

**Westfield Primary Community School**  
**City of York Council**  
**Internal Audit Report 2014/15**

Business Unit: Adults, Children & Education,  
Headteacher: T Ralph  
Date Issued: 18/12/14  
Status: Final  
Reference: 15671/001

	P3	P2	P1
Findings	5	1	0
Overall Audit Opinion	Substantial Assurance		

# Summary and Overall Conclusions

## Introduction

This audit was carried out on Wednesday 22nd October and Thursday 23rd October 2014 as part of the Internal Audit plan for Adults, Children and Education for 2014/15.

## 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 15th September 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;
- Early Years.
- Security; and
- Safeguarding Arrangements.

## **Key Findings**

The key findings in the audit relate to a lack of clarity in identifying the basis for significant increases or decreases in budgeted spend and in recording of the discussion of variances. Additionally the school has been using an online payments facility which does not comply with Council requirements for dual authorisation of payments.

## **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: Schools Financial Value Standard (SFVS)

Severity  
Probability



### 1 Issue/ Control Weakness Risk

The School's Financial Value Standard (SFVS) return for 2013/14 had not been ratified by the Full Governing Body before being submitted the LEA. Failure to comply with DfE requirements.

#### Findings

The SFVS for 2013/14 was presented to and approved by the Governors at the Finance & Staffing meeting 21/1/14. There was no evidence that the return had been presented to and ratified by the Full Governing Body.

#### Recommendation

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

#### 1.1 Agreed Action

The Governors' timetable of meetings has been reviewed and SFVS tabled at an earlier Resources meeting in order to be tabled at a Full Governors' meeting which will meet the ratification requirement.

#### Priority

3

#### Responsible Officer

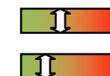
School Business Manager

#### Timescale

Correct procedure in place for the 2015/2016 cycle

## Area Reviewed: Budgetary Control

Severity  
Probability



### 2 Issue/ Control Weakness Risk

The minutes approving the start budget recorded a revenue outturn which was not in agreement with the supporting notes to the budget. The signed budget included an additional error in the brought forward balance. The budget for Learning Resources had been significantly increased with no detailed explanation or link to the development plan.

An appropriate budget may not be set and balances held by the school may be incorrectly stated.

### Findings

The actual outturn noted on the signed start budget and recorded in the minutes of the Resource Committee 29/4/14 was 14.2K less than the actual outturn correctly stated in the notes to the budget (made up of 19K less revenue and 4.8K more capital). There was also an error on the signed spreadsheet which resulted in the brought forward revenue balance being recorded as 5K less than the outturn.

An additional unallocated 60K learning resources (non ICT) budget had been approved (compared to a previous year total spend of £50K). It was recorded that this was to reflect anticipated requirements with embedding the new curriculum. This was queried by Governors at the April resource committee meeting and some further detail was given by the Headteacher. However it was noted that there had been no subsequent allocation of this budget to detailed codes and no clear link to the development plan was evident. Additionally, at the time of the audit there had been no spend of this allocation. There was no evidence in subsequent minutes to indicate that this had been queried by the Governors.

### Recommendation

The start budget should be fully scrutinised before approval and a clear link to significant changes in the budget should be evident eg in the school development plan. The minutes should accurately reflect the information presented and subsequent discussion at the time of approval. The review of budget monitoring reports should include scrutiny of current spend against the budget in addition to scrutiny of reported variances. Any anomalies should be highlighted and discussed and this discussion recorded in the minutes.

### 2.1 Agreed Action

The Start Budget has been revisited and the mistake amended. An action plan for the Learning resources has been devised and a monitoring plan put in place.

Priority

3

Responsible Officer

School Business Manager

Timescale

15/12/2014

## Area Reviewed: System Reconciliation

Severity  
Probability



### 3 Issue/ Control Weakness Risk

Bank reconciliation statements are not signed by an independent officer. Anomalies or discrepancies may not be highlighted and addressed promptly.

#### Findings

The School Business Manager completes a reconciliation of the balance at the bank to the balance of the accounting records on a monthly basis. It was noted that there was no evidence that this is independently checked by an appropriate officer to the supporting documents. The latest bank reconciliation was reviewed and agreed at the audit.

#### Recommendation

The school should ensure that an appropriate officer, generally the Headteacher, checks and signs the completed bank reconciliation statement.

### 3.1 Agreed Action

The bank reconciliation statements are now signed by both the School Business Manager and the Finance Officer.

<b>Priority</b>	3
<b>Responsible Officer</b>	School Business Manager
<b>Timescale</b>	1/12/2014

## Area Reviewed: Ordering, Purchasing & Authorisation

Severity  
Probability



4	Issue/ Control Weakness	Risk
	Payments are made to suppliers direct from the schools bank account using an online payment facility.	The school does not comply with the Councils financial Regulations and LMS Scheme and unauthorised payments could be made from the school bank account.

### Findings

At the time of the audit the school was making online payments to suppliers direct from the schools bank account. This method of payment does not require a dual authorisation before being processed by the bank and is not allowable under the Councils Financial Regulations and LMS Scheme. A record of online transactions was being produced before payments were made, however, as payments are not consecutively numbered this is insufficient to confirm that all payments made were listed and independently checked before processing. A sample of payments were taken from the bank statement and checked to invoices and orders. All were supported by invoices which had been approved for payment and orders had been raised where applicable.

The use of the online payment facility was discussed with the School Business Manager and it is understood that this had been previously authorised by the authority for a particular transaction but appears to have continued to be used. It was agreed that future payments would be made by printed cheque run or manual cheque and the bank contacted to withdraw the online payment facility.

### Recommendation

The school should ensure that the online payment facility is withdrawn by the bank and continue to make payments to suppliers by printed cheque or manual cheque only.

### 4.1 Agreed Action

The school stopped this facility on the bank account on the day of the audit and reverted to cheque payments.

Priority

2

Responsible Officer

School Business Manager

Timescale

23/10/2014

**5 Issue/ Control Weakness Risk**

Some VAT code errors on income received by the school were noted. HM Revenue & Customs may penalise the school for failing to account for VAT correctly.

**Findings**

Income collected for the residential trip had been coded as exempt (VAT code 2) but should be coded as VAT code 1 (outside scope). It was also noted that VAT had been applied to the sale of book bags and water bottles to pupils. The school should consider that if these sales are without profit then no VAT need be applied and the income can be coded VAT code 1 (outside scope).

**Recommendation**

The school should review their use of VAT codes against the schools VAT checker available on the Council portal. Any adjustments required can be made using the VAT adjustment form which is also available on the portal.

**5.1 Agreed Action**

The VAT codes have been reviewed and the income collected for the school trip has been recoded as VAT code 1. The school has checked the costings of book bags and water bottles and as there is a slight profit, the coding has not been changed at this time.

<b>Priority</b>	3
<b>Responsible Officer</b>	School Business Manager
<b>Timescale</b>	24/10/2014



**6 Issue/ Control Weakness Risk**

The school should ensure that all funded children have a signed parent declaration form for the relevant term. Failure to comply with funding requirements.

**Findings**

A sample of twenty children with funded nursery hours in the Summer 2014 term were selected, details checked to the parent declaration forms and the take up of the funded hours checked to the nursery registers. It was found that in two cases there was no signed parent declaration in place for the Summer term. These children were confirmed as having attended there funded hours. It is understood that for the current term a check list has been put in place to ensure no declarations are missed.

**Recommendation**

The school should ensure that all funded children have a signed parent declaration form for the relevant term.

**6.1 Agreed Action**

A new system has been implemented to cross check the parental declaration forms to the declared hours in the nursery registers. This will be double checked on a half termly basis.

**Priority**

3

**Responsible Officer**

Senior Admin Officer

**Timescale**

19/12/2014

## 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

<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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