



FINAL INTERNAL AUDIT REPORT

EDUCATION CARE & HEALTH SERVICES

REVIEW OF GLEBE SCHOOL AUDIT FOR 2016-17

Issued to: Keith Seed, Head Teacher
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REVIEW OF GLEBE SCHOOL AUDIT FOR 2016-17

INTRODUCTION

1. This report sets out the results of our systems based audit of Glebe School Audit for 2016-17. The audit was carried out in quarter 4 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 19/12/16. The period covered by this report is from January 2016 to January 2017.

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, Asset Control and Primary Accounting; school meals, voluntary fund and bank reconciliation.

REVIEW OF GLEBE SCHOOL AUDIT FOR 2016-17

6. The Internal Audit review has identified issues in the following areas that should be considered by the school:-
- Inadequate separation of duties and the authorisation control at the end of the process rather than as the expenditure is committed. Written quotes were not dated to support timely comparative tenders; expenditure >£5k not supported by written quotes or an authorised waiver.
 - Procurement card transactions were not authorised before the expenditure was committed.
 - The contracts register had not been reported to Governors
 - Inadequate authorisation for the petty cash
 - Pecuniary Interests register had not been updated.
 - Letting applications had not been completed annually and the insurance liability not evidenced since 2011/12
 - Lack of supporting documentation and evidence of authorisation for additional payments.
 - Information to Governors

SIGNIFICANT FINDINGS (PRIORITY 1)

7. None

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 substantial 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>Expenditure The expenditure process evidenced during the process was for the Finance Manager (FM) to authorise the purchase order; the invoice to be checked by the FM prior to authorisation by the Headteacher (HT) and the BACS schedule to be authorised by either of the two Deputy Heads (DH) and the FM. Since the appointment of the Development Manager (DM), this officer has been checking the invoices and signing the BACS schedule, improving the separation of duties control. In an expenditure process the key control should be at the point that the expenditure is committed.</p> <p>A sample of 20 payments were checked to ensure that the payment was supported by an order, arithmetically correct, paid in a timely manner, authorised, VAT identified and that all goods/ services over £5K were supported by written quotes. The main issues arising were:-</p> <ul style="list-style-type: none"> • 2/20 related to payments >£5K whereby the written quotes were dated after the successful quote had been accepted (contractor A £32,860) and for contractor B £17,476 no dates were on the unsuccessful quotes. The lowest quote was accepted in both cases. • 1/20 payment to contractor C (£7,105), was not 	<p>Payments may not be made in compliance with Financial Regulations and the Schools own procedures.</p>	<p>The school should review their expenditure procedures to ensure adequate separation of duties. The BACS report identifying the initiating and certifying officers should be printed and filed with the payment batch.</p> <p>The school should ensure that:-</p> <ul style="list-style-type: none"> • All written quotes should be obtained in a timely manner and detail the date to evidence this. • A request to waive written quotes should be authorised by the HT and Chair of Governors.

Priority 1
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	<p>supported by 3 written quotes but the purchase order had been annotated with a statement that this was a specialist provision. As such the waiver would be appropriate, however the HT and Chair of Governors should both sign to evidence noncompliance to Financial Regulations.</p> <ul style="list-style-type: none"> • 2/20 payments >£5k not supported by written quotes or waiver (contractor D £6,100 and contractor E £5,631) • 2/20 payments did not agree to the SLA. For contractor F £5,256, the DM had subsequently identified the difference, discussed and resolved with the provider, however this had not been recorded on the invoice or agreement. For Contractor G £3,804, the cost had been increased but the monthly increase did not agree to the total increase and needed to be resolved. • 3/20 payments were not supported by a purchase order (contractor H £3,480, contractor I £1,800 and contractor J £1,158) • 1/20 payment to a named individual (contractor K £1,000) was supported by the HMRC self assessment but this was not signed off by the HT. 		<ul style="list-style-type: none"> • Governor approval to award work as a specialist nature should be recorded. • Any variations between the order/SLA and the invoice should be noted on the order/invoice. • All payments should be supported by an authorised purchase order, signed agreement or contract. • Self-employed assessments should be signed by the HT. <p>[Priority 2]</p>

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2	<p>Procurement Cards There are two procurement cards held at the school but only the card in the FO name is used. The HT's card is secured in the safe.</p> <p>The procurement card statement for the period 29.9.16 to the 28.10.16, totalling £869.11 for 18 transactions was reviewed. There was adequate supporting documentation for goods ordered however there was no authorisation for each transaction. The FM had checked the statement and the HT approved however as an expenditure process there should be separation of duties.</p>	<p>Payments may not be made in compliance with Financial Regulations and the Schools own procedures.</p>	<p>The school should review procedures for the procurement card, improving separation of duties at the initiation and receiving stages of the process.</p> <p>[Priority 3]</p>

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3	<p>Contracts Register The contracts register was a comprehensive document which should allow effective contract management. There were two issues arising:-</p> <ul style="list-style-type: none"> • There was no evidence that the contract register had been reported to Governors. • Cumulative spend to suppliers for the period January 2016 to January 2017 was checked to the contract register and identified 2 contractors L and M that were omitted. Similarly the agreement with contractor G, identified during the expenditure testing was not listed. 	<p>Contracts may be let without following proper procedures and/or rolled over without proper approval.</p>	<p>The contract register should be reported to Governors annually to approve any contract rolled over and to promote discussion for contracts nearing end date.</p> <p>The school should consider the 3 companies identified during the audit for inclusion on the contracts register.</p> <p>[Priority 2]</p>

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4	<p>Petty Cash The FM administers the petty cash through FMS. The petty cash claim for January 2017 (£460.48) was checked and verified, the main issues arising were:-</p> <ul style="list-style-type: none"> • Payments were supported by a reimbursement form but of the 14 forms checked, 7 had no signatures, 2 were signed by the claimant only, 1 was signed by the recipient and 4 had both signatures. • 1/14 reimbursement forms had been authorised by the HT • Imprest reimbursement was checked by the FM and approved by the HT. There was no evidence that the petty cash is reconciled and agreed by an officer independent to the operation of the imprest. • the claim forms are not sequentially numbered to allow accountability and control • there was no cash book evidenced to collate all petty cash reimbursements prior to the summary reimbursement on the system. 	<p>Petty cash may not be properly operated</p>	<p>The school should review the operation of the petty cash to ensure there is adequate separation of duties and authorisation. The reimbursement forms should be sequentially numbered and recorded in a cash book, reconciled when the imprest is reimbursed. The imprest should be independently reconciled annually. Reimbursement forms should be signed by the claimant and authorised by an appropriate officer. The receiving officer should sign the form as the cash is reimbursed</p> <p>[Priority 2]</p>

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5	<p>Pecuniary Interests From discussion with the FM it became apparent that the weekend caretaker, as shown on the additional payments for November, is her son. This is a pecuniary interest which has not been declared.</p> <p>The Head Teacher had updated his declaration to show a pecuniary interest. This was not shown on the overall register of interests and therefore the register needs to be updated.</p>	<p>Staff with financial responsibilities may be involved in making financial and/or business decisions relating to organisations/individuals in which they have a pecuniary interest, without the School knowing.</p>	<p>The register of pecuniary interests should be reviewed. The Finance Manager should update and sign her declaration to include the pecuniary interest that her son is the weekend caretaker.</p> <p>The details of the Head Teacher's recently declared pecuniary interest and the Finance Manager's pecuniary interest should be updated on the overall register of pecuniary interests maintained.</p>

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	<p>Opportunity to declare pecuniary interests is given after matters arising from previous minutes item, instead of at start of meeting.</p>	<p>Issues in which a Committee member has a pecuniary interest may be discussed and a decision taken under 'Matters arising' without the rest of the Committee being aware of that interest.</p>	<p>The opportunity to declare pecuniary interests is given at the start of the Finance Committee and Governing Body meetings.</p> <p>[Priority 2]</p>
6	<p>Income There is only one letting at the school, a community scheme hiring the school hall on a Saturday. The main issues arising were:-</p> <ul style="list-style-type: none"> • the letting application form should be completed and authorised annually, the latest available was Sept 2008. • the hirer's liability insurance policy should be requested and reviewed annually; the latest available was 2011/12. • The lettings policy was reviewed and agreed by Governors at the Governing Body meeting on the 23.11.16 	<p>Income due to the school may not be collected.</p>	<p>The hirer should be requested to complete an application form annually and this be authorised by the appropriate officer as determined by the scheme of delegation. The hirer should also be asked to evidence their public liability insurance certificate annually.</p> <p>[Priority 3]</p>

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7	<p>Payroll – additional payments</p> <p>Several different processes were in place for paying dinner duty, at Woodlodge, teaching cover, weekend caretaking and other additional payments. The amounts to be paid are signed off by the Head Teacher on the payroll documentation in the style of a batch header document. There is however, a lack of supporting documentation and/or evidence of authorisation for the individual payments. It was identified that one of the teaching assistants is paid at a double rate for supervising a pupil all day. There is no signed agreement in place to verify this.</p>	<p>Risk of incorrect or inaccurate payments made to individuals due to a lack of documentary evidence and/or appropriate authorisation.</p>	<p>The school should review the supporting documentation and authorisation process for each type of claim to ensure that each individual claim is made on a claim form signed and dated by the claimant. It should be authorised by a senior member of staff who can confirm that the details are correct and the claim is justified. An agreement, signed by the Head Teacher, should be put in place to confirm the individual role and higher rate paid to the teaching assistant who supervises a pupil all day.</p> <p>[Priority 2]</p>

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8	<p>Information to Governors</p> <p>Details of budget changes are included in the commentary to the financial reports provided to members of the Finance Committee, but the commentary could be enhanced to include for example the reasons for budget changes requiring Governors' approval, any significant changes to the expenditure/income profile and details of contracts due for renewal in the near future.</p> <p>The financial information provided to the members of the Finance Committee is distributed to them at the meeting. This does not allow sufficient time for all Committee members to consider the financial reports and any areas requiring further clarification or discussion prior to decisions being made at the meeting.</p>	<p>Insufficient time may be available to Committee members to consider financial reports and any areas requiring further clarification may not being identified prior to or at the meeting. There may be a lack of financial information in the accompanying commentary such as the reasons for budget changes requiring Governors' approval, any significant changes to the expenditure/income profile and contracts due for renewal in the near future.</p>	<p>Management should ensure that :-</p> <p>(i) More information is included in the commentary to the financial reports provided to members of the Finance Committee, such as the reasons for budget changes requiring Governors' approval, any significant changes to the expenditure/income profile and the details of contracts due for renewal in the near future,</p> <p>(ii) The financial information provided to the members of the Finance Committee is distributed in advance of the meeting (suggested one week before) so that</p>

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			<p>sufficient time is available to Governors to consider the financial reports and any areas requiring further clarification prior to decisions being made at the meeting</p> <p>[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>Expenditure</p> <p>The school should review their expenditure procedures to ensure adequate separation of duties. The BACS report identifying the initiating and certifying officers should be printed and filed with the payment batch.</p> <p>The school should ensure that:-</p> <ul style="list-style-type: none"> All written quotes should be obtained in a timely manner and detail the date to evidence this. A request to waive written quotes should be authorised by the HT and Chair of Governors. 	2	<p>Scheme of Delegation has been updated as follows-</p> <p>Headteacher authorising orders Finance Manager checking & approving invoices Development Manager authorising payment.</p> <p>Bacs audit trail is being printed to show authorisations & filed with payment batch.</p> <p>Comments noted</p> <p>Comments noted.</p>	<p>Governors</p> <p>Finance Manager</p> <p>Headteacher, Development Manager Finance Manager</p>	<p>February 2017</p> <p>January 2017</p> <p>January 17</p> <p>January 17</p>

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	<ul style="list-style-type: none"> Governor approval to award work as a specialist nature should be recorded. Any variations between the order/SLA and the invoice should be noted on the order/invoice. All payments should be supported by an authorised purchase order, signed agreement or contract. Self-employed assessments should be signed by the HT. 		<p>Comments noted</p> <p>Comments noted</p> <p>Comments noted</p> <p>Comments noted</p>		<p>January 17</p> <p>January 17</p> <p>January 17</p> <p>January 17</p>
2	<p>Procurement Cards The school should review procedures for the procurement card, improving separation of duties at the initiation and receiving stages of the process.</p>	3	Process reviewed, individual authorisation forms with separation of duties implemented	Headteacher, Development Manager Finance Manager	March 2017

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3	<p>Contracts Register The contract register should be reported to Governors annually to approve any contract rolled over and to promote discussion for contracts nearing end date.</p> <p>The school should consider the 3 companies identified during the audit for inclusion on the contracts register.</p>	2	<p>A standard Agenda Item will be introduced for all Finance Committee meetings</p> <p>Contractor L is included on the HDC contract register & school has no contract with contractor L</p> <p>Contractor M is included on the HDC contract register & school has no formal contract in place with contractor M</p> <p>Contractor G agreement has been included in the contract register as suggested</p>	<p>Development Manager Finance Manager</p> <p>Development Manager</p>	<p>March 2017</p> <p>March 2017</p>

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4	<p>Petty Cash The school should review the operation of the petty cash to ensure there is adequate separation of duties and authorisation. The reimbursement forms should be sequentially numbered and recorded in a cash book, reconciled when the imprest is reimbursed. The imprest should be independently reconciled annually. Reimbursement forms should be signed by the claimant and authorised by an appropriate officer. The receiving officer should sign the form as the cash is reimbursed.</p>	2	<p>Process reviewed, individual authorisation forms with separation of duties implemented</p> <p>Independent reconciliation implemented</p> <p>FMS folio numbers now being used</p> <p>Evidence of receipt of cash included on new form</p>	Development Manager / Finance Manager	March 2017

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5	<p>Pecuniary Interests The register of pecuniary interests should be reviewed. The Finance Manager should update and sign her declaration to include the pecuniary interest that her son is the weekend caretaker.</p> <p>The details of the Head Teacher's recently declared pecuniary interest and the Finance Manager's pecuniary interest should be updated on the overall register of pecuniary interests maintained.</p>	2	New forms completed & register updated	Finance Manager	January 17

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6	<p>Income The hirer should be requested to complete an application form annually and this be authorised by the appropriate officer as determined by the scheme of delegation. The hirer should also be asked to evidence their public liability insurance certificate annually</p>	3	<p>Public Liability Insurance is held in school & updated annually. New form requested from hirer for 1st April 2017</p>	Finance Manager	April 2017

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7	<p>Payroll – additional payments The school should review the supporting documentation and authorisation process for each type of claim to ensure that each individual claim is made on a claim form signed and dated by the claimant. It should be authorised by a senior member of staff who can confirm that the details are correct and the claim is justified.</p> <p>An agreement, signed by the Head Teacher, should be put in place to confirm the individual role and higher rate paid to the teaching assistant who supervises a pupil all day.</p>	2	<p>System reviewed, Deputy Headteacher to sign cover slips</p> <p>As suggested an agreement will be placed on file.</p>	<p>Finance Manager</p> <p>Headteacher</p>	<p>April 2017</p> <p>April 2017</p>

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8	<p>Information to Governors Management should ensure that :-</p> <p>(i) More information is included in the commentary to the financial reports provided to members of the Finance Committee, such as the reasons for budget changes requiring Governors' approval, any significant changes to the expenditure/income profile and the details of contracts due for renewal in the near future,</p> <p>(ii) The financial information provided to the members of the Finance Committee is distributed in advance of the meeting (suggested one week before) so that sufficient time is available to Governors to consider the financial reports and</p>	2	Future financial reports & supporting commentary will be distributed with the agenda one week before the meeting.	Development Manager	April 2017

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	any areas requiring further clarification prior to decisions being made at the meeting.				

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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.