

**Danesgate Community
City of York Council
Internal Audit Report 2013/14**

Business Unit: Adults, Children & Education,
Headteacher: T Head
Date Issued: 15/10/14
Status: Final
Reference: 15682/001

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

Summary and Overall Conclusions

Introduction

This audit was carried out on Thursday 13th February and Friday 14th February 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 3rd December 2013:

- 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 approval of policies, budget monitoring reporting, letting of contracts, the administration of petty cash, recording and banking of school meals income and compliance with Health & Safety requirements for the hired minibus.

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 Issue/ Control Weakness Risk

All policies adopted by Danesgate have not been ratified by the Full Management Committee. Additionally, some statutory policies required to be held were not in place. Legal requirements may not be met or an incorrect version of a policy may be in use which may not be in line with current legal and Governor approved requirements.

Findings

A sample of policies was requested for the audit. These included the Budget Management Policy and Safeguarding Policy. These policies had been reviewed by the appropriate committee however the reviewed policies had not then been ratified at Full Management Committee and signed off by the Chair of Governors before being adopted. It was also noted that statutory policies such as a Charging Policy and a Publication Scheme (and associated schedule) were not in place at the time of the audit.

Recommendation

All statutory policies should be in place including a Charging Policy and Publication Scheme. It is suggested that the Danesgate review the policies currently in place against the latest list of statutory policies for schools (and PRU's) published on the DfE website. Approval of policies should be formally recorded in the minutes of the Full Management Committee before being signed by the Chair.

1.1 Agreed Action

The recommendation will be actioned.	Priority	3
	Responsible Officer	Headteacher & Chair of Man Committee
	Timescale	Sept 2014 FMC

2 Issue/ Control Weakness Risk

Reporting of the expected financial outturn against the budget has not been in a form where predicted under and overspends on each budget code are clearly shown and the effect of spending decisions can be effectively monitored. Failure to effectively manage the budget.

Findings

The budget for the PRU was not approved until November 2013 mainly due to delays in clarifying funding and costs to be included in the budget (a lack of communication on this was acknowledged by LA). At the time of the audit there were still discussion taking place with the LA on all costs to be included and the level of deficit approval. There was therefore no monitoring report produced until period 9 in January 2014 (although spend had been reported and areas where savings could be made identified and appropriate action taken). The monitoring report however cannot be used to clearly monitor the outturn for either the PRU or outreach because outreach income has been included but a budget or expected outturn for outreach expenditure has not (only actual outreach expenditure to date) . This should be addressed for the 2014/15 start budget.

It is suggested an approved budget and expected outturn for the outreach service is entered on RM and that costs belonging to outreach are identified separately. For clarity the overall outturn against the budget for outreach and PRU should be reported separately to Governors at each meeting.

Recommendation

An approved budget and expected outturn for the outreach service is entered on RM and costs belonging to outreach and PRU should be identified separately on the monitoring report. It is suggested that for clarity the overall outturn against the budget for outreach and PRU should be reported separately to Governors at each meeting.

2.1 Agreed Action

The recommendation will be actioned.

Priority	3
Responsible Officer	Principal Accountant (LA) Bursar (SBS) School Business Manager
Timescale	31 May 2014

Area Reviewed: Petty Cash

Severity
Probability



3 Issue/ Control Weakness

Risk

An imprest system is not used for the control of petty cash and balances held can be considerably in excess of recommended levels.

Petty cash may be poorly controlled and discrepancies in petty cash balances may not be promptly identified.

Findings

An imprest system is not used at Danesgate and an official petty cash book is not maintained. Petty cash is topped up by cashing a cheque from the BAFS account for up to £500. At the time of the audit £186.95 was held separately in the safe and £84.05 in the petty cash tin. For the financial year to date £1900 in total had been transferred from BAFS to petty cash and £1629 spent. It is understood that there may be a higher requirement for the use of petty cash than would be the case in schools. However it is felt that the balance held could be reduced and any discrepancies more easily identified if, rather than having a fluctuating balance, an appropriate level was set and the petty cash topped up to this level at each reimbursement. Guidance on petty cash and the operation of an imprest system is available on the Council's website/portal.

It was also noted that reimbursements are often claimed back covering several receipts at a time and these may be for amounts considerably in excess of the recommended spend (eg over £66 had been claimed in one reimbursement). The practice of purchasing stamps via petty cash had however been stopped and purchases are now made through the normal purchasing system from Viking.

Recommendation

It is recommended that an appropriate level for petty cash held at Danesgate is set and imprest system is used; a CYC petty cash book can be obtained to facilitate the use of an imprest system to record and reimburse petty cash.

3.1 Agreed Action

The recommendation will be actioned.

Priority

3

Responsible Officer

School Business Manager

Timescale

31May 2014

Area Reviewed: Contract - Ordering, Purchasing & Authorisation

Severity
Probability



4 Issue/ Control Weakness Risk

A contract has been let without three quotations being obtained as required by the Council's Financial Regulations and Contract Rules. Failure to comply with the Council's Financial Regulations and Contract Rules.

Findings

The cleaning contract has recently been re-let and although at least three contractors were asked to provide quotes only two were received. The Council's regulations require that three quotations are required for contracts over 5K in value unless a waiver is applied for and approved.

Recommendation

It should be ensured that all contracts are let in accordance the Council's Financial Regulations and Contract Rules. If there are particular circumstances where there will be a failure to comply a formal waiver should be requested from the Council and approval obtained prior to letting the contract.

4.1 Agreed Action

The recommendation will be actioned.

Priority	3
Responsible Officer	School Business Manager Headteacher
Timescale	Immediate

5 Issue/ Control Weakness Risk

The audit trail between income received for school meals and income banked is not clear. All income due may not be collected or fully accounted for.

Findings

The PRU has a non-standard arrangement due to the nature of the service provision. A Cafeteria system in place at Danesgate where meals are paid for in advance to the school. The pupils of primary age receive their meals from Westfield Primary. Danesgate is invoiced by their service provider for the meals taken. Meals for the children attending the unit at Tang Hall are invoiced by Tang Hall School. Meals taken and income collected is recorded but a standard electronic register is not used and the cross reference between income taken and bankings is not clear. It could therefore not be confirmed that all income collected is banked and accounted for.

Recommendation

It is suggested that Danesgate change to the recommended electronic register system for the recording of school meals and income collected. This should facilitate the administration of the school meals system and ensure there is a clear audit trail between income collected and bankings.

5.1 Agreed Action

The recommendation will be actioned.

Priority	3
Responsible Officer	School Business Manager Bursar (SBS)
Timescale	30 November 2014

Area Reviewed: Inventory

Severity
Probability



6 Issue/ Control Weakness

Risk

The annual check of the inventory records is not adequately evidenced and inventory records were not fully complete.

Adequate inventory controls may not be in place and items which are lost or misappropriated may not be highlighted and investigated.

Findings

Assurance was given that the inventory record is physically checked on an annual basis, however this was not adequately evidenced. Additionally, it was highlighted that not all leased equipment (eg photocopiers) was recorded on the inventory record and the source of funding was not noted (to ensure any income on disposal is accounted for correctly).

Recommendation

A copy of the verified inventory should be signed and dated by the checking officer (who should be independent of maintaining the inventory record) and held on file. A log of all annual checks should also be maintained recording the date and the name of the officer completing the check. Additionally all leased items should be recorded on the inventory record and the source of funding noted.

6.1 Agreed Action

The recommendation will be actioned.

Priority

3

Responsible Officer

School Business Manager
Admin Officer

Timescale

30 November 2014

7 Issue/ Control Weakness Risk

There is no documented annual check on licenses and MiDAS or other suitable training is not documented for all staff that drive the hired minibus. Failure to comply with City of York Health & Safety requirements (compliance note CN30) for driving a minibus.

Findings

Copies of driving licences were held on file for authorised drivers of the hired minibus, however there was no record of when these were last checked. Additionally, only one driver had a record of MIDAS training on file.

Recommendation

Danesgate should ensure compliance with Health & Safety requirements for driving a minibus (compliance not CN30). MIDAS or other suitable training should be completed by all drivers of the minibus and evidenced on file. Additionally, an annual check of licences should be completed. Copies of licences should be renewed on file and the copies dated to evidence this check. Drivers should also be made aware of the requirement to disclose any changes to their licence.

7.1 Agreed Action

The recommendation will be actioned.

Priority	3
Responsible Officer	School Business Manager
Timescale	31 July 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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