

# Huntington School

## City of York Council

### Internal Audit Report 2015/16

Business Unit: Secondary Schools,  
Headteacher: J Tomsett  
Date Issued: 06/01/16  
Status: Final  
Reference: 15660/005

	P1	P2	P3
<b>Actions</b>	<b>0</b>	<b>0</b>	<b>7</b>
<b>Overall Audit Opinion</b>	Substantial Assurance		

# Summary and Overall Conclusions

## Introduction

This audit was carried out on Wednesday 11th November and Thursday 12th November 2015 as part of the Internal Audit plan for Education, Skills and Children's Services for 2015/16

## 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 July 2015:

- 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 related to ensuring the schools procurement guidance is compliant with the Council's Financial Regulations, ensuring there is adequate separation of duties on PS Financials purchasing system, notification of order terms and conditions to suppliers, evidencing review of services purchased by the school, xxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxxxx.

## 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**

# 1 Finance Management Policy

## Issue/Control Weakness

The schools procurement rules as stated in the school's Financial Management Policy are not in line with the Councils Contract Procedure Rules.

## Risk

Failure to comply with the Council's Financial Regulations for Procurement.

## Findings

Governors can agree thresholds to be applied for obtaining quotations and tenders however these thresholds must be within those required by the Local Authority and procedures applied must comply with the Local Authority framework. The thresholds and procurement requirements stated in the school's Financial Management Policy did not comply with this framework. In particular the school required only verbal quotations for procurements between 5K and 30K whereas the Council's Contract Procedure Rules require written quotations for all procurement 5K to 100K, and tenders in excess of 100k (up to the European threshold where Public Contracts Regulations apply).

## Recommendation

The school's Financial Management Policy should be revised to ensure compliance with the Councils Contract Procedure Rules (updated January 15).

## Agreed Action 1.1

An updated CYC policy has been sought. The Financial Management Policy will be updated accordingly and amendments taken to the next Finance Committee meeting for adoption.

**Priority**

3

**Responsible Officer**

Finance Director

**Timescale**

31.03.16

## 2 PS Financials

### Issue/Control Weakness

The Finance Manager was the only administrator for PS Financials and had access to complete all stages on the purchasing system.

### Risk

There is inadequate separation of duties on the purchasing system and in the absence of the administrator the school may be unable to raise orders or authorise payment.

### Findings

A number of officers including the Finance Manager could raise an order through PS Financials. The only officer with the facility to authorise an order was the Finance Manager who was also the systems sole administrator. At the time of audit the system was set so that goods received was automatically recorded for all authorised orders (although a manual system of confirming goods received was still in place when an invoice was received). The Finance Manager could therefore complete all stages of purchasing on PS Financials (with no separation of duties) and in his absence no purchasing could be completed.

### Recommendation

It is recommended that any officer who has the facility to authorise orders on PS Financials does not also have the facility to raise an order on the system. The school should also consider giving an additional officer the facility to authorise orders and to appoint a second administrator in case of the absence of the Finance Manager. This administrator should not be involved in the day to day operation of the purchasing system.

### Agreed Action 2.1

Rights in PSF will be changed accordingly.

**Priority**

3

**Responsible Officer**

Finance Director

**Timescale**

31.12.15

### 3 Order Conditions

#### Issue/Control Weakness

There were no terms and conditions attached to orders raised through PS Financials.

#### Risk

Suppliers could impose onerous terms and conditions on the school.

#### Findings

It was noted that suppliers and contractors used by the school were not made aware of the Council's terms and conditions when an order was raised.

#### Recommendation

Orders raised through PS Financials must include the Council's terms and conditions. These could be made available via a link or a copy forwarded to suppliers and referenced on the order.

#### Agreed Action 3.1

Terms & Conditions will be added to purchase orders.

**Priority**

3

**Responsible Officer**

Finance Director

**Timescale**

31.03.16

## 4 Vending Income

### Issue/Control Weakness

The income and expenditure for the vending machine was not monitored.

### Risk

Stock items or income may not be fully accounted for.

### Findings

The vending machine does not record the total of income collected however, a manual record of income banked was maintained and recorded on PS Financials. Items for the vending machine were purchased directly to replenish the supply. No stock was kept on hand. There was no reconciliation between income collected and expenditure on stock to ensure costs were being covered and that there were no unexplained variances.

### Recommendation

Income and expenditure for the vending machine should be monitored to ensure costs are covered and there are no unexplained variances.

### Agreed Action 4.1

Cash will be verified on emptying of the machine by the Finance Assistant. A stock take will be completed on emptying to reconcile takings.

**Priority**

3

**Responsible Officer**

Community Sport  
Manager

**Timescale**

31.12.15

## 5 Contract Review

### Issue/Control Weakness

There was no evidence that all service contracts and other continuing arrangements were market tested or re-tendered where necessary.

### Risk

Best value may not be obtained on services bought in by the school.

### Findings

There was no complete record of all service contracts and current service agreements. A number of contracts had recently been tendered however there was no evidence that arrangements were kept under review and re-tendered where appropriate. Arrangements for a sample of services were reviewed and it was noted that there was no contract in place for grounds maintenance work or evidence of market testing of this service.

### Recommendation

It is recommended that the school maintains a consolidated schedule of ongoing contracts and service agreements. This should be reviewed on an annual basis to ensure the services are still appropriate for the school and any required procurement or market testing exercise is planned and completed. A pro-forma contract review schedule has been sent to the school. It is recommended that the schedule of contracts is presented to Governors annually and used to evidenced review.

### Agreed Action 5.1

A manual contracts schedule will be implemented. In the longer term an asset management system will be procured with an electronic contracts schedule.

**Priority**

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**Responsible Officer**

Finance Director

**Timescale**

31.12.15



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**Issue/Control Weakness**

**Risk**

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**Findings**

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**Recommendation**

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**Agreed Action 6.1**

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**Priority**

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**Responsible Officer**

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**Timescale**

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**Issue/Control Weakness**

**Risk**

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**Findings**

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**Recommendation**

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**Agreed Action 7.1**

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**Priority**

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**Responsible Officer**

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**Timescale**

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# 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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