

New Earswick Primary School
City of York Council
Internal Audit Report 2013/14

Business Unit: Primary Schools,
Headteacher: C Dickson
Date Issued: 07/07/14
Status: Final
Reference: 15627/002.bf

	P3	P2	P1
Findings	6	1	0
Overall Audit Opinion	Substantial Assurance		

Summary and Overall Conclusions

Introduction

This audit was carried out on Monday 3rd March and Tuesday 4th March 2014 as part of the Internal Audit plan for Adults, Children and Education for 2013/14.

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 10th February 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 related to completion of declaration of interests by all Governors, VAT coding, evidencing review of contractual arrangements, laptop encryption and XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX..

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: Register of Interests

Severity
Probability



1 Issue/ Control Weakness

Risk

Declarations of interest for the current year were not on file for two current Governors. 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 had been renewed October 2013, but it was noted that a declaration was not on file for two Governors.

Recommendation

The school should ensure that all Governors have completed a declaration of interests form and that this declaration is renewed on an annual basis.

1.1 Agreed Action

Declarations have been received from the Governance Service Clerk. A request has been made that every year they are sent to the school.

Priority

3

Responsible Officer

School Business Manager

Timescale

30 April 2014

2 Issue/ Control Weakness Risk

Income belonging to the school budget account is not paid directly into the schools bank but via the school fund account. BAFS income may not be promptly and correctly accounted for.

Findings

To facilitate regular banking the school uses the school fund bank account as a holding account for BAFS income prior to transfer by cheque into the BAFS account. Therefore the main income streams into the school fund are dinner money After School Club and Breakfast Club income which are not school fund items.

Recommendation

It is suggested that a general review of the location of bank accounts held by the school is undertaken. Consideration should be given to moving the BAFS bank account to a more convenient bank on the approved bank account list to facilitate the paying in of cash.

2.1 Agreed Action

Information is currently being obtained on cash collection services (the local post office has now closed).

Priority	3
Responsible Officer	School Business Manager
Timescale	31 August 2014

3	Issue/ Control Weakness	Risk
	For some lettings income collected the incorrect VAT code has been used.	HM Revenue & Customs may penalise the school for failing to account for VAT correctly.

Findings
Non vatable lettings income has been coded as outside scope (code 1) but is an exempt supply (code 2).

Recommendation
It is recommended that CYC VAT checker and VAT guidance is used to check VAT coding. The school should contact the Councils VAT officer to establish whether an adjustment is required to correct the VAT error.

3.1 Agreed Action

This income will be VAT coded correctly in future. An e-mail has been sent to CYC regarding any adjustment required.

Priority	3
Responsible Officer	School Business Manager
Timescale	30 April 2014

Area Reviewed: Joint Use Agreements

Severity 
Probability 

4 Issue/ Control Weakness Risk

There is no signed agreement in place with the library. Disputes may occur over the terms and conditions of the agreement and costs may be incurred by the school.

Findings

The library is situated on the same site as the school. A draft agreement is in place which was discussed and agreed in 2012 but was not subsequently signed. Income is collected in accordance with the draft agreement.

Recommendation

It is recommended that an agreement should be in place between the school and the Library setting out the relative responsibilities of the school and the library and arrangements for apportionment of costs.

4.1 Agreed Action

A Service Level Agreement has finally been received. An agreement from the Library should be received shortly.

Priority	3
Responsible Officer	School Business Manager
Timescale	30 September 2014

5 Issue/ Control Weakness Risk

There is no assurance that contractual arrangements at the school are reviewed on an annual basis. Failure to achieve best value at the school and ensure compliance with the Councils Financial Regulations and Contract Procedure Rules.

Findings

Schools should review their contractual arrangements on an annual basis to ensure the contracts are still relevant, are achieving best value and have been retendered where applicable in accordance with the Councils Contract Procedure Rules. There was no evidence that all contractual arrangements had been reviewed or consolidated record of these arrangements with costs and review dates maintained.

Recommendation

It is recommended that a consolidated register of contracts and associated costs is maintained and used to evidence review.

5.1 Agreed Action

A pro-forma register of contracts has been received from the auditor. This will be completed to enable review by Governors on an annual basis.

Priority	3
Responsible Officer	School Business Manager
Timescale	31 March 2015

6 Issue/ Control Weakness Risk

The school may be holding unencrypted personal data on data storage devices which may be vulnerable to being lost or stolen. Statutory requirements may be breached. The ICO has powers to levy fines of up to £500,000 for the most serious breaches of the data protection act.

Findings

The school confirmed that staff laptops are encrypted but encryption has not yet been applied to the Headteachers laptop.

Recommendation

Personal data should not be held on any unencrypted storage media (including laptops).The school should ensure that all laptops, memory sticks and any other data storage devices that may be used to hold personal data are encrypted.

6.1 Agreed Action

The Headteacher’s laptop is the only one not encrypted. Encryption will be completed by the summer holidays.

Priority	2
Responsible Officer	School Business Manager
Timescale	31 August 2014

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

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

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