

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

**REVIEW OF ST PAUL'S CRAY CE PRIMARY SCHOOL AUDIT FOR 2016-17**

**Issued to:** Mrs Jacqueline Tranchina, Head Teacher  
Mrs Juliet. Lynch, Finance Officer  
Dr Jeff, Blyth, Chair of Governors (final report only)  
Schools Finance Team, (final report only)

**Cc:** Jane Bailey, Director of Education (final report only)  
Ade Adetosoye, Executive Director of ECHS (final report only)

**Prepared by:** Principal Auditor

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**Report No.:** ECH/P64/01/2016

## REVIEW OF ST PAUL'S CRAY CE PRIMARY SCHOOL AUDIT FOR 2016-17

### INTRODUCTION

1. This report sets out the results of our systems based audit of St Paul's Cray CE Primary Audit for 2016-17. The audit was carried out in quarter Q1 as part of the programmed work specified in the 2016/7 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.
3. The original scope of the audit was outlined in the Terms of Reference issued on 4 October 2016. The period covered by this report is from 22 November 2015 – 21 November 2016.

### AUDIT SCOPE

4. The scope of the audit is detailed in the Terms of Reference.

### AUDIT OPINION

5. Overall, the conclusion of this audit was that limited assurance can be placed on the effectiveness of the overall controls. Definitions of the audit opinions can be found in Appendix C.

### MANAGEMENT SUMMARY

6. Controls were in place and working well in the areas of financial reporting, bank reconciliations, cash flow statements and DBS checks.

## REVIEW OF ST PAUL'S CRAY CE PRIMARY SCHOOL AUDIT FOR 2016-17

7. We would however like to bring to the school's attention the following issues:
- Cash income received is not banked intact and there is a lack of control over the recording and reconciling of cash income received.
  - Declarations of interest have not been completed by staff with financial responsibilities and those completed by Governors were not up-to-date.
  - The contracts register is not complete and has not been presented to Governors for approval.
  - The asset register is not complete.
  - Controls over the raising of orders and payment of invoices and petty cash need to be improved.
  - We were unable to evidence that financial matters discussed and agreed at the Resources Committee had been referred to the full Governing Body meeting for ratification.
  - The lease for the photocopier had not been signed by the Head Teacher or Chair of the Resources Committee.
  - The completed letting form for the on-going letting of the school premises by the Redeemed Church of God had not been authorised prior to the start of the letting.

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

8. There is one Priority 1 finding relating to the recording and records of cash income, specifically school dinner money. At our initial visit to the school in November 2016 we checked the total amount received for school dinner money during that term to the total amount banked. This was not successful because the reports produced from the system showing the dinner money paid did not contain sufficient detail to enable a reconciliation to be made. Weekly reports from the system were then provided enabling a reconciliation to be made. A further visit was made to confirm the school dinner money banked and review the school's arrangements for receiving and recording cash.
9. We noted from examination of the paying in book that there are occasions when the cash received is not banked intact and a cheque is written to cover part of the cash amount, which is retained for the petty cash imprest. This arrangement has been inherited from the previous Finance Officer but contravenes the Authority's Financial Regulations.

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10. Daily income sheets are used for recording cash received for school dinners and also clubs and activities. Cash is received each day by any one of four members of staff but it is not possible to identify who has received and recorded the cash. The entries on the sheet do not always show the full name of the pupil or member of staff who paid. Although the amounts recorded are then input to the pupil or staff record on the computer system, this does not always happen on the same day that the cash is received. There is no weekly or other periodic reconciliation carried out of the cash received and recorded on the daily income sheets to the income records on the computer system.
11. Due to the large volume of small cash amounts received each day, the risks associated with the receipt and recording of cash and the time consuming nature of the task, we have recommended that the school considers using a cashless on-line payment option for school dinner money, similar to that used by other schools. In the meantime we have discussed with the Finance Officer how the existing controls over cash income could be strengthened and she is keen to put these in place as soon as possible.

### DETAILED FINDINGS / MANAGEMENT ACTION PLAN

12. 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.

### ACKNOWLEDGEMENT

13. Internal Audit would like to thank all staff contacted during this review for their help and co-operation.

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
1	<p>We noted from examination of the paying in book that there are occasions when the cash received is not banked intact and a cheque is written to cover part of the cash amount, which is retained for the petty cash imprest. Examples of this were seen for £93.57 on 30/9/16 and for £92.60 on 16/11/16. This arrangement has been inherited from the previous Finance Officer but contravenes the Authority's Financial Regulations.</p> <p>Daily income sheets are used for recording cash received for school dinners and also clubs and activities. Cash is received each day by any one of four members of staff but it is not possible to identify who has received and recorded the cash. The entries on the sheet do not always show the full name of the pupil or member of staff who paid. Although the amounts recorded are then input to the pupil or staff record on the computer system, this does not always happen on the same day that the cash is received. We noted one instance where £2.50 received on 14/11/16 was shown recorded on the computer system on 22/11/16.</p> <p>There is no weekly or other regular reconciliation carried out of the cash received and recorded on the daily income sheets to the income records on the computer system.</p>	<p>Lack of transparency and accountability of income received. Non-compliance with the Authority's Financial Regulations. Risk of misappropriation of cash income.</p>	<p><b>The following controls over cash income should be put in place:-</b></p> <p><b>(i) All cash income received should be banked intact.</b></p> <p><b>(ii)The school should consider the introduction of a cashless on-line system for school dinner money.</b></p> <p><b>(iii) A separate cash income sheet should be kept for school dinner money received, cash recorded on the sheet should have the full name of the payee recorded against it and should be initialled by the member of</b></p>

**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
			<p>admin staff receiving it. Details of income should be input to the computer system on the day it is received.</p> <p>(iv) A reconciliation of the cash recorded on the income sheets to the individual pupil and staff records on the computer system should be carried out regularly by the Finance Officer.</p> <p>[Priority 1]</p>

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No.	Findings	Risk	Recommendation
2	Completed declarations of interest were seen for Governors but these were dated September 2014 and therefore need to be updated. There were no completed declarations of interest for staff with financial responsibilities.	Staff and Governors may be involved in making financial or business related decisions in which they have a pecuniary interest.	<p><b>All Governors, and staff with financial responsibilities, should complete declaration of interest forms. The forms should be held centrally and updated each year or as and when new pecuniary interests arise.</b></p> <p><b>[Priority 2]</b></p>
3	A register of contracts was being put in place at the time of our audit visit. Once completed, it should be presented to the Governing Body at the end of each financial year for approval of any existing contracts to be rolled over into the next financial year or where quotations should be sought to compare the services and prices offered by other suppliers.	Contracts may be let without following proper procedures and/or rolled over without proper approval.	<p><b>The register of contracts should be presented to the Governing Body at the end of each financial year for approval of any existing contracts to be rolled over into the next financial year or where quotations should be sought to compare the services and prices</b></p>

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			<p>offered by other suppliers. [Priority 2]</p>
4	<p>The asset register was being compiled at the time of our audit. It needs to be completed, showing details including the make, model, description, serial number and date of purchase of each item. The items should be security marked and arrangements should be put in place for an annual stock check of the items by the Head Teacher.</p>	<p>Assets may not be readily identified in the event of a loss through fire or theft</p>	<p><b>The asset register should be completed, showing details including the make, model, description, serial number and date of purchase of each item. The items should be security marked and arrangements should be put in place for an annual stock check of the items to be carried out and signed off by the Head Teacher.</b> [Priority 2]</p>

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5	<p>Our testing of a sample of payments made by the school identified that :-</p> <p>4 out of 20 invoices had not been paid within 30 days (sample nos. 1,9,15 and 17)</p> <p>5 out of 20 orders had been raised after the invoice (sample nos 4,5,9,11 and 17)</p> <p>8 orders showed no evidence of having been authorised (sample nos 1,7,9,13,14, 16, 18 and 19)</p> <p>We were informed that the Finance Governor authorises invoices over £5,000. There were 8 invoices over £5,000 in our sample. We saw that they had been initialled by the Head Teacher but there was no evidence that they had been authorised by the Governor concerned.</p> <p>Examination of petty cash records and procedures confirmed that these are reconciled regularly. One of the vouchers completed by a claimant was for £25.00 for petrol. No other details had been provided. From discussion with the Finance Officer and the Head Teacher, it transpired that this related to</p>	<p>Payments may not be made in compliance with Financial Regulations and the Schools own procedures.</p>	<p><b>The school should ensure that :-</b></p> <p><b>(a) purchase orders are always raised in advance of expenditure so that committed expenditure can be recorded on the school's financial system prior to payment,</b></p> <p><b>(b) invoices are paid within 30 days of receiving the invoice,</b></p> <p><b>(c) all invoices totalling over £5,000 are authorised by the Chair of the Resources Committee,</b></p> <p><b>(d) the HMRC self-assessment questionnaire is completed, prior to the</b></p>

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	<p>duties carried out by the school's family support worker. In future, further details should be provided to support the claim.</p>		<p><b>engagement of additional resources, to confirm the employment status as either self-employed or payroll. This assessment will need to be retained as supporting documentation and liable to inspection, and</b></p> <p><b>(e) petty cash claims submitted are supported by sufficient information, including dates and details of journeys, to verify the reason for the claim.</b></p> <p><b>[Priority 2]</b></p>

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6	<p>Governing Body meetings were held on 3/12/15, 16/3/16, 20/7/16 and 22/9/16. They were well attended and declarations of interest were recorded at the start of each meeting. A full range of issues were discussed each time but whilst financial matters are discussed as necessary eg approving the scheme of financial delegation and budget position in the March 2016 minutes, we would like to see the financial matters discussed and agreed at the Resources Committee referred to the full Governing Body meeting for ratification.</p>	<p>The full Governing Body may not be aware of the financial matters discussed and agreed by the Resources Committee.</p>	<p><b>Financial matters discussed and agreed at the Resources Committee are referred to the next full Governing Body meeting each time for ratification.</b></p> <p><b>[Priority 2]</b></p>
7	<p>An operating lease with 'Company A' is in place for the photocopier. It was signed by the Finance Officer on 6/6/16 and is for three years duration. Given the total expenditure over a three year period, any future leases, once approved, should be signed by the Head Teacher or Chair of the Resources Committee.</p>	<p>Leases may not be legal or in compliance with regulations.</p>	<p><b>In future any leases, once approved, should be authorised by the Head Teacher or Chair of the Resources Committee.</b></p> <p><b>[Priority 2]</b></p>
8	<p>We were unable to evidence a completed and authorised letting form for the on-going letting of the school premises by 'Organisation A' on Sunday mornings. A copy of the completed letting form was provided subsequently and signed by the Head Teacher to confirm her</p>	<p>Lettings of school premises may not be charged accurately or authorised appropriately.</p>	<p><b>In future, the school should ensure that a letting form, completed by any organisation hiring the school premises, is</b></p>

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	approval of the letting and the amount charged.		<p><b>checked and authorised by the Head Teacher prior to the start of the letting.</b></p> <p><b>[Priority 2]</b></p>

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MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1	<p>The following controls over cash income should be put in place:-</p> <p>(i) All cash income received should be banked intact.</p> <p>(ii) The school should consider the introduction of a cashless on-line system for school dinner money.</p> <p>(iii) A separate cash income sheet should be kept for school dinner money received, cash recorded on the sheet should have the full name of the payee recorded against it and should be initialled by the member of admin staff receiving it. Details of income should be input to the computer system on the day it is received.</p>	1	<p>We will ensure that all future cash income is banked intact.</p> <p>We will increase the amount of Petty Cash held, raising a school cheque to be cashed at the school's bank.</p> <p>We are currently applying for a credit card for school purchases (via Bromley Schools' Finance).</p> <p>We are exploring the use of a cashless on line system – for parent/carer payments to the school.</p> <p>A separate dated manual sheet is now held for school meals income. This is reconciled/countersigned at the end of each day to a daily print out from the computer school dinner money module which is then attached to the weekly Authorised Banking Return and</p>	Admin Finance Officer / Head Teacher	In progress. To be completed by 30 April 2017.

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Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
	(iv) A reconciliation of the cash recorded on the income sheets to the individual pupil and staff records on the computer system should be carried out regularly by the Finance Officer.		signed by the Head Teacher.  A further sheet for general income payments received is reconciled and signed by all staff involved in handling those payments.		
2	All Governors, and staff with financial responsibilities, should complete declaration of interest forms. The forms should be held centrally and updated each year or as and when new pecuniary interests arise.	2	Governor declarations of interest forms have been re-issued and missing items corrected.  Staff with finance and cash handling responsibilities have now signed declaration of interest forms overseen by the Head Teacher.	Clerk to Governors  Admin Finance Officer / Head Teacher	Implemented
3	The register of contracts should be presented to the Governing Body at the end of each financial year for approval of any existing contracts to be rolled over into the next	2	The register of contracts will be presented to the Governing Body at their next meeting for the approval of any contracts which need to be rolled over.	Caretaker / Admin Finance Officer / Head Teacher	Next Governing Body meeting

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Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
	financial year or where quotations should be sought to compare the services and prices offered by other suppliers.				
4	The asset register should be completed, showing details including the make, model, description, serial number and date of purchase of each item. The items should be security marked and arrangements should be put in place for an annual stock check of the items to be carried out and signed off by the Head Teacher.	2	An asset register will be compiled showing all relevant information about the asset. The security marking of items is being explored and an annual stock check of the items will be introduced. It will be signed off by the Head Teacher.	Admin Finance Officer / Head Teacher	In progress. To be completed by 30 April 2017.

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MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
5	<p>The school should ensure that :-</p> <p>(a) purchase orders are always raised in advance of expenditure so that committed expenditure can be recorded on the school's financial system prior to payment being made,</p> <p>(b) invoices are paid within 30 days of receiving the invoice,</p> <p>(c) all invoices totalling over £5,000 are authorised by the Chair of the Resources Committee,</p> <p>(d) the HMRC self-assessment questionnaire is completed, prior to the engagement of additional resources, to confirm the employment status as either self-</p>	2	<p>All staff will be reminded that purchase orders must be raised and authorised by the Head Teacher before any expenditure is committed.</p> <p>Invoices will be paid within 30 days of receipt – unless awaiting capital funding from the London Borough of Bromley – notifying the supplier accordingly.</p> <p>Invoices totalling over £5,000 will be notified to the Chair of the Resources Committee for authorisation within the 30 day payment period.</p> <p>The HMRC self-assessment questionnaire will be completed and retained as evidence prior to</p>	Admin Finance Officer / Head Teacher	In progress. To be completed by 30 April 2017.

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Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
	<p>employed or payroll. This assessment will need to be retained as supporting documentation and liable to inspection.</p> <p>(e) petty cash claims submitted are supported by sufficient information, including dates and details of journeys, to verify the reason for the claim.</p>		<p>engagement of additional resources to confirm the employment status – self-employed/payroll.</p> <p>Head Teacher to remind all staff/budget holders that any petty cash claim form must contain supporting evidence of purchase / journeys including date and purpose of journey taken.</p>		
6	Financial matters discussed and agreed at the Resources Committee are referred to the next full Governing Body meeting each time for ratification.	2	The financial matters raised at Resources Committee meetings and requiring full Governing Body approval will be presented to the following Governing Body meeting and the approval will be clearly recorded in the Governing Body meeting minutes.	Chair of Resources Committee	Implemented

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Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
7	In future any leases, once approved, should be authorised by the Head Teacher or Chair of the Resources Committee.	2	The 3 year Lease agreement for the School photocopier has now been signed by the Head Teacher	Head Teacher via Admin Finance Officer	Implemented
8	In future, the school should ensure that a letting form, completed by any organisation hiring the school premises, is checked and authorised by the Head Teacher prior to the start of the letting.	2	The lettings agreement has now been signed by the Head Teacher. All new lease / agreements the school enters into will be signed by the Head Teacher prior to commencement (i.e. hire of school hall).	Admin Finance Officer / Head Teacher	Implemented

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## OPINION DEFINITIONS

## APPENDIX C

As a result of their audit work auditors should form an overall opinion on the extent that actual controls in existence provide 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 objectives tested.

Substantial Assurance

While there is a basically sound systems 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 system under review. Examples would include no regular bank reconciliation, non-compliance with legislation, substantial lack of documentation to support expenditure, inaccurate and untimely reporting to management, material income losses and material inaccurate data collection or recording.

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. There will be a number of fundamental control weaknesses highlighted.