Assurance Services for
the Public Sector

Hob Moor Federation

City of York Council

Internal Audit Report 2014/15

Business Unit: Primary Schools,
Principal: C Hindmarch
Date Issued: 29/04/15
Status: Final
Reference: 15621/003

	P1	P2	P3
Actions	**0**	**0**	**2**
Overall Audit Opinion	High Assurance		

Summary and Overall Conclusions

Introduction

This audit was carried out on Wednesday 25th February and Thursday 26th February 2015 as part of the Internal Audit plan for Children, Education & Skills for 2014/15

Objectives and Scope of the Audit

The purpose of this audit was 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 were operating effectively to manage key risks, both financial and otherwise.

The audit covered the following areas in accordance with the specification issued on 10th December 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;
- Early Years;
- Voluntary Funds Monitoring Arrangements;
- Data Protection and Information Technology;
- Insurance and Risk Management;
- Joint Use Facilities;
- Minibus;
- Inventory Records;
- Security; and
- Safeguarding Arrangements.

Key Findings

The key findings in the audit related to retaining evidence to confirm compliance with best value principals and the Councils Financial Regulations when making purchases and the maintenance and checking of inventory records.

Overall Conclusions

It was found that the arrangements for managing risk were very good. An effective control environment appeared to be in operation. Our overall opinion of the controls within the system at the time of the audit was that they provided **High Assurance**.

1 Ordering, Purchasing & Authorisation

Issue/Control Weakness	Risk
The school has purchased IT equipment through the current ICT facilities management contractor without fully evidencing that prices have been compared to other suppliers.	The school may be unable to demonstrate that its purchasing arrangements follow best value principals and comply with the Council's Financial Regulations and Contract Rules.

Findings

The school has recently purchased a number of ipads and tablets as part of an ICT upgrade (approx £12K spend) and is planning further ICT improvements. The IT equipment was purchased with set up and support through the schools current ICT facilities management contractor (Primary Technologies). Assurance was given that prices were checked to ensure they were competitive with other providers however this exercise was not clearly evidenced.

Recommendation

Significant spend (over £5K) should be subject to quotations being obtained and reviewed to ensure the best value purchasing option is chosen by the school. Evidence of quotations should be retained. If there are circumstances where the school feels they need to use a particular supplier or contractor without obtaining quotations a waiver from the Authorities Financial Regulations should be applied for before the purchase is completed or the contract let.

Agreed Action 1.1

In future we will take a print of a random selection of comparison quotes obtained and hold these on file attached to the order paperwork.

Priority	3
Responsible Officer	Federation Business Manager
Timescale	Immediate

2 Inventory

Issue/Control Weakness	Risk
Inventory records of IT equipment do not currently identify the date of purchase and the budget that funded the purchase. Additionally, there is no record of independent check of inventory items.	Income from sales may be coded to the incorrect budget, the value of equipment (and replacement strategy) may be difficult to establish, and items which are lost or stolen may not be highlighted and investigated.

Findings

An inventory of IT equipment is currently maintained by the ICT contractor, a camera inventory and an inventory of other miscellaneous equipment is maintained by the School Business Manager. It is understood that the IT equipment records have recently been transferred to the recommended CYC electronic inventory format and that some data (ie purchase dates and budget details) have not been included in the transfer. This is being followed up by the School Business Manager.

Additionally, as identified at the previous audit, there is no record of an independent check of the inventory records. It was also noted that some items of IT equipment were highlighted as in the store room for disposal but no authorisation for disposal was recorded.

Recommendation

Details of purchase dates and the budget funding the purchase should be entered onto the IT inventory record.

An annual physical check of the inventory should be completed by an officer independent of maintaining the inventory record. A record of these checks should be maintained and a copy of the inventory at the date of the last check signed by the checking officer. It should also be ensured that any disposals are authorised on a disposal notice which should be retained and items can then be removed from the inventory record.

Agreed Action 2.1

All new purchases will be added to the inventory and include the purchase date and budget funding columns on the inventory record.

When the inventory is checked again in the summer holidays a paper copy will be printed, signed by both the IT technician and the Business Manager, with a paper copy held being held on file.

Any items disposed of will be removed from the inventory and a disposal notice completed. A copy of this will be held on file.

Priority	3
Responsible Officer	Federation Business Manager
Timescale	September 2015

Audit Opinions and Priorities for Actions

Audit Opinions	
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. Our overall audit opinion is based on 5 grades of opinion, as set out below.	
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.
Reasonable 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.

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