



FINAL INTERNAL AUDIT REPORT
EDUCATION, CARE AND HEALTH SERVICES

REVIEW OF JAMES DIXON PRIMARY AUDIT FOR 2016-17

Issued to: Mrs Michelle Aldred, Headteacher

Cc: Mr Len Blomstrand, Chair of Governors (final only)
Schools Finance Team (final only)

Prepared by: Principal Auditor

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REVIEW OF JAMES DIXON PRIMARY AUDIT FOR 2016-17

INTRODUCTION

1. This report sets out the results of our systems based audit of James Dixon Primary Audit for 2016-17. The audit was carried out in quarter 3 as part of the programmed work specified in the 2016-17 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 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.
3. The original scope of the audit was outlined in the Terms of Reference issued on 10th October 2016. The period covered by this report is from November 2015 to November 2016.

AUDIT SCOPE

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

MANAGEMENT SUMMARY

5. Controls were in place and working well in the areas of Financial Management, Governance Arrangements and for Primary Accounting; procurement card, petty cash, contracts, voluntary fund, bank reconciliations, DBS checks and school meals.

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6. The Internal Audit review has identified issues in the following areas that should be considered by the school:-
- The asset register had not been certified since March 2015 and that the Headteacher has changed in this time frame.
 - Expenditure >£5K was not supported by a specification to compare submitted quotes and verify compliance to Financial Regulations (2/20 payments). For one payment >£5K the quotes were not available at the school. Variations to the purchase order had not been evidenced by the certifying officer to provide an adequate audit trail (3/20). Payments to named individuals were not supported by the HMRC assessment to comply with HMRC regulations.
 - Staff with financial or procurement responsibilities had not completed a pecuniary interest form
 - Discretionary charges applied to lettings are not supported by the approved fees and charges. Invoices are not raised to support the collection of income, income has been noted on the application form.
7. The School is shortly to convert to Academy status and therefore any follow up work should be the responsibility of management

SIGNIFICANT FINDINGS (PRIORITY 1)

8. None

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

9. 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

10. Overall, the conclusion of this audit was that substantial assurance can be placed on the effectiveness of the overall controls. Opinion definitions are given in Appendix C.

ACKNOWLEDGEMENT

11. 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>The asset register was maintained in manual stock books; the Premises Manager was in the process of transferring the information to FMS but as the school are now converting to Academy and will not be using FMS this transfer should be suspended.</p> <p>The stock books were last certified by the previous Headteacher in March 2015. Certificate B should have been signed to evidence a change in headship and responsibility for the asset register.</p> <p>The annual stock take has not been completed or the asset register certified by the current Headteacher</p>	<p>Assets lost or stolen may not be easily identified.</p>	<p>The asset register should include all items over £1K but also any item deemed to be attractive and portable. The asset register should be a comprehensive list of items including the serial and model numbers.</p> <p>The Head Teacher should sign the stock books, if these are the current asset register, or sign a hard copy of the asset report if details are held on the system.</p> <p>[Priority 2]</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

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2	<p>The authorised signatories list was out of date as it was still showing the previous Head. Specimen signatures for the current Head, Deputy Head, Premises Manager and School Business Manager were however evidenced. The expenditure procedure has an adequate separation of duties.</p> <p>Of the 20 payments selected for audit examination the following issues were arising;-</p> <ul style="list-style-type: none"> For 2/20 payments, 3 quotes had been obtained for works over £5K but a standard specification to measure each quote against was not available and the Chair and Head Teacher had not signed to waive competitive tendering against a standard specification. (Contractor A £43,315 and Contractor B £17,033) For 1/20 payments the Governor had collated the competitive quotes and e-mailed the results. The school should retain the tender documents on site. (Contractor C £8,604) 	<p>Payments may not be made in compliance with Financial Regulations and the Schools own procedures.</p> <p>The school may not be able to evidence value for money</p>	<p>A standard specification for planned works should be developed to measure competitive quotes. Any deviation from competitive tendering should be supported by a waiver signed by the Head Teacher and Chair of Governors.</p> <p>All quotes should be held on the school site as part of the supporting documentation for payments.</p>

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	<ul style="list-style-type: none"> For 2/20 payments the invoice value varied to the authorised purchase order. Authorisation for this variation should be evidenced on the order to provide an adequate audit trail. (Contractor D £7,200, 11% variance and Contractor E £1245, 16% variance) For 1/20 payments the supplier specified on the authorised purchase order was not the correct name and should have been cancelled and reissued or the correct information shown on the order and the amendment authorised. (Contractor F/Contractor G £3,636) <p>20 payments to named individuals were identified from the bank history for the period November 2015 to November 2016. Of these payments 5 related to individuals who are engaged or due to be engaged by the school. The HMRC questionnaire had not been completed to identify and confirm the self employment status of these individuals. At the end of audit meeting the Head teacher confirmed that retirement, transfer to company status and withdrawal of service provision would only leave 2 individuals to review and possibly renegotiate terms of engagement (Provider A and B).</p>	<p>HMRC penalties for noncompliance to regulations.</p>	<p>If an order is varied the amendments should be authorised by the certifying officer. Similarly any amendments or changes to the purchase order should be authorised.</p> <p>Any payments to named individuals through the payments system should be supported by the HMRC questionnaire to evidence compliance to HMRC regulations.</p> <p>[Priority 2]</p>

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3	<p>The Clerk to Governors collates the annual pecuniary interest forms. All forms were completed by Governors in September 2016. The Deputy Head is an Associate Governor and as such is not part of the decision making process however as he could influence decisions he should complete a declaration of interest form.</p> <p>There were no pecuniary interest forms for staff involved in financial or procurement roles and responsibilities.</p>	<p>The School may not be aware of financial decisions taken by staff connected to firms that trade with them.</p>	<p>All staff members involved in the finance and procurement process should sign a declaration of interest annually; this would include finance staff, the Premises Manager and teaching staff if they have responsibility for subject or specific areas of the budget.</p> <p>[Priority 2]</p>

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4	<p>The fees and charges for lettings are reported to Governors. The current charges do not include hire of the field or allow the Headteacher discretion to reduce the charges for community schemes. For the three lettings selected for audit examination the rates charged were not standard but had been agreed by the Headteacher.</p> <p>Income for lettings is not invoiced and the income is recorded on the application form. There is an inadequate audit trail to show income due and income collected. For the Saturday morning football club there is an informal charging arrangement with the organiser paying cash dependent on attendance. The Premises Manager does issue a copy of the lettings form to support the cash remittance but the procedure is weak.</p> <p>There were no issues arising for the 2 debtors invoices checked and the Scholl Business Manager monitors outstanding invoices to recover income promptly.</p>	<p>Income due to the school may not be collected.</p>	<p>The fees and charges should be extended to allow the Headteacher to offer reduced rates for community schemes; this will need to be approved by Governors.</p> <p>Each letting should be supported by the authorised application form that states the date/dates and charge. An invoice should be raised to record the remittance and date of banking. For football hire, a receipt, signed by both parties will evidence the cash payment; the copy receipts should then filed with the lettings form for each term. [Priority 2]</p>

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MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1	<p>The asset register should include all items over £1K but also any item deemed to be attractive and portable. The asset register should be a comprehensive list of items including the serial and model numbers.</p> <p>The Headteacher should sign the stock books, if these are the current asset register, or sign a hard copy of the asset report if details are held on the system.</p>	2	The Headteacher has now signed off the stock books, and also a hard copy of the asset report.	Headteacher Premises Manager	Immediate

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Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
2	<p>A standard specification for planned works should be developed to measure competitive quotes. Any deviation from competitive tendering should be supported by a waiver signed by the Head Teacher and Chair of Governors.</p> <p>All quotes should be held on the school site as part of the supporting documentation for payments.</p> <p>If an order is varied the amendments should be authorised by the certifying officer. Similarly any amendments or changes to the purchase order should be authorised.</p>	2	<p>These procedures will be followed in future, and all deviations, amendments and variations will be properly documented, authorised and signed.</p> <p>Payments to individuals will be supported by evidence of HMRC questionnaire, or payments will be made through payroll</p>	Headteacher Business Manager Premises Manager	Immediate

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	Any payments to named individuals through the payments system should be supported by the HMRC questionnaire to evidence compliance to HMRC regulations.				
3	All staff members involved in the finance and procurement process should sign a declaration of interest annually; this would include finance staff, the Premises Manager and teaching staff if they have responsibility for subject or specific areas of the budget.	2	All leadership and finance staff, and any staff with financial responsibility have now signed a Pecuniary Interest form. This will be continued annually.	Business Manager	Immediate

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4	<p>The fees and charges should be extended to allow the Head teacher to offer reduced rates for community schemes; this will need to be approved by Governors.</p> <p>Each letting should be supported by the authorised application form that states the date/dates and charge. An invoice should be raised to record the remittance and date of banking. For football hire, a receipt, signed by both parties will evidence the cash payment; the copy receipts should then filed with the lettings form for each term.</p>	2	<p>The schedule showing the Letting Charges has been revised to include a statement giving the Headteacher the authority to offer reduced rates for community lettings.</p> <p>An invoice will be raised to support each letting application. Cash received will be signed for by both parties and the receipt filed with the invoice and the application form.</p>	<p>Business Manager</p> <p>Premises Manager Finance Officer</p>	<p>To be agreed at next Resources Committee meeting in March 2017</p> <p>Immediate</p>

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SCHOOLS OPINION DEFINITIONS

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.