

Ralph Butterfield Primary School

City of York Council

Internal Audit Report 2013/14

Business Unit: Primary Schools,
Headteacher: A Mitchell
Date Issued: 15/10/14
Status: Final
Reference: 15633/002.bf

	P3	P2	P1
Findings	7	1	0
Overall Audit Opinion	Substantial Assurance		

Summary and Overall Conclusions

Introduction

This audit was carried out on Monday 10th March and Tuesday 11th 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 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 completion of the register of interests, renewal of lettings agreements, arrangements for banking cash income, school fund accounting records, security of data held on portable data storage devices and independent check of inventory records.

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

Signed copies of committee minutes are not held at the school.

Minutes held at the school and available for inspection, may be inaccurate and not reflect the discussion and agreed actions at committee.

Findings

The minutes of the Finance & Staffing Committee and the Full Governing Body for the last 12 months were reviewed. It was noted that although it was clear that at each meeting the previous meetings minutes were agreed as a true and accurate record, a signed copy was not held at the school for inspection.

Recommendation

Signed copies of all committee minutes should be held at the school.

1.1 Agreed Action

Going forward signed copies of minutes will be held at the school.

Priority	3
Responsible Officer	School Business Manager
Timescale	1 September 2014

2 Issue/ Control Weakness Risk

Some declarations of interest completed by Governors were incomplete. The school may be unable to fully account for purchasing decisions in the event of challenge.

Findings

The register of interests for Governors was inspected and it was noted that in several cases declarations were not dated or did not identify the name of the company in which the Governor had an interest. 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.

Recommendation

The Governors register of interests should be completed to clearly record the name of the company in which the Governor has an interest. All declarations should be signed and dated to confirm that they are current.

2.1 Agreed Action

From Sept 14 the new form will be used for declarations of interest, All Governors will complete the form at the first FGB meeting of the academic year and the Clerk will check that the declarations are filled in correctly to include names of companies and are signed and dated.

Priority	3
Responsible Officer	School Business Manager
Timescale	30 October 2014

3 Issue/ Control Weakness Risk

The SFVS for 2012/13 was not minuted as formally signed off by the Full Governing Body. Failure to fully comply with DfE requirements.

Findings

Discussion of the SFVS 2012/13 was evidenced in the minutes of the Finance Committee but the authorised return was submitted to the authority after the due date. Formal approval of the SFVS had not been recorded in the Governors minutes. Although the Governing Body or Management Committee can delegate consideration of the SFVS questions to the Finance or other relevant committee, it is a requirement that a detailed report be provided to the Full Governing Body for approval and that the Chair of governors signs the completed return.

Recommendation

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

3.1 Agreed Action

It will be ensured that the SFVS for 13/14 is approved by the Full Governing Body and signed off by the deadline (31/1/15). The school has always ensured that all required documents are returned ahead of deadlines.

Priority	3
Responsible Officer	Chair of Governors
Timescale	31 January 2015

Area Reviewed: Lettings

Severity
Probability



4 Issue/ Control Weakness Risk

Lettings agreements for regular lettings had not been renewed, some overdue charges had not been chased up and the adequacy of the public liability insurance held by groups using the school had not been confirmed. All income due may not be collected and costs may be incurred through insurance claims or through disputes relating to the conditions of the let.

Findings

The school has two regular lettings for karate and football. Booking forms for these lettings had not been renewed for some time (the booking forms on file were over three years old). Invoices for lettings charges raised in December and January were still outstanding and had not been chased up at the time of the audit.

Recommendation

Booking forms should be renewed at least on an annual basis. All overdue lettings charges should be chased promptly.

4.1 Agreed Action

1. Booking/hire forms have been sent out for football and karate and have already been returned. The karate club has however not used the hall regularly until the last year. The previous audit did not reveal need for annual review.
2. Unpaid invoices will be chased up

Priority

3

Responsible Officer

School Business Manager

Timescale

Actioned

5 Issue/ Control Weakness Risk

A catering bank account is operated which is not subject to regular reconciliation or independent check as a charitable school fund account or school budget account. School meals income may not be promptly accounted for and discrepancies in the accounts or at the bank may not be promptly highlighted and investigated.

Findings

The school produces its own school meals and pays all school meals income into a catering bank account at a local bank (HSBC) used as a holding account for income prior to transfer by cheque into the BAFS account (Yorkshire Bank) which is run as a cashless system. The financial position for the catering operation is regularly monitored and reported. It was noted however, that there is no bank reconciliation or annual independent check completed for the catering account. The balance of the catering account at the time of the audit was in the region of 8K.

Recommendation

It is suggested that a general review of the location of bank accounts held by the school is undertaken. Consideration could be given to moving the BAFS bank account to a more convenient local bank to facilitate the paying in of cash or designating the current catering bank account an additional BAFS account which could then be accounted for with the school bank (and therefore subject to regular bank reconciliation and independent check).

5.1 Agreed Action

1. The School Secretary, is now carrying out a bank reconciliation on the catering account which is signed off by the Headteacher.
2. .In the light of the new school financial management system which is due to take over RM, we are proposing to set up two BAFS accounts, (one of which will be for the catering) and this would be incorporated on that system.

Priority	3
Responsible Officer	Headteacher
Timescale	31 October 2014

6 Issue/ Control Weakness Risk

The school fund accounts were not up to date and bank reconciliations had not been regularly completed.

The financial position of the school fund may not be clear and discrepancies in the accounts or at the bank may not be promptly highlighted and investigated.

Findings

The school fund accounts were found to be complete to the end of January 2014. Transactions after this date had not been entered in the accounts The last bank reconciliation on file had been completed in October 2013.

Recommendation

The school fund accounts should be brought up to date and the balance of the school fund account should be reconciled to the balance at the bank on a regular basis (ideally on receipt of every bank statement). It is suggested that the reconciliations are signed as checked by an independent officer.

6.1 Agreed Action

1. The school fund is now up to date
2. The School Secretary will do reconciliations monthly and ensure transactions are input onto RM on a monthly basis.

Priority	3
Responsible Officer	School Secretary
Timescale	31 May 2014

Area Reviewed: Data Security

Severity
Probability



7 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 back up discs are encrypted. However personal data could also be downloaded other storage devices such as laptops and memory sticks which are unencrypted and may be vulnerable to being lost or stolen.

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.

7.1 Agreed Action

1. Laptops are not taken off site
2. It will be ensured that all staff are aware that personal data must not be put on unencrypted computer / USB sticks and no laptop containing personal data should be taken off site
3. Funding for the encryption of laptops will be considered within the budget process
4. Encrypted data sticks will be purchased for each teaching member of staff

Priority

2

Responsible Officer

School Business Manager

Timescale

30 June 2014



8 Issue/ Control Weakness Risk

An independent check of the inventory records has not been evidenced. Adequate inventory controls may not be in place and items which are lost or misappropriated may not be highlighted and investigated.

Findings

The school maintains an electronic inventory record. There is no evidence that this record has been checked annually by an officer independent of maintaining the record.

Recommendation

An annual check of the inventory should be completed by an officer independent of maintaining the inventory record. A copy of the verified inventory should be signed and dated by the checking officer 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.

8.1 Agreed Action

1. In the FGB minutes it states that a Governor will be checking the inventory records from 2014
2. The annual check was done as matter of course by member of admin team but was not evidence by an actual signature. We will ensure that the person checking the inventory validates the check by signature and date.

Priority

3

Responsible Officer

Governors

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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