



FINAL INTERNAL AUDIT REPORT

EDUCATION, CARE AND HEALTH SERVICES

REVIEW OF SOUTHBOROUGH PRIMARY SCHOOL AUDIT FOR 2017-18

Issued to: Mr P Foley, Head Teacher

Cc: Mr N Cooper, Chair of Governors (final report only)
Schools Finance Team, (final report only)
Gillian Palmer, Interim Director of Education (final report only)
Ade Adetosoye, Executive Director of ECHS (final report only)

Prepared by: Principal Auditor

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REVIEW OF SOUTHBOROUGH PRIMARY SCHOOL AUDIT FOR 2017-18

INTRODUCTION

1. This report sets out the results of our systems based audit of Southborough Primary School Audit for 2017-18. The audit was carried out in quarter 4 as part of the programmed work specified in the 2017-18 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 22/01/18. The period covered by this report is from February 2017 to February 2018.

AUDIT SCOPE

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

MANAGEMENT SUMMARY

5. Internal Audit visited the school on the 27 and 28th February but due to inclement weather, suspended the testing on the second day and completed on the 15th March prior to the end of audit meeting. Controls were in place and working well in the areas of financial management, governance arrangements and for the primary accounting, voluntary funds, bank reconciliation, DBS checks, income and credit cards. However there were issues arising as follows:-
 - The expenditure process did not evidence adequate checks prior to authorisation
 - IR35 online questionnaires had not been completed to support all payments to named individuals and of the 2 that were evidenced neither were signed or dated.

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- The income collected for charities had not been banked promptly and there was an inadequate audit trail to support the retention of income to offset specific costs.
- 1/5 additional hours claim forms had an arithmetic error that had not been identified by the approving or certifying officers or when the claims were input.
- The service and provider information shown on the contracts register should be clarified and start and end dates specified in all cases. 2 suppliers were identified that should be included on the contracts register.
- The lettings policy published on the school website is for the 2015-16 lettings charges.
- There is no regular reconciliation to agree that the income declared by the online income system weekly and posted to the school account agrees to the movement on the school meals accounts. The reconciliation of all income streams for meals is completed weekly but not retained. There is no distinction between pupil meals and adult meals on the paying slip or narrative on the ledger code although VAT is payable on adult meals.
- 1/5 asset items (chrome book) selected for audit checking could not be found at the time of the audit. The asset register stated 16 chrome books at this location but only 11 were evidenced.
- The pecuniary interest forms for the Governors and the Head Teacher were not available on site for the first visit but were evidenced on the 15/3/18.

SIGNIFICANT FINDINGS (PRIORITY 1)

6. None

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

7. 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

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8. 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

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

DETAILED FINDINGS

No.	Finding	Risk	Recommendation
1	<p>From the bank history report, February 2017 to February 2018, a sample of 20 payments was selected for audit examination. The main issue arising was that the Head Teacher signs the payment advice slip but there is no authorised signature on the invoice.</p> <p>6 invoices showed no evidence of authorisation; 7 invoices had been signed by the Caretaker, 2 invoices signed by the higher teacher assistant and neither of these officers are specified on the authorised signatories list. However the school confirmed that these signatures were to confirm that the goods had been received or service delivered, not as an authorisation.</p> <p>One payment related to refurbishment works (Contractor A - £9,720). Competitive quotes had been obtained and the lowest accepted however it was noted that the invoice was less than the purchase order as the specification had been modified prior to work commencing. Good practice would suggest that revised quotes are sourced from all suppliers to confirm value for money however it is accepted that other factors such as availability and commitment would need to be considered and may impact on the decision to proceed.</p>	<p>Payments may not be made in compliance with Financial Regulations and the School's own procedures.</p>	<p>The school should review the expenditure process to ensure that all payments comply with Financial Regulations with regard to authorisation.</p> <p>The school should consider which officers are most appropriate to complete the checks on the invoice and sign to that effect, prior to authorisation.</p> <p>Compliance to Financial Regulations and waiver of these regulations should be evidenced by the Head Teacher and Chair of Governors signing to evidence the decision and an adequate audit trail.</p> <p>Priority 2</p>

DETAILED FINDINGS

No.	Finding	Risk	Recommendation
2	<p>Payments to 5 named individuals were identified on the bank history report. Of these, 2 were supported by a printed questionnaire but not dated or signed; 1 had been transferred to payroll and 2 were one off payments but should still be supported by the online self -assessment.</p>	<p>Financial penalties imposed for non compliance to HMRC IR 35 Regulations.</p>	<p>The completed online questionnaires and outcome should be dated and authorised by the Head Teacher annually.</p> <p>To ensure compliance the online assessment should be completed to support any payment to a named individual.</p> <p>Priority 2</p>

DETAILED FINDINGS

No.	Finding	Risk	Recommendation
3	<p>Audit testing identified 3 manual cheques drawn on the 18th and 19th December 2017 in respect of funds raised and payment to nominated charities. The corresponding income was posted to the bank history on the 15th January but reconciliation showed that £90 was outstanding and not banked until the 20th February and 6th March.</p> <p>Financial Regulations 11.4.1 states that <i>“all bankings must be made promptly”</i></p> <p>It was also noted that a purchase order for address labels (£34.59) had been raised on the 8th December. This value was deducted from the payment made to the charity to offset direct costs. There was no record of this undertaking on the supporting documentation. The cost had been assigned to the IT code and would rely on the SBM making a journal transfer at year end to correctly show the expenditure offsetting the donations income code.</p> <p>The income collected for charities had not been banked promptly and there was an inadequate audit trail to support the retention of income to offset specific costs.</p>	<p>Non compliance to Financial Regulations.</p> <p>Insurance limits for cash holdings breached.</p> <p>Inadequate audit trail to support financial transactions</p>	<p>All income should be banked promptly and intact.</p> <p>Supporting documentation, including orders and invoices should be annotated to allow an adequate audit trail and transparency of financial transactions.</p> <p>Priority 2</p>

DETAILED FINDINGS

No.	Finding	Risk	Recommendation
4	<p>The payroll report for November 2017 was selected for audit testing. A sample of 5 payments for additional hours was checked to the payslips.</p> <p>The claimant signs the timesheet, countersigned by the line manager that the work has been undertaken and authorised by the Head Teacher. The SBM uploads the claims to the system.</p> <p>For 1 claim checked there was an arithmetic error that had not been identified by the approving or certifying officers or when the claims were input. Although the value is minimal it indicates a lack of checking and a need for an appropriate officer to verify that the claim is arithmetically correct.</p>	<p>Incorrect payments processed through the payroll system.</p>	<p>All staff to be reminded to check any claim form before submission and all certifying and authorising officers to be aware of their role and responsibility with regard to checking documents.</p> <p>Priority 2</p>

DETAILED FINDINGS

No.	Finding	Risk	Recommendation
5	<p>The Contract Register was reported to Resources Committee on the 26/2/18. This is a comprehensive document that allows Governors to have an oversight of contractual arrangements. The service and provider columns have been transposed in some instances and end dates should be stated in all cases to allow timely consideration of service delivery. If a contract is rolled over annually the period of time since competitive tendering or market testing should be noted.</p> <p>From the bank history report payments to 24 suppliers were selected to check to the contract register. Two providers had been omitted (Contractor B and C) and should be added to the register.</p>	<p>Contractual arrangements may not be transparent.</p> <p>Governors have insufficient information to enable informed decisions regarding contractual arrangements for the school.</p>	<p>Update the contracts register with the two providers identified.</p> <p>Correct the service and provider columns and update start and end dates for all contracts. Report the original start dates for contracts that have been rolled over annually.</p> <p>Priority 3</p>
6	<p>The Lettings Policy and Charges are reviewed and approved by Governors annually but the lettings policy published on the school website is for the 2015-16 lettings charges.</p>	<p>Incorrect information displayed on a public document</p>	<p>The school should ensure that the information published on the school website is current, specifically the lettings charges.</p> <p>Priority 3</p>

DETAILED FINDINGS

No.	Finding	Risk	Recommendation
7	<p>The school receives income via the online income system, cash and cheques. The school meals income for January 2018 was tested to show that income collected was banked and posted to the ledger code. Two issues arising:-</p> <ul style="list-style-type: none"> • There is no regular reconciliation to agree that the income declared by the online income system weekly and posted to the school account agrees to the movement on the school meals accounts. • The reconciliation of all income streams for meals is completed weekly but not retained. There is no distinction between pupil meals and adult meals on the paying slip or narrative on the ledger code although VAT is payable on adult meals. 	Income due is not collected	<p>The school should evidence a sample check to reconcile the online income system invoices to the school system. The frequency of this check to be determined by the school but it is suggested termly.</p> <p>The reconciliation of income streams for school meals should be retained as supporting documentation. Income from pupil and adult meals should be specified.</p> <p>Priority 2</p>

DETAILED FINDINGS

No.	Finding	Risk	Recommendation
8	<p>The asset register is maintained on the system but evidenced a hard copy signed by the Head Teacher. The school need to confirm the security of the asset register folder and consider password protecting the document or limiting access.</p> <p>A sample of 5 items was selected from the register for a physical check on the 15/3/18; 1/5 items (chrome book) could not be located. The asset register stated 16 chrome books at this location but only 11 were evidenced.</p>	<p>Security of assets may be compromised and breached.</p> <p>Cost to the school to replace lost items.</p>	<p>The school should consider the security arrangements and back up of the asset register retained on the system.</p> <p>The school should account for the missing items.</p> <p>Priority 2</p>
9	<p>The pecuniary interest forms for the staff were checked and verified at the start of the audit however the signed declarations for the Governors and Head Teacher were not available for inspection as the forms are held by the clerk of Governors, off site.</p> <p>The pecuniary interest forms for the Governors and the Head Teacher were satisfactorily evidenced on the 15/3/18.</p>	<p>Governors/Staff may be involved in making financial and/or business decisions relating to organisations which they have a pecuniary interest without the school knowing.</p>	<p>The completed pecuniary interest forms should be retained on the school site.</p> <p>Priority 3</p>

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1	<p>The school should review the expenditure process to ensure that all payments comply with Financial Regulations with regard to authorisation.</p> <p>The school should consider which officers are most appropriate to complete the checks on the invoice and sign to that effect, prior to authorisation.</p> <p>Compliance to Financial Regulations and waiver of these regulations should be evidenced by the Head Teacher and Chair of Governors signing to evidence the decision and an adequate audit trail.</p>	2	<p>The school has already introduced the additional level of signatures with the finance officer signing to confirm that she has completed checks on the invoice and the Headteacher now authorising the invoice for payment.</p> <p>The changing of the specification was a late decision and was discussed. Should this happen in future an audit trail of evidence will be attached to the order.</p>	<p>Finance Officer and Headteacher</p> <p>Headteacher / SLT / GB</p>	<p>Immediate and ongoing</p> <p>If such a situation arose.</p>

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
2	<p>The completed online questionnaires and outcome should be dated and authorised by the Head Teacher annually.</p> <p>To ensure compliance the online assessment should be completed to support any payment to a named individual.</p>	2	<p>On line questionnaires are now being signed and dated on an as and when basis. A log of checks will be completed to ensure the toolkit questionnaire is re-done at a maximum of one year intervals for regular providers.</p> <p>The Headteacher will be asked to authorise each new check before payment is made to the individual.</p>	Headteacher/ SBM / Finance Officer	Immediate and ongoing

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
3	<p>All income should be banked promptly and intact.</p> <p>Supporting documentation, including orders and invoices should be annotated to allow an adequate audit trail and transparency of financial transactions.</p>	2	<p>All staff involved in banking monies have been reminded of the financial requirements re regular banking and the cash limit on the safe.</p> <p>The use of bi-weekly security collections to save money will be monitored in case of safe limit being reached.</p> <p>Orders/invoices will be annotated in future on the rare occasion that a journal to offset expenditure is required.</p>	<p>All office staff</p> <p>Office staff/ SBM</p> <p>SBM/Finance officer</p>	Immediate and ongoing.
4	<p>All staff to be reminded to check any claim form before submission and all certifying and authorising officers to be aware of their role and responsibility with regard to checking documents.</p>	2	<p>All staff have been reminded by email of need to check timesheets. Line managers who sign to confirm hours have been worked are asked to make second check and further checks will be made by SBM and Headteacher .</p>	<p>Individual staff/ Line Managers / SBM and Headteacher.</p>	For March 2018 claims and ongoing

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
5	<p>Update the contracts register with the two providers identified.</p> <p>Correct the service and provider columns and update start and end dates for all contracts. Report the original start dates for contracts that have been rolled over annually.</p>	3	The contracts register will be updated as recommended.	SBM	For GB Resources on 14 th May and ongoing thereafter
6	<p>The school should ensure that the information published on the school website is current, specifically the lettings charges.</p>	3	<p>The lettings charges document has been replaced on the website.</p> <p>A meeting had been arranged on 26th April 18 to review other policies on the website.</p>	SBM / Headteacher/ relevant staff re individual policies	<p>Lettings already completed.</p> <p>Other policies – Summer 2018.</p>

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
7	<p>The school should evidence a sample check to reconcile the online income system invoices to the school system. The frequency of this check to be determined by the school but it is suggested termly.</p> <p>The reconciliation of income streams for school meals should be retained as supporting documentation. Income from pupil and adult meals should be specified.</p>	2	<p>A check was completed for the week of 7 – 13 March and reconciled to amount received from parentpay. Further checks will be done towards the end of each term.</p> <p>The reconciliation regarding adult and pupils meals cash and cheque payments will now be kept as a print out when banked to show it corresponds to pay in slip.</p> <p>Individual and group school meal and galaxy accounts are accessed regularly within the income collection module. We believe this provides a regular up to date and accurate picture of debts and credits.</p>	<p>SBM</p> <p>Finance Officer / Admin Asst.</p>	<p>Initial completed – termly thereafter.</p> <p>Immediate</p>

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
8	<p>The school should consider the security arrangements and back up of the asset register retained on the system.</p> <p>The school should account for the missing items.</p>	2	<p>A copy of the asset register is stored in the safe. The document is password protected and backed up nightly. The password is stored in a sealed envelope in the safe.</p> <p>The IT coordinator (who was away on school journey at the time of the asset check) reported that there were 28 chrome books on the asset register. 25 of these were in the two cabinets and 3 in her cupboard for repair or disposal – so all accounted for.</p>	Staff will continue to update register as before.	N/A
9	<p>The completed pecuniary interest forms should be retained on the school site.</p>	3	All forms are now in school and the clerk will be asked to return promptly in future. The compiled list of interests was in school, so the school would have been aware regarding any conflict of interest.	Clerk to Governors/SBM.	Yearly on completion of forms or on appt of new staff.

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.