

**FINAL INTERNAL AUDIT REPORT**  
**EDUCATION, CARE AND HEALTH SERVICES DEPARTMENT**

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

**Issued to:** Mrs L Doel, Headteacher

**Cc:** Jane Siegfried, School Business Manager  
Mary Cooke, Chair of Governors (final report only)  
Schools Finance Team (final report only)

**Prepared by:** Principal Auditor

**Date of Issue:** 9 May 2016  
**Report No.:** CYP/P08/01/2015

## INTRODUCTION

1. This report sets out the results of our systems based follow up audit of Blenheim 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 issued on 22nd December 2015 and the progress made to implement 5 recommendations. The recent data loss from the IT system was also reviewed and the arrangements for IT Support Services.

## MANAGEMENT SUMMARY

4. During the site visit on the 25<sup>th</sup> February and from correspondence with the school since then, the school has satisfactorily evidenced that four recommendations relating to raising orders at the time expenditure is committed, documenting Governing Body meetings, security marking assets and completion of pecuniary interest forms have been fully implemented. One recommendation relating to the contract register is partially implemented, but there is progress towards implementing this fully.
5. Internal Audit were alerted by the Schools' Finance Team to a loss of data due to a hardware failure and liaised with them prior to the follow up visit. Following the review of tendering and contractual arrangements for the provision of IT services at the school, carried out by Internal Audit in conjunction with the follow up visit, there are six new recommendations raised to ensure best practice is followed in future. Due to the business interest which has been declared by the Headteacher, the recommendations have been made to ensure transparency and propriety.
6. The site visit allowed Internal Audit to validate the action taken by the school to recover financial data. The School Business Manager (SBM) and Senior Admin Officer (SAO) confirmed that a hardware failure on 8th January 2016 had resulted in the loss of FMS data. The SBM was able to identify and recover the lost data by comparing the system data against a printout of the last cheque payment run dated 17th December and by carrying out a month end reconciliation for December 2015. Schools' Finance Team had attended the school to confirm the action taken by the SBM. The recovery of data has been completed however the cause of the data loss should be determined to ensure that there are adequate controls in place to mitigate the risk of this recurring.

## FOLLOW UP REVIEW OF BLENHEIM PRIMARY SCHOOL 2015-16

7. Internal Audit was provided with a letter, from 'Company A' (curriculum IT service support contractor and IT consultant) outlining the circumstances surrounding the data loss; a hardware failure had resulted in the loss of data stored on two disks and the Windows configuration. On restoring the data from the back up onto the rebuilt server, 'Company A' found that the FMS backup had not been configured correctly to save the data. Data was then retrieved from the backup of the live database, resulting in the loss of a small amount of FMS data. It was unclear from the letter where the overall responsibility lies, given the school have split the IT contracts, admin and curriculum. The Governing Body should seek written assurance from the respective IT Support Service contractors that sufficient back up and disaster recovery controls are now in place to prevent a recurrence of the recent data loss and clarify who has overall responsibility for the backup and disaster recovery arrangements.
8. At the site visit the current IT support service arrangements were confirmed as follows :-
  - 'Company A' provide the IT support service for curriculum; the three year contract expires 1st September 2017.
  - 'Company B' provide IT support for admin; this is a rolling contract renewable on 31st March each year.
  - The back-up arrangements are provided by 'Company A', using 'Company C' for the back-up facility.
  - 'Company A' are consulted by the school in relation to any new computer hardware, devices and/or software to be added to the Specified Equipment, as set out in the current curriculum IT support services agreement dated 19th September 2014.
9. Prior to the discussion and award of contract, the Headteacher declared a conflict of interests as the Director of 'Company A' is her son. This has been declared at the start of each committee meeting and when IT issues are discussed it is minuted that the Headteacher leaves the meeting, for example the award of contract at the Governing Body meeting in July 2014. However to achieve complete transparency and mitigate any risk of challenge it is suggested that the specific conflict of interest be minuted for any new Governors attending rather than "previously declared", the Headteacher is not solely party to any correspondence between the school and the contractor and any procurement decisions relating to IT issues be with the authority of another officer/Governor within the Scheme of Delegation. The expenditure process at the school is for the Headteacher to authorise all invoices. However for 'Company A' this should be actioned by another approving officer, mindful to comply with separation of duties.
10. During the audit visit Internal Audit examined the arrangements for awarding the IT support service contracts when they were tendered in September 2013 and then again in September 2014. The following points were noted :-

### September 2013 contract award

- Prior to the tendering exercise in 2013 the curriculum IT support service was provided by 'Company D' and admin IT support service was provided by 'Company B'. It was not clear why the school sought to change provider but the implication is that it was

## FOLLOW UP REVIEW OF BLENHEIM PRIMARY SCHOOL 2015-16

performance driven, given the Governor Body minutes of the 25<sup>th</sup> September that recorded that 'Company D' "were not forward thinking enough" and in an e-mail sent from the SAO to two governors it was recorded that the Headteacher 'has had mixed feedback regarding curriculum support.' No further details were provided and we have not seen documented evidence of any performance issues raised by the school during the life of the contract.

- The value on the contract was below £50K and therefore three written quotes were sought. Suppliers were asked to quote for the curriculum, admin and back up aspects of the IT support service contract. 'Company D' were emailed by the Senior Admin Officer on 19th June 2013 and 'Company B' were emailed on 24<sup>th</sup> June 2013. We could not find evidence of when 'Company A' were emailed and asked to quote for the service.
- Responses were received by e-mail to the SAO; 'Company D' responded on 26th June 2013, 'Company B' on the 25th June 2013 and 'Company A' on the 11th September 2013.
- 'Company A' did not quote for the admin IT support service so only two quotations for that element were received. Internal Audit did not see evidence that a third supplier had been asked to quote. As only two quotes were received for the admin IT support element, a waiver should have been signed to comply with Financial Regulations for Schools, paragraph 5.7.1.
- For the curriculum IT support there was a lack of consistency in the information returned by the suppliers, specifically the number of hours per week and number of weeks of service. The process to evaluate bids is then complicated as the assessor is not comparing like with like. In this case the audit trail should support the rationale for awarding a contract, ensuring that the lowest quote is awarded the work. If the decision to award is not to the lowest quote a waiver should be evidenced and signed by the Chair of Governors.
- It was noted that the subsequent agreement with 'Company A' included the provision of consultancy, although this was not specified in the quotation which only referred to 'the support and maintenance of your curriculum network' and 'project installation work is to be priced separately and on a project-by-project basis.' When tendering for services in future, the school should clearly set out to all bidders what level and amount of service it requires as part of the contract specification.
- From the quotations received, the Governing Body agreed to award a one year contract term to 'Company A' for curriculum IT support and 'Company B' for admin IT support. The shorter term contract of one year was agreed by Governors as neither contractor had been used by the school before and this would allow performance to be assessed at the end of the twelve months. No length of time was specified when requests for quotations were sought. One supplier, 'Company D', stated in their quotation 'Price per annum, 3 year minimum term applies.' The school should allow all bidders the opportunity to bid for the same length of contract

September 2014 contract award

- The contracts were re-tendered in 2014; suppliers were asked to quote for the curriculum, admin and back up aspects of the IT support service contract. The SAO emailed three suppliers 'Company E', 'Company B' and 'Company A' on the 2nd July 2014, to request written quotations. 'Company E' and 'Company B' responded by e-mail to the SAO on the 3<sup>rd</sup> and 4<sup>th</sup> of July respectively; 'Company A' provided a quotation by letter dated 7th July 2014.
  - 'Company A' provided the lowest quotation for the curriculum element (£3,420) and 'Company B' provided the lowest quotation for the admin element (£2,200). However Internal Audit noted that 'Company E' had provided bids for both the admin and curriculum support which, when combined, amounted to £140 per year less than those individual bids by 'Company A' and 'Company B'. It is not clear if the school explored the option to award to one supplier, which appeared to offer better value for money, or if there were other issues arising during the evaluation that eliminated 'Company E'.
  - The award of the contracts was agreed at the Governing Body meeting held on 16th July 2014. A summary document, showing the quotes, service level summary and assessment of suitability had been prepared by the SAO and was provided to one Governor in advance of the meeting. Having reviewed the contract and quotations this Governor confirmed that 'Company A', the existing contractor were the cheapest and had proved themselves over the last year. The Governor recommended, and the Governing Body agreed, that 'Company A' be given the contract for curriculum IT support service for a three year fixed term. The Governor explained that the admin IT support service contract was with 'Company B' through 'Organisation A', a rolling 3 year contract and that the school was happy with the service provided.
11. The review of payments to 'Company A' indicated that the school has spent a total of approximately £38,580 with this company between 1 September 2014 and 23 February 2016. Expenditure relates to contract payments for the IT curriculum support service (£3,420 per year) and equipment purchased through them. The school should be aware of Financial Regulations for Schools and Contract Procedure Rules whereby formal tenders will be required for goods and services when the cumulative expenditure with one supplier exceeds £50,000. In this situation, the contract cost over the three year period would need to be considered separately from the total cost. All non-contract items and services which have been purchased since 1 September 2014 and any which may be purchased in future should be considered as cumulative spend.

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

12. There was one Priority 1 finding identified. Prior to the discussion and award of contract, the Headteacher declared a conflict of interests as the Director of 'Company A' is her son. This has been declared at the start of each committee meeting and when IT issues are discussed it is minuted that the Headteacher leaves the meeting, for example the award of contract at the Governing Body meeting in July 2014. However to achieve complete transparency and mitigate any risk of challenge it is suggested that this area be subject to review and the suggested controls implemented. These will cover all aspects of the IT provision specifically:-
- The conflict of interest be minuted rather than "previously declared", as evidenced in the committee minutes reviewed. This will allow any new Governors attending to be aware of the conflict of interest.
  - The Headteacher should not solely be party to any correspondence between the school and the contractor or be involved in any procurement decisions relating to IT issues. These should be made with the authority of another officer/Governor within the Scheme of Delegation.
  - The expenditure process at the school is for the Headteacher to authorise all invoices, but for 'Company A' invoices they should be authorised by another approving officer, being mindful to comply with separation of duties.

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

13. Appendix A provides information on the recommendations that are being followed-up and the status following the audit review. Any new findings and re recommendations are detailed in Appendix B of this report and require management comment. Appendix B also gives definitions of the priority categories.

### **ACKNOWLEDGEMENT**

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

Appendix A

No	Recommendation (Internal Audit report December 2015)	Management Comment	Target Date	Priority	Responsibility	Follow-up comments	Status
1	The list of contracts/agreements is presented to governors each year to approve the continued use of those suppliers the following year.	This will be presented to Governors in the Spring Term at the Finance & Personnel meeting and going forward, on a yearly basis.	Next Finance & Personnel meeting	3	School Business Manager	The list of contracts/agreements was being updated at the time of our visit. There were several contracts/agreements with providers which the School Business Manager was chasing. These were updated and presented to the Finance and Personnel meeting held on 8 March 2016. At that meeting Governors asked that this be discussed fully at the next Finance and Personnel meeting.	Partially implemented
2	Ensure that orders are raised before the invoice is received so that expenditure is committed on the school's financial system.	All SLT and office staff have been advised about the importance of informing the Finance Officer of any orders that need placing or purchases made so the Finance Officer can raise a purchase order in advance.	Immediately	2	All staff	We were informed by the Headteacher and School Business Manager that all staff had been reminded of the need to notify the School Business Manager of items and services due to be purchased. We obtained a copy of the bank history showing payments made since our original visit and noted that this situation appeared to have improved.	Implemented

FOLLOW UP REVIEW OF BLENHEIM PRIMARY SCHOOL 2015-16

No	Recommendation (Internal Audit report December 2015)	Management Comment	Target Date	Priority	Responsibility	Follow-up comments	Status
3	Ensure that items are security marked and review the asset register for completeness and accuracy, showing the correct details and locations of all items including four of the ipads purchased in February 2015 which were not recorded.	The Finance Officer has sourced a company who the school will be using to security mark all our assets. The asset register has been reviewed and the 4 ipads have been added.	Spring Term	2	School Business Manager	We confirmed that the four ipads purchased in February 2015 had now been recorded in the asset register. We also saw that action had been taken to security mark the items and this was in progress. During our telephone conversation with the School Business Manager on 22 March we were told that all items have now been security marked.	Implemented
4	Ensure that all Governing Body meetings are documented in future.	We now have a full time Governor's Clerk responsible for documenting and filing all minutes, a signed copy of all Governors meetings will be retained in school.	Immediately	2	Clerk to the Governors	A clerk has now been appointed and will document all Governing Body meetings in future.	Implemented
5	Ensure that all staff and governors complete a declaration of interest form.	This has now been completed for all staff, copy retained and sent to the clerk.	Completed	2	Senior Admin Officer	All staff have been required to declare any business interests and documentation confirming this was seen. All governors have been required to declare interests at the Governing Body meeting held on 23 March 2016 and their signed forms have been similarly seen.	Implemented



No	New recommendation	Priority	Management Comment	Responsibility	Target Date
1	<p>Due to the declared relationship between the Headteacher and the Director of 'Company A', the Headteacher must remove herself from all aspects of the IT provision, procurement and contract monitoring.</p> <p>This should be evidenced to demonstrate transparency eg minuting that the Headteacher leaves Committee meetings for IT agenda items.</p> <p>Specifically, the Headteacher should not be involved solely in any correspondence between the school and the contractor or procurement decision relating to IT.</p> <p>Furthermore, invoices for payments to 'Company A' should be authorised by the Deputy Headteacher, who is not currently involved in the ordering and payment process.</p>	1	<p>The HT always leaves the room during committee meetings regarding IT discussions, this will always be minuted.</p> <p>The HT has not been, and in future will not solely be involved in any correspondence or decisions relating to IT between the school and 'Company A'. The Governor (BS), DHT (JP) and SFO (JS) would all be involved in the procurement process for IT items.</p> <p>The HT is now entirely removed from the payment process, invoices will be processed by SFO and authorized and approved by the two DHT (JP &amp; SK)</p>	<p>Head Teacher</p> <p>Head Teacher</p> <p>School Finance Officer</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p>

No	New recommendation	Priority	Management Comment	Responsibility	Target Date
2	<p>To ensure that value for money is obtained, prior to the start of each financial year a costed business plan of new and replacement IT equipment and services which are required should be written and presented to the Governing Body for approval.</p> <p>Items should be aggregated and where the estimated cost exceeds £5,000 three written competitive quotations should be sought and if expenditure exceeds £50,000 formal tendering arrangements should apply. The school should consider whether transparency and probity is demonstrated if 'Company A' is included as one of the three suppliers invited to bid.</p> <p>In conjunction with this, the school should consider entering into collaborative procurement arrangements with other schools for equipment and services, which may identify opportunities to achieve savings.</p>	2	<p>The Governor (BS), DHT (JP) &amp; IT teaching lead (DT) who are all responsible for IT will meet at the beginning of the financial year to discuss and plan for IT requirements. A costed business plan of new &amp; replacement IT equipment &amp; services which are required will be written and presented to the Governing Body for approval.</p> <p>If the estimated cost of each project exceeds £5,000 three written quotes will be obtained. If expenditure exceeds £50,000 formal tendering recommendations will be followed.</p> <p>Our IT provider, 'Company A' would usually be asked to quote but all other quotes from other IT suppliers would be kept confidential &amp; Governors would be informed of the tendering outcome and make their decisions accordingly.</p> <p>The SFO has recently identified collective buying power for tablets proposed by the Department of Education. At present all schools are encouraged to register their interest on the GOV.UK site, if this was to go ahead, a saving of 12% could be made on purchasing tablets. Additionally, the school is in the process of joining 8 other schools to form a Multi Academy Trust, collaborative procurement would be considered for all equipment &amp; services, including IT where savings could be made.</p>	<p>Governor, Deputy Head Teacher, Class Teacher</p> <p>School Finance Officer</p> <p>School Finance Officer</p>	<p>June 2016</p> <p>Implemented</p> <p>Implemented</p>

No	New recommendation	Priority	Management Comment	Responsibility	Target Date
3	As part of contract monitoring, a log should be kept of all incidents during the course of the contract where performance did not meet the expected level and the supplier was informed of this. Performance should be considered when contracts are renewed or extended.	2	SAO (SL) to keep and maintain contract logs where performance did not meet the expected level and will be taken into account when contracts are renewed or extended.	Senior Admin Officer	Implemented
4	The Governing Body should (i) seek written assurance from the respective IT Support Service contractors that sufficient back up and disaster recovery controls are now in place to prevent a recurrence of the recent data loss and (ii) with a split IT provision currently in place it should be clarified which provider has overall responsibility for the back-up and disaster recovery arrangements and this is acknowledged by both providers.	2	The following refers to (i) & (ii)  SAO is currently undertaking a full risk assessment of our IT (including back-up), the first stage of this is underway in the form of questions for 'Company B' and 'Company A' to respond to in writing. However, 'Company A' have confirmed that the data is being backed up on a daily basis and is continually monitored to ensure this is happening. 'Company A' physically check the server on their scheduled weekly visit.	Senior Admin Officer	June 2016
5	The school must comply with Financial Regulations for Schools and Contract Procedure Rules for procurement. In summary the following should be evidenced:-	2			

No	New recommendation	Priority	Management Comment	Responsibility	Target Date
	<p>i) a written specification clearly defining the scope, length of contract, activities, hours of support and expected performance required by the school and provided to all bidders,</p> <p>ii) At least three bidders are invited to bid. To comply with Financial regulations the Chair of Governors will need to authorise a waiver if less than three bids are received. Similarly, if the lowest bid is not accepted, the reason should be documented as a waiver and signed by the Chair of Governors.</p> <p>iii) The information required from bidders and the timescale for submitting bids is clearly set out in a standard email sent out by the school with instructions to email quotations by return,</p> <p>iv) If clarification on any aspect of the specification is sought by any bidder, the questions asked and answers given are emailed to all</p>		<p>A detailed written specification listing all our requirements is now used and sent to each bidder so 'like for like' can easily be compared.</p> <p>Three bidders are sourced (using recommendations from other schools) and invited to bid. If the lowest bid is not accepted, the reason will be documented as a waiver and signed by the Chair of Governors.</p> <p>A detailed written specification listing all our requirements, instructions and closing dates for bids is now used and sent to each bidder.</p> <p>If clarification on any aspect of the specification is sought by any bidder, the questions asked and answers given are emailed to all bidders</p>	<p>School Finance Officer/Senior Admin Officer</p> <p>School Finance Officer/Senior Admin Officer</p> <p>School Finance Officer/Senior Admin Officer</p> <p>School Finance Officer/Senior Admin Officer</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p>

No	New recommendation	Priority	Management Comment	Responsibility	Target Date
	bidders to ensure transparency and prevent any bidder having information which the others do not have.				
6	In addition to the declaration of interests forms completed (referred to in the table of responses to original recommendations above), a declaration of all business interests, new and existing, is made by attendees at the start of the meetings of the Governing Body and Finance and Personnel Committee.	2	Clerk to Governors to ensure and minute all business interests, new and existing, are declared by attendees at the beginning of every Finance & Personnel Committee and the Governing Body meetings. In the last FGB meeting minutes, the following narrative was written: 'The HT declared a non pecuniary interest in relation to the IT Company, 'Company A', run by her son'.	School Finance Officer/ Governor's Clerk	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