

**Joseph Rowntree Secondary School**  
**City of York Council**  
**Internal Audit Report 2013/14**

Business Unit: Secondary Schools,  
Headteacher: R Crane  
Date Issued: 20/01/15  
Status: Final  
Reference: 15661/005

	P3	P2	P1
Findings	9	0	0
Overall Audit Opinion	Substantial Assurance		

# Summary and Overall Conclusions

## Introduction

This audit was carried out on Tuesday 28th June and Wednesday 29th January 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 consists of a “health check” incorporating, a follow up of agreed actions from the last report, a review of any significant changes in finance and governance systems since the last audit, and some limited testing covering the areas below:

- Governance;
- Financial Management;
- System Reconciliation;
- Contracts – Ordering, Purchasing and Authorisation;
- Income;
- Capital and Property;
- Human Resources;
- Payroll;
- School Meals; and
- Security.

## Key Findings

The key findings in the audit relate to improvement of financial monitoring procedures, follow up of overdue invoiced lettings and evidencing the completion of recruitment checks.

## 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 five current Governors. Declarations of interests for staff with financial responsibilities had not been renewed. 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 at the September 2013 FGB meeting but it was noted that a declaration was not on file for three Governors taking up office after this meeting and for two governors who did not attend the September meeting. Additionally, the register of interests for staff with financial responsibilities completed in October 2012 had not been renewed for the current year.

#### Recommendation

The school should ensure that all Governors and those staff with financial responsibilities (in particular those staff who can sign orders and influence purchasing decisions) have completed a declaration of interests form and that this declaration is renewed on an annual basis.

#### 1.1 Agreed Action

At the start of all Governor's meetings the Governors are asked if they have any interests to declare and all have now completed a Pecuniary Interest Form. We have requested copies for our records. All Staff with financial responsibility have now completed a Pecuniary Interest Form and we will be updating this at the start of the Financial Year and when new staff join the school.

<b>Priority</b>	3
<b>Responsible Officer</b>	Headteacher
<b>Timescale</b>	Complete

## Area Reviewed: Financial Management

Severity  
Probability



### 2 Issue/ Control Weakness Risk

Failure to promptly identify and address the effect of in year spending decisions and under budgeting on the financial outturn at the school has led to a significant overspend against the original start budget. Failure to effectively manage the budget.

### Findings

During the financial period 3 to period 7, although actual variances against budget codes were reported to Governors, no monitoring report was produced to show the predicted effect of variances on the final outturn. At this time the Schools Finance Manager was absent due to sickness. A full monitoring report was subsequently produced with support from the authority and presented to the FGB 25/11/13 which highlighted significant predicted overspends and a change in the revenue deficit outturn from 32K to 105K. The main overspends related to additional staff appointments and contracted hours, agency cover for sickness and under budgeting for repairs and maintenance works. A number of other areas also appeared to be underfunded compared to previous years spend. These had not been identified when setting the budget nor had the effect of additional unfunded staffing spend been fully considered. Although concern was raised over the budget position at the November meeting, there was little minuted discussion of actual variances, how these had occurred and how they could be addressed. At the following FGB meeting held 20/1/14 a revised budget was presented and a plan for staff restructure was discussed which should result in cost savings in 2014/15. A deficit recovery plan was being put together for submission to the Authority.

During the audit concerns over high spend in some areas such as staff hospitality and MSA free meals (highlighted in the previous audit) and the cost of printing were raised and assurance was given that appropriate action was being taken in these areas.

### Recommendation

More rigorous monitoring of the schools finances is advised with monthly monitoring reports produced to clearly show effect of variances on expected outturn. Discussion of variances should be evidenced in the Governors minutes and prompt action taken to address significant overspends. When setting the start budget significant under budgeting on expenditure codes compared to previous years outturn should be challenged before approval of the budget. Spending decisions through the year should not be made without full consideration of the effect on the budget. In particular changes to staff structure and additional hours which may result in overspends should be approved by the FGB.

### 2.1 Agreed Action

Monthly monitoring reports are submitted to CYC. Regular reports are submitted to the Head and Deputy Head Teachers to highlight any variances. Reports are sent to Governor's, regular meetings take place with the Chair of the Finance and

**Priority**

3

**Responsible Officer**

Headteacher

Premises Committee .and there are fortnightly finance meetings with Head, Deputy and Finance Staff.

No purchases are made without purchase orders and regular emails are sent to staff on ordering procedures and budget constraints.

**Timescale**

Complete

## Area Reviewed: Benchmarking

Severity  
Probability



### 3 Issue/ Control Weakness Risk

There has been no recent financial benchmarking exercise at the school. Spend may not be effectively targeted, savings may not be identified, and value for money may not be achieved.

#### Findings

Completion of financial benchmarking was identified in the schools Financial Value Standard for 2012/13 as not having been completed. There has been no recent benchmarking or comparative exercise to identify whether there are particular areas of spend where the school may be challenged and could potentially make savings.

#### Recommendation

A financial benchmarking exercise should be completed for the school. The results should be presented to the Governors.

### 3.1 Agreed Action

This will be a priority once the School has a new Business Manager in place.

<b>Priority</b>	3
<b>Responsible Officer</b>	School Business Manager
<b>Timescale</b>	30 April 2015

## Area Reviewed: Systems Reconciliation

Severity  
Probability



### 4 Issue/ Control Weakness Risk

Bank reconciliations have not been sent in to Schools Business Support and a formal cash flow analysis has not been completed

The authority is not aware of the position of the schools bank account and cash flow situation and the account may become overdrawn.

#### Findings

Regular monthly bank reconciliations had been completed at the school but had not been submitted to the authority as required on a monthly basis. It was noted that two cash advances had been received from the authority at the time of the audit and a third was due to be requested. Where the school is in a deficit position it is usual for a cash flow statement to be produced for each financial period with the budget monitoring report in order to facilitate the management of the bank account. A cash flow statement had not been produced.

#### Recommendation

The school should consider using the cash flow statement to facilitate the management of the bank account. Instructions for cash flow monitoring can be obtained from the Schools Business Support Team.

### 4.1 Agreed Action

Bank reconciliations are submitted monthly to CYC. They had not been completed due to staff absence.

Priority

3

Responsible Officer

Finance Manager

Timescale

Complete

**5 Issue/ Control Weakness Risk**

There are a number of lettings invoices that are significantly overdue for payment. Additionally, some lettings agreements are out of date and copies of public liability insurance held on file have not been renewed. All income due may not be collected and the school may incur costs through insurance claims or disputes.

**Findings**

At the time of the audit the value of invoices raised prior to October 2013 and still outstanding was in the region of £17K with £4.5K of charges outstanding in excess of 6 months. Follow up letters had recently been issued. It is understood that outstanding invoices had not previously been chased due to the absence of the School's Finance Manager.

A sample of recent lettings were reviewed and it was found that for the long term lettings, in all but one case, confirmation of public liability Insurance cover held on file was not current and the lettings agreement was out of date (over 12 months old).

**Recommendation**

The school should ensure outstanding charges are chased up promptly. If the school has chased the debt but has not been able to collect, consideration can be given to passing these debts to the authority to collect on behalf of the school.

Lettings agreements for long term lettings should be renewed at least annually. The school should also ensure that the adequacy of public liability insurance is confirmed by having an up to date copy of the insurance certificate on file.

**5.1 Agreed Action**

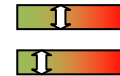
The control/running of the lettings has now been passed back to Finance and is now being run efficiently and with tighter controls in place.

<b>Priority</b>	3
<b>Responsible Officer</b>	Finance Manager
<b>Timescale</b>	Complete



## Area Reviewed: Contracts

Severity  
Probability



6	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. It was recommended in the 2011/12 audit that a consolidated register of contracts and associated costs was completed which could be used for contract review and to ensure that contract costs are accounted for when setting the budgets. This has not been completed.

### Recommendation

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

### 6.1 Agreed Action

As of the 1<sup>st</sup> April 2015 all contracts will be controlled by CYC through their SLA.

Priority	3
Responsible Officer	Headteacher
Timescale	1 <sup>st</sup> April 2015



**7 Issue/ Control Weakness Risk**

For new starters insufficient evidence may be held on file to confirm that adequate pre-employment checks have been completed.

Inappropriate staff may be employed at the school. If the school is unable to demonstrate compliance with section 8 of the Asylum and Immigration Act 1996 this may result in fines of up to £10,000.

**Findings**

The personal files for a sample of new starters were reviewed to confirm the completion of the required pre-employment checks. In two cases insufficient evidence was held on file to confirm the right to work in the UK. Additionally, although it was noted that teaching qualifications had been checked at interview, copies were not held on file.

**Recommendation**

Evidence used to confirm the right to work in the UK should be in accordance with the official Home Office guidance and copies of documents used should be retained on file. Where this is a passport it should be ensured that the front cover is also copied. Additionally, copies of relevant qualifications for the post should be taken and held on file.

**7.1 Agreed Action**

There has been a complete overhaul of the personnel files and tighter systems are now in place and all new starters are held on a Single Central Record and cross checks are performed.

<b>Priority</b>	3
<b>Responsible Officer</b>	Headteacher
<b>Timescale</b>	Complete

## Area Reviewed: Freedom of Information

Severity  
Probability



### 8 Issue/ Control Weakness Risk

The Publication Scheme adopted by the school does not include the separate guide to information schedule (detailing what information is available and how it can be obtained).

The school may not be complying fully with the requirements under the Data Protection Act (DPA), Environmental Regulations (EIR) and Freedom of Information Act (FOIA) and statutory requirements may be breached.

#### Findings

The school has adopted the Information Commissioners Model Publication Scheme however the separate guide to information schedule, (which details where information relating to the school can be obtained and any related charges), has not been attached or made available to parents.

#### Recommendation

The Information Commissioners Model Publication Scheme for Schools including the guide to information can be obtained from the ICO website using the following link [Publication Scheme](#). The scheme should be adopted in full, unedited and promoted alongside the guide to information. The approved Publication Scheme and guide to information schedule should be made available to parents eg published on the schools website.

#### 8.1 Agreed Action

This is currently being looked at and once approved by the Governing Body this will be published on the School website.

**Priority**

3

**Responsible Officer**

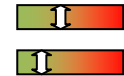
Chair of Governors

**Timescale**

31 January 2015

## Area Reviewed: Data Security

Severity  
Probability



### 9 Issue/ Control Weakness Risk

Unencrypted personal data may be held on laptops and data sticks.

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

All data is encrypted over logmein sessions, however the school does have unencrypted laptops and memory sticks and staff may be keeping sensitive information on USB sticks or personal laptops.

#### Recommendation

Portable devices which store data such as laptops and memory sticks should be encrypted to protect any personal data which may be held.

#### 9.1 Agreed Action

As per the ICT Manager no data is stored on laptops, and encrypted UPN are used.

<b>Priority</b>	3
<b>Responsible Officer</b>	ICT Manager
<b>Timescale</b>	Complete

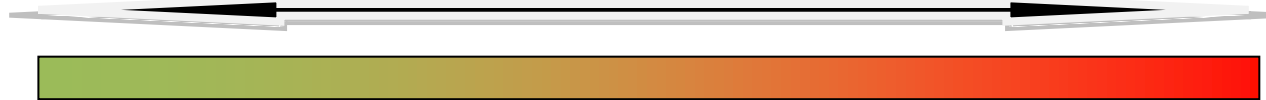
## Audit Opinions and Priorities for Actions

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

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

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