

Millthorpe Secondary School

City of York Council

Internal Audit Report 2014/15

Business Unit: Secondary Schools,
Headteacher: T Burton
Date Issued: 25/11/14
Status: Final
Reference: 15664/003

	P3	P2	P1
Findings	7	0	0
Overall Audit Opinion	Substantial Assurance		

Summary and Overall Conclusions

Introduction

This audit was carried out on Wednesday 8th October and Thursday 9th October 2014 as part of the Internal Audit plan for Adults, Children and Education for 2014/15.

Objectives and Scope of the Audit

The purpose of this audit is to provide advice to the Governors, Head Teacher and the Authority's Section 151 Officer about the financial management procedures and assurance that internal controls of the school are operating effectively to manage key risks, both financial and otherwise.

The audit covered the following areas in accordance with the specification issued on 16th July 2014:

- Governance;
- Financial Management;
- System Reconciliation;
- Petty Cash
- Contracts – Ordering, Purchasing and Authorisation;
- Income;
- Capital and Property;
- Additional School Activity Provision;
- Human Resources;
- Payroll;
- School Meals;
- Pupil Numbers;
- Voluntary Funds Monitoring Arrangements;
- Data Protection and Information Technology;
- Insurance and Risk Management;
- Joint Use Facilities;
- Inventory Records;
- Minibus.
- Security; and
- Safeguarding Arrangements.

Key Findings

The key findings in the audit relate to budget planning to comply with the licensed deficit, ensuring compliance with the schools purchasing procedures and ensuring the procedures for use of the minibus comply with the health & safety workplace transport compliance note CN30.

Overall Conclusions

It was found that the arrangements for managing risk were good with few weaknesses identified. An effective control environment is in operation, but there is scope for further improvement in the areas identified. Our overall opinion of the controls within the system at the time of the audit was that they provided **Substantial Assurance**

Area Reviewed: Declarations of Interests

Severity
Probability



1 Issue/ Control Weakness Risk

Declaration of business interest forms were missing for one Governor. Governors and members of staff with financial responsibilities may be in a position to influence the placing of contracts in which they have a personal interest and must therefore ensure that all significant interests are declared.

The school may be unable to fully account for purchasing decisions in the event of challenge.

Findings

The register of interests for governors was reviewed and it was found that one current governor (Chair of the Finance Committee) did not have a declaration of business interests form on file. It was noted that there was no declaration in place for this Governor for the previous year.

Recommendation

A signed declaration for the register of interests should be in place for all governors including any new governors arriving after the annual renewal date.

1.1 Agreed Action

We will obtain the declaration of this Board Member at the earliest opportunity and thereafter continue to collect them for all members of the FGB.

Priority

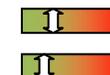
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Responsible Officer

Business Manager

Timescale

November 2014



2	Issue/ Control Weakness	Risk
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There was no evidence to confirm that the School's Financial Value Standard (SFVS) return for 2013/14 had been ratified by the Full Governing Body before being submitted the LEA. Failure to comply with DfE requirements.

Findings

The SFVS for 2013/14 was discussed and approved at the Finance & Staffing meeting 14/11/13. The return had not been presented to and ratified by the Full Governing Body.

Recommendation

The SFVS can be completed at any point in the year and therefore completion should be planned to allow approval and presentation to the Full Governing Body before the notified submission date.

2.1	Agreed Action
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We have arranged for this and subsequent year's SFVS returns to be ratified by the FGB before submission to the Local Authority. This will take place at the FGB on 10th December 2014

Priority	3
Responsible Officer	Headteacher
Timescale	10 December 2014

Area Reviewed: Budgetary Control

Severity
Probability



3 Issue/ Control Weakness Risk

The monitoring report for period 5 shows an estimated outturn in excess of the licensed deficit. Failure to achieve a balanced budget in compliance with the terms of the licensed deficit.

Findings

A licensed in year deficit had been agreed with the authority with a plan to bring the overall balance into credit by 2018/19. The 2014/15 start budget records an in year deficit of 95K and expected overall approved budget deficit of £186.5K. Period 5 monitoring shows a number of significant variances compared to the start budget mainly in relation to staffing costs resulting in a predicted additional 46.5K deficit, bringing the total expected outturn deficit to 233K. It is understood that at the next Finance Committee meeting the budget will be reviewed to identify areas where savings may be made for revised budget.

Recommendation

A plan of action should be agreed to bring the schools expected outturn within the licensed deficit. If the school cannot comply with the terms of the licensed deficit this should be discussed further with the LA.

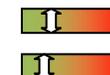
3.1 Agreed Action

We have identified savings and other revisions and produced a revised interim budget with a plan to bring the deficit within the agreed licence of £186.5k.

Priority	3
Responsible Officer	Business Manager
Timescale	Complete

Area Reviewed: Ordering, Purchasing and Authorisation

Severity
Probability



4 Issue/ Control Weakness

Risk

A significant number of purchases have been made by school staff outside official purchasing procedures.

Overspends may occur, payment may be made for goods not received, and best value may not be obtained.

Findings

A sample of ten payments were selected from the bank statement and compared to invoices orders and the accounts. It was noted that two of the ten payments from the sample selected were reimbursements to members of staff for purchases made using their own personal funds. No official school order had been raised for these purchases. The attached online order noted that delivery was to be made to the staff home address. No proof of receipt of these items was evidenced. A general review of the schools payments file identified a number of similar purchases had recently been made.

It should be highlighted that where items are purchased in this way the school does not have official title to the goods, VAT cannot be reclaimed and there is no formal authorisation for the purchase or commitment made against the budget.

Recommendation

The school should ensure that official purchasing procedures are followed. If purchases are made on-line the schools own purchasing card should be used.

4.1 Agreed Action

Staff will be reminded of the need to follow published procedures for purchasing. We will reinforce this with warnings and ultimately by withholding payment for unauthorised purchases if necessary. We will link these changes to the introduction of new Financial Management software scheduled for February 2015, which will make it easier to ensure compliance with appropriate procedures.

Priority

3

Responsible Officer

Business Manager / Bursar

Timescale

December 2014

Area Reviewed: Sickness Self Certification

Severity
Probability



5 Issue/ Control Weakness Risk

Self certification forms have not been completed for all instances of sickness absence which do not require a doctor's certificate. Failure to comply with CYC's attendance management policy.

Findings

A sample of sickness absences from a recent absence return were tested to ensure self certification certificates had been completed where necessary. In one case no self certification had been completed and in another case there was no evidence that the return to work interview had been completed.

Recommendation

On the first day of their return to work, all members of staff must be asked to sign a copy of the CYC self-certification form for any period of absence which has not been covered by a doctor's certificate. Every period of absence should be followed up by a return to work interview with the line manager/supervisor, usually on the first day of the employee's return to work.

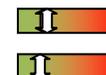
5.1 Agreed Action

We will complete the missing certification and remind staff of the importance of completing self-certification on every occasion where a medical certificate is not provided.

Priority	3
Responsible Officer	School Business Manager
Timescale	November 2014

Area Reviewed: School Fund

Severity
Probability



6 Issue/ Control Weakness Risk

The annual submission to the Charity Commission did not include all the required documents. Additionally it was noted that there was only one registered trustee for the school fund. Failure to comply with charity commission requirements and provide adequate governance arrangements for the school fund.

Findings

The school fund accounts had been audited to 31/3/14. An annual return was submitted to the Charity Commission for the accounts to 31/3/13. However, a copy of the audited accounts and annual report had not been included with this submission (which is required by the Charity Commission if the income in year is in excess of £10K).

A review of the school's charity commission registration also identified that the Headteacher is the only registered trustee and therefore has sole control of the fund.

Recommendation

The school should ensure the annual submission to the Charity Commission is in accordance with Charity commission Requirements. The trustees of the school fund should be reviewed. It is suggested that at minimum there should be three registered trustees.

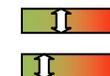
6.1 Agreed Action

We will include a copy of the audited accounts and annual report in future submissions. We will recruit an additional two trustees to the Fund.

Priority	3
Responsible Officer	Bursar
Timescale	December 2014

Area Reviewed: Minibus

Severity
Probability



7 Issue/ Control Weakness Risk

There is no log maintained of all minibus journeys to ensure all mileage is accounted for and that the minibus is only used by drivers who are authorised and have met all vetting requirements. The school may not be able to demonstrate that they have adequately fulfilled their duty of care in relation to the minibus.

Findings

There is no journey log maintained for the minibus to record individual journeys, mileage and signed by the minibus driver as required in the health & safety workplace transport compliance note CN30. A booking record is maintained for the minibus and a sample of drivers was taken from this record and checked to the file of authorised driver checks. It was found that one driver had no record of checks on file. Additionally it was noted that there was no record of an annual check of licenses being completed.

Recommendation

The school should ensure that procedures for the minibus are compliant with the health & safety compliance note CN30. In particular a log of all journeys should be maintained and an annual check of licenses for authorised drivers should be completed and evidenced. All drivers should have adequate vetting and a record of these checks should be held on file.

7.1 Agreed Action

We will establish a log of all journeys through a revised vehicle checklist to be completed by every driver for each journey. (Complete)
We will conduct an annual license check of all registered drivers.
We will update the file of authorised drivers to ensure anyone driving the minibus has been adequately checked.

Priority

3

Responsible Officer

Business Manager

Timescale

January 2015

Audit Opinions and Priorities for Actions

Audit Opinions	
<p>Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit.</p> <p>Our overall audit opinion is based on 5 grades of opinion, as set out below.</p>	
Opinion	Assessment of internal control
High Assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial Assurance	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Moderate assurance	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited Assurance	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No Assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

Priorities for Actions	
Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.

Severity

<p>Unlikely to have much impact on the integrity of the system or the effectiveness of controls</p>	<p>Over time, is likely to undermine the effectiveness of controls and/or result in reduced efficiency</p>	<p>Issue is so severe that fundamental controls within the system will not operate effectively exposing the system to catastrophic failure.</p>
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Probability

<p>Highly unlikely to occur (timescales will vary with the system being reviewed)</p>	<p>Likely to occur on a regular basis but not frequently (will vary with the system)</p>	<p>Certain to occur in the near future.</p>
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