to consider the following findings:-
8.
  - Monthly payroll reports not signed by the Business Manager
  - Purchase orders were not raised before expenditure was committed
  - Expenditure exceeding £5K not supported by 3 written quotes or an authorised waiver

## **FOLLOW UP REVIEW OF CHURCHFIELDS PRIMARY SCHOOL 2015-16**

- No contract register
- The lettings policy has not been formally agreed by Governors
- Debtors not controlled through the schools financial system
- Annual stock take of the school's assets not certified by the Headteacher

### **SIGNIFICANT FINDINGS (PRIORITY 1)**

9. There are no priority one findings to report.

### **DETAILED FINDINGS/MANAGEMENT ACTION PLAN**

10. Any new findings and re recommendations are detailed in Appendix B of this report and require management comment. Appendix A provides information on the recommendations that are being followed-up and Appendix C give definitions of the priority categories.

### **ACKNOWLEDGEMENT**

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

No	Areas for Improvement (SFT report August 2015)	Follow-up comments	Status
1	Monthly payroll reconciliations should be signed as checked by the business manager and the overall monthly costs authorised promptly by the Headteacher, to confirm effective financial control over payroll.	The payroll report for November was selected as the sample for audit checking. Although the Head teacher has signed and dated the report the Business Manager should also sign to certify that the recommended checks have been completed	Partial
2	Orders should be raise and authorised at the time of commitment to spend, including credit card payments to ensure accurate financial accounting.	<p>From the Liberata report dated 24.8.15, there were 3 areas for improvement (numbered 2-4 in this report) relating to the expenditure process. For the purpose of follow up testing a sample of 5 payments was selected from the bank history report, September 2015 to February 2016. The following issues were arising:-</p> <ul style="list-style-type: none"> <li>• 4/5 (Contractor A - £28,044, Contractor B - £21,762, Contractor C -£5336.18 and Contractor D - £1,329.07) payments the purchase order had not been raised or authorised before the invoice had been received. The Business Manager was not aware of the committed spend until the invoice was received on site.</li> <li>• 4/5 (Contractor A, Contractor B, Contractor E - £10,537.30 and Contractor C) payment related to expenditure exceeding £5K and should be supported by 3 written quotes. The Headteacher would supply the third quote for sample 1 and 4. In all cases it was difficult to compare quotes and evidence that the lowest was selected as the final procurement deviated from the quotes. It is suggested that a tender summary sheet be adopted for this type of expenditure to clearly evidence quotes, changes to specification, opportunity for all contractors to resubmit a price if the specification changes and compliance to Financial Regulations.</li> <li>• 1/5 (Contractor B £21,762) payment related to other work awarded to the contractor during/following the major build project managed by Strategic Property. There was no evidence of competitive tendering for this work and as confirmed by the Strategic Property Department, was not related to the original build. The value of the work exceeded £20K and should have been supported by a waiver, authorised by the Headteacher and Chair of Governors to evidence why competitive tendering had not been applied.</li> <li>• 1/5 invoices (Contractor D) did not specify an invoice date and had not been date stamped when received on site and therefore does not comply to accounting standards for invoices. It was established that this project had been paid in 3 installments; the total value of the project was £5,011 and therefore should have subject to competitive quotes.</li> </ul>	Outstanding

No	Areas for Improvement (SFT report August 2015)	Follow-up comments	Status
		<p>It was noted that payments had been made to named individuals for services provided to the school. Previously the school would have been expected to evidence the UTR self employment reference and a declaration that the individual pays their own tax and National Insurance. Following a HMRC audit last year managers engaging staff in this manner will need to evidence that the individual is self employed and can be paid by invoice. All other payments will need to be through payroll. Guidance will shortly be available to schools and will be discussed at the next schools forum on the 1<sup>st</sup> March.</p> <p>The aged creditors report run on the 17.2.16 identified 5 invoices, totaling £4,918.88 that have outstanding for more than 91 days. The Business Manager will need to investigate these invoices and resolve. There is also a credit note of £197.40 for Supplier A that has been outstanding for more than 91 days. The aged creditors should be routinely generated from the system to control the timely payment of all invoices.</p>	
3	Invoices should be properly authorised prior to making a payment	For the 5 invoices selected for audit examination the Business Manager had signed to authorise the invoice prior to payment.	Implemented
4	Quotations should be available for expenditure in excess of £5K unless the expenditure has been approved by Governors as exempt for a particular reason from gathering quotes to ensure best value is achieved.	See 2 above	Outstanding
5	The schools contract list should include all contractors and the list should be presented to Governors for review annually to ensure the school is receiving value for money on services received.	The Finance Officer confirmed that this is still outstanding but is work in progress.	Outstanding
6	The lettings policy should be reviewed regularly and approved by Governors	The lettings policy has been reviewed and updated; fees and charges agreed. The document is still in draft and will need to be finalised and reported to Governors. This policy should be reported to governors annually.	Partial

No	Areas for Improvement (SFT report August 2015)	Follow-up comments	Status
7	Application forms for hire of premises should be prepared for hirers showing agreed fees. Hirers should present their public liability information to confirm the school is protected against unforeseen risks and costs.	The application form has not yet been developed and it was agreed with the Business Manager to forward a standard lettings policy and documentation including an application form with the section regarding public liability insurance. The Head teacher should authorise all applications. Once the letting has been agreed the school should raise an invoice to collect the income in advance.	Outstanding
8	Debtors invoices should be raised on the school's financial system for all goods/services delivered by the school to ensure effective financial monitoring.	The school uses a manual invoice system to collect income and although this satisfied the basic requirements of a debtors system it is cumbersome and time consuming to administer. It is suggested that using the debtors function on FMS will offer greater control for monitoring income and recovering debt.	Outstanding
9	The school should collect income promptly. Any unrecoverable debts should be written off with correct approval.	<p>The aged debtors report printed on the 17.2.16 detailed 23 transactions where the debt was more than 61 days overdue. The total value of outstanding debts reported was £8,429.62 of which £6044 had been carried forward from the summer term 2014. At the Resources meeting 2<sup>nd</sup> February 2016, Governors agreed to write off the old year debt. Governors were also informed in changes to procedures for debt monitoring and recovering which should mitigate the recurrence of high arrear balances.</p> <p>The aged debtors report should be run regularly to identify outstanding debt and improve collection and recovery</p>	Partial
10	The pages of the asset register should be numbered and the Headteacher should carry out an annual verification check with confirmation signature.	<p>The Business Manager has started to collate the assets held in each area of the school. It was suggested that this should also include the Caretakers workshop. The complete asset register stored on the shared area will only be accessed by the H/T, SLT and admin. The Headteacher should sign a hard copy of the completed asset register annually to comply with Financial Regulations.</p> <p>The school do not maintain an off site loans book but items such as laptops and cameras, assigned to a member of staff has been signed for to achieve accountability.</p>	Partial
11	The school should hold the financial information presented to the Resources Committee governors to confirm to audit that information is accurate and extracted directly from the financial system.	The Business Manager did not have access to the Resources Committee minutes at the time of the site visit. It was noted that the Governing Body minutes are available on the school website. The Business Manager confirmed that the Income and Expenditure report, generated from FMS and a budget monitoring report prepared by her is submitted to each Resources Committee. The draft minutes of the Resources Committee for the 2 <sup>nd</sup> February 2016 were reviewed and confirmed that the I&E report was generated from the system and supported by the budget monitoring report.	Implemented

No	Recommendation	Priority	Management Comment	Responsibility	Target Date
1	The monthly payroll report should be signed by the Business Manager to certify that agreed checks have been completed prior to the authorisation by the Headteacher	2	School Response: This will be done as a matter of course now that GHY (SBM) is in place.	School Business Manager (SBM)	Commencing April 16 Payroll every month thereafter
2	Purchase orders should be raised and authorised by the appropriate officer before the expenditure is committed.  Invoices must conform to standard conventions.  The aged creditors report should be regularly generated, reviewed and cleared	2	School Response: All Purchase Orders will be generated from the school office by CB  Purchase orders will be signed by the Headteacher, Invoices will be signed by GH to ensure proper segregation of duties.  Telephone orders will not be accepted without school order number. Suppliers will be informed of this change.  Aged creditors report will be run, checked and cleared weekly.	Headteacher/SBM	Commencing immediately to be completed by 01/09/2016
3	For all expenditure exceeding £5K, three written quotes must be sourced and for spend over £50K sealed tenders, to comply with Financial Regulations and Contract Procedure Rules. If any procurement is commissioned without competitive quotes a waiver should be evidenced authorised by the Headteacher and the Chair of Governors.  When comparing quotes it is suggested that a project summary sheet be used to allow comparison of costs, particularly where the final procurement is for elements of the specification. All suppliers should be given the same opportunity to revise their quotes if the specification is	2	School Response: Time constraints with the amount of works done last Summer, are the reason for this but going forward the Headteacher and the SBM will work together to ensure this is done.  School Response: A project summary sheet will be implemented going forward however there were mitigating circumstances for this happening in the first instance. Time constraints over the summer, limited the practicality of ensuring this was done plus adding another contractor to the 3 that were already on-site could have caused problems. However we will ensure this is implemented in future.	Chair of Governor's, Headteacher and SBM  Headteacher/SBM	Commencing immediately  Commencing immediately

No	Recommendation	Priority	Management Comment	Responsibility	Target Date
	<p>changed.</p> <p>All quotes and supporting documentation should be retained in a project folder available for review.</p>		<p>School Response: Yes they should</p>	<p>Headteacher/SBM</p>	<p>Commencing immediately</p>
<p>4</p>	<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>The contracts register should be reported to Governors annually to approve, specifically the rollover of annual contracts.</p> <p>The school should periodically market test service areas to ensure rolled over contracts still offer value for money. Any performance issues, derived from monitoring, should be included in the annual review.</p> <p>Identifying a lead officer for each contract will promote ownership and facilitate effective contract monitoring.</p>	<p>2</p>	<p>School Response: SBM is working on a contracts register at present with: appropriate Start/End dates, which ones are roll-overs and an appropriate staff member assigned for monitoring and ownership purposes. The SBM will engage in market testing annually and is already doing so for phones and energy. A contracts register, monitoring notes and recommendations will be made available to Governor's resources committee annually.</p>	<p>SBM</p>	<p>June 2016</p>



No	Recommendation	Priority	Management Comment	Responsibility	Target Date
5	Once formalised the lettings policy should be reported to Governors annually. The application form, issued to the school 18.2.16, should be adopted for all hires. Once the Headteacher has authorised the application an invoice should be raised to collect the income	2	School Response: SBM is working on this at present, once lettings policy is complete it will be submitted for ratification by governors and annually thereafter. The application form will be adopted have asked for it to be sent through again by LBL Audit 14/04/16.	SBM	June 2016
6	Develop the debtors function on FMS to improve control over collection and recovery, reconciliation and accountability. Regularly generate the aged debtors report to identify outstanding debts, review and clear.	2	School Response: Agree that this will improve control over debtors and that there is a need for this to be implemented. SBM to liaise with SFT re: best way to get this in place.  Aged debtors will be run and scrutinised weekly.	SBM/Liberata  SBM	September 2016  With immediate effect
7	The Headteacher should sign a hard copy of the completed asset register annually to comply with Financial Regulations.	2	School Response: The SBM is liaising with the premises team to ensure that a complete list is available shortly. The Headteacher will then sign annually.	Headteacher/SBM	July 2016

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**