



FINAL INTERNAL AUDIT REPORT
EDUCATION, CARE AND HEALTH SERVICES

REVIEW OF OAK LODGE PRIMARY SCHOOL AUDIT FOR 2015-16

Issued to: Mr M Apsley, Headteacher

Cc: Mrs A Medhurst, Chair of Governors

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INTRODUCTION

1. This report sets out the results of our systems based audit of Oak Lodge Primary School Audit for 2015-16. The audit was carried out in quarter Q2.
2. The purpose of this visit is to identify any issues which need to be resolved prior to proposed closure of the accounts, and the School converting to an Academy. Therefore appropriate audit testing was carried out.
3. 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.
4. The original scope of the audit was outlined to the school prior to the review. The period covered by this report is from 01/04/14 to 10/07/15.

AUDIT SCOPE

4. The scope of the audit was to review both income and expenditure transactions for the period of the audit, bank reconciliations, asset controls, payroll, cash controls, governance and budget monitoring arrangements.

MANAGEMENT SUMMARY

5. Controls were in place and working well in the areas of, financial reports and returns to LBB, Primary accounting documentation including payments, leases, contracts, voluntary funds, school meals accounts. In addition, governance arrangements at the school including updating DBS checks.

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6. Issues to raise to management include:

- Governors are not always given an opportunity to declare interests at the start of committee meetings
- Benchmarking of expenditure has not been carried out for 2 years
- A cash flow statement has not been created for the 2015/16 financial year
- Asset registers have not been signed off by the Head Teacher and items are recorded as on it which are no longer held.
- Tenders requested by the Consultant on behalf of the school were not opened at the school or held by them.
- Controls to access to the safe are insecure and the cash limit of what is held is being exceeded.
- Records are not retained of cash or secure items being held in the safe.
- Records are not being kept of sales being made and income is not reconciled to sales figures or stock levels.
- FSA money is held in the safe and it is not reconciled.

It was also found that two purchase orders had been raised after the invoice had been received and the School's Voluntary fund had recently been amalgamated into the School's accounts (at the 1st April 2015). The account is currently being reconciled and will be promptly audited.

SIGNIFICANT FINDINGS (PRIORITY 1)

7. One major weakness was identified and should be addressed by management promptly

Examination of the safe list (provided in the 2013-14 cash and Bank audit) found the limit for cash to be held in the School's safe was £600. Counting of all of the cash held in the safe found it totalled £4939.73. It was discussed with the Business Manager that it was not always possible to keep everything in the safe due to the size of it. It was also noted that items such as paying in books and bank mandate are held in the safe, which do not need to be.

Stamps are held in the safe, though there is no stock control process in recording the use of these and how many have been purchased.

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Money held in the safe, related to scholastic books sales (£468.85), uniform sales (£67.62) and PTA Disco money (£898.55) but there are not records held to substantiate the amount held. Additionally a log is not kept of items held in the safe. In addition to this £3340.77 of school money to be banked was also held in the safe.

Money taken for the School shop (sale of stationery) is not held in the safe, but in a lockable cupboard in the office.

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.

AUDIT OPINION

9. Overall, the conclusion of this audit was that limited 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	<p>Review of the last three Resources Committee meeting minutes found that sufficient Governors are attending meetings, however it was identified from the minutes that Governors are not always given the opportunity to declare interests. The meeting of 5/5/15 6 attended, 4/02/15 5 attended and 18/11/14 6 attended. Only the meeting of the 5/5/15 were staff given opportunity to declare interests.</p>	<p>Governors may not declare personal interests that may affect their decision making on the Schools behalf.</p>	<p>In accordance with section 3.8 of the School's Financial Regulations, Governors should be given the opportunity to declare any interests they may have at the beginning of committee meetings and this should be minuted. [Priority 2]</p>
2	<p>A sample of 20 payments was selected, 8 of which were over £5000. All were correctly authorised, VAT accounted for, paid within 30 days and orders were raised where expected.</p> <p>It was also found that quotes or tenders were received where expected accepted in one instance, sample 3. This was for renovation to the music room and a consultant was hired to Manage the works. The consultants received and opened the tenders, not at the School and the School did not have a copy on file. These were requested and later provided by the School.</p>	<p>Payments may not be made in compliance with the Schools' Financial Regulations and the School's own procedures.</p>	<p>Any quotes or tenders requested on behalf of the school should be opened at the School and kept by the School. [Priority 2]</p>

Priority 1
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Priority 2
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Priority 3
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3	At present a key is held in the office for the safe. Its' location is known by all members of staff who work in the Office (4 members of staff) and by other members of staff who have access to the office (Business Manager, Head Teacher etc).	Access to the safe may not be secure.	In accordance with section 11.5 of the School's Financial Regulations the School should consider acquiring another key and giving each key to specific allocated staff. [Priority 2]
4	As part of the counting of items that were held in the safe, it was identified that £898.55 was held in the safe on behalf of the FSA(Friends of the School Association). This account and money from it should be the responsibility of the FSA until it is paid over to the School.	School funds may be mixed with schools funds if proper records are not kept.	The FSA should account for money they hold until it is paid over to the school, where it should be signed for that it has been received by the School. [Priority 2]
5	Discussed with the School Business Manager that she has not updated the cash flow statement for the 2015-16 financial year. The last one was carried out in April 2015.	The School could become overdrawn due to the timing of expenditure.	The School should produce a monthly cash flow forecast in accordance with School's

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			<p>Financial Regulations 4.3.4 [Priority 2]</p>
6	<p>An asset record is held by the School in an electronic format. It records the item, its serial number and condition. The asset register has not been reviewed or signed off by the Head Teacher for over a year. Additionally if items are removed from the record, they are deleted off the register and no record will be exist that the school has held these items.</p> <p>Five items were selected and tested to determine they are held. One laptop that was selected could not be located one has been replaced, though the record is still held.</p>	<p>The School may not be able to identify assets that may be lost through theft or fire.</p>	<p>The asset register should be kept up to date with items currently held by the school and a record maintained of deleted stock. The register should be reviewed annually and signed off by the Head Teacher as appropriate. The school should verify the status of the missing asset. [Priority 2]</p>
7	<p>Discussion with the School Business Manager found that benchmarking has not been undertaken since 2013.</p>	<p>The School may not be able to demonstrate Value for Money.</p>	<p>The School should carry out an annual benchmarking review of its expenditure with other similar schools.</p>

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			[Priority 2]
8	Examination of the safe list (provided in the 2013-14 cash and Bank audit) found the limit for cash to be held in the school's safe was £600. Counting of all of the cash held in the safe found it totalled £4939.73. It was discussed with the School Business Manager that it was not always possible to keep everything in the safe due to the size off it. It was also noted that items such as paying in books and bank mandate are held in the safe, which do not need to be.	Bank reconciliations may not be carried out regularly and checked by an independent officer.	<p>The School should contact their Insurers and discuss with them the limit of the schools safe to ensure it is sufficient.</p> <p>The School should also consider purchasing a larger safe to enable all cash and valuable items to be securely held.</p> <p>[Priority 2]</p>
9	Examination of the safe list (provided in the 2013-14 cash and Bank audit) found the limit for cash to be held in the School's safe was £600. Counting of all of the cash held in the safe found it totalled £4939.73. It was discussed with the Business Manager that it was not always possible to keep everything in the safe due to the size off it. It was also noted that items such as paying in books and bank mandate are held in the safe, which do not need to be.	Cash might not be held securely.	<p>A log of all items held in the safe should be kept. Items that are placed in there or removed should be signed for by at least two members of staff.</p> <p>Stock records of stamps</p>

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	<p>Stamps are held in the safe, though there is no stock control process in recording the use of these and how many have been purchased.</p> <p>Money held in the safe, related to books sales (£468.85), uniform sales (£67.62) and PTA Disco money (£898.55) but there are not records held to substantiate the amount held. A log is not kept of items held in the safe. In addition to this £3340.77 of school money to be banked was also held in the safe.</p> <p>Money taken for the school shop (sale of stationery) is not held in the safe, but in a lockable cupboard in the office.</p>		<p>held and used should be kept. Stock levels should be reviewed regularly and authorised by an appropriate member of staff.</p> <p>Records should be kept of all income sales, including uniform, stationery and books. Records should also be kept of inventory levels. These should be reconciled regularly to identify any cash not received or stock that has been misappropriated.</p> <p>[Priority 1]</p>

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MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1	In accordance with section 3.8 of the School's Financial Regulations, Governors should be given the opportunity to declare any interests they may have at the beginning of committee meetings and this should be minuted.	2	Clerk was asked to do this following the school's review of its SFVS. Chairs of relevant Committees to ensure that it is included on all future agendas.	Clerk and Chairs of Governing Body Committees	Immediately
2	Any quotes or tenders requested on behalf of the school should be opened at the School and kept by the School.	2	Recommendation noted and will ensure that this is done in the future.	Resources Committee	Immediately
3	In accordance with section 11.5 of the School's financial regulations the school should consider acquiring another key and giving each key to specific allocated staff.	2	In conjunction with Finding 8 the school will be purchasing a larger safe and will ensure the keys are allocated to the SBM and Finance Officer. In the meantime the current key will be kept by the SBM.	School Business Manager	December 2015

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4	The FSA should account for money they hold until it is paid over to the School, where it should be signed for that it has been received by the School.	2	<p>The FSA accounts for their money, however on the day of the audit visit they had been unable to access their safe in order to lock the School Disco money away and so the money was locked in the school safe temporarily. When making a payment to the school, the FSA writes a cheque and does not give money in cash.</p> <p>We have told the FSA that all monies collected on their behalf will be put in a cash tin and kept in their safe.</p>	Friends of the School Association.	Immediately
5	The School should produce a monthly cash flow forecast in accordance with School's Financial Regulations 4.3.4	2	This is usually in place; however it had not been done due to work load. It was done shortly after the audit visit.	Finance Officer	Immediately

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Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
6	The asset register should be kept up to date with items currently held by the School and a record maintained of deleted stock. The register should be reviewed annually and signed off by the Head Teacher as appropriate.	2	The SBM will be looking into Asset Management Software to replace the current excel spreadsheet, (which will remain in action until then). The register will be presented annually to the Resources Committee who will, as part of its scrutiny, check that items on the register are recorded correctly.	School Business Manager & Resources Committee	March 2016
7	The School should carry out an annual benchmarking review of its expenditure with other similar schools.	2	The school was part of a Bromley Large Schools Benchmarking Group, but this has now ceased. The school will be unable to benchmark against other academies until it has completed 12 months operation.	School Business Manager & Resources Committee	October 2016
8	The School should contact their insurers and discuss with them the	2	The school is now covered by the RPA, who have a limit of £10,000	School Business Manager &	Immediate

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	<p>limit of the Schools safe to ensure it is sufficient.</p> <p>The School should also consider purchasing a larger safe to enable all cash and valuable items to be securely held.</p>		<p>in locked safes.</p> <p>We will also be purchasing a larger safe.</p>	Resources Committee	December 2015
9	<p>A log of all items held in the safe should be kept. Items that are placed in there or removed should be signed for by at least two members of staff.</p> <p>Stock records of stamps held and used should be kept. Stock levels should reviewed regularly an authorised by an appropriate member of staff.</p>	1	<p>A log book has been set up and is completed by the Finance Officer each night</p> <p>A postage stamp book has been purchased to ensure the accountability of stamp usage and manage stock levels. This will be reviewed monthly by the Finance Officer or SBM. Once the stock of</p>	<p>Finance Officer</p> <p>Admin Officer and Finance Officer</p>	<p>Immediately</p> <p>Immediately</p>

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Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
	Records should be kept of all income sales, including uniform, stationery and books. Records should also be kept of inventory levels. These should be reconciled regularly to identify any cash not received or stock that has been misappropriated.		<p>stamps has diminished the school will purchase a franking machine.</p> <p>Receipts are currently written for all uniform sales. Once a uniform sale has taken place all income to be banked (in accordance with the numbered receipts) will be itemised and given to the Finance Officer. A 'stock management' sheet will be designed to ensure the control of uniform stock.</p>	SBM, Finance Officer and Uniform Shop Volunteers	October 2015

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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.