Veritau
Assurance Services for the Public Sector

Park Grove Primary School

City of York Council

Internal Audit Report 2013/14

Headteacher: Ms J Sawyer
Date Issued: 6 May 2014
Status: Final
Reference: 15630/002

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

YORK

Summary and Overall Conclusions

Introduction

This audit was carried out on Wednesday 5th and Thursday 6th March 2014 as part of the internal audit plan for Adults, Children and Education for 2013/14.

Objective 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.

Scope

The audit covered the following areas in accordance with the specification issued on 12th December 2013:

- Governance;
- Financial Management;
- System Reconciliation;
- 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;
- Security; and
- Safeguarding Arrangements.

Key Findings

The key findings in the audit related to governor's declarations of interests, obtaining quotations (or a waiver) for purchases over £5000, completion of income records, recruitment checks, free meals for midday supervisory assistants and review of the school fund accounts.

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: Governor's declarations of interest

Severity 1
Probability 1

1	Issue/ Control Weakness	Risk
	Register of governor's pecuniary interests was not up to date.	Members of the governing body and staff at the school may be in a position to influence the placing of contracts in which they have a personal interest and the school may be unable to fully account for purchasing decisions in the event of challenge.

Findings

Governors are required to declare any pecuniary interests on an annual basis. A consolidated register of interests was held for governors of the school but this had not been signed and dated to confirm that it was up to date.

Recommendation

The register of pecuniary interests should be reviewed and updated annually by all members of the Governing Body.

1.1 Agreed Action

The previous clerk to Governors who was employed directly by the school did have individually signed declarations though as there had been a substantial turnover in governors over the last few months in some instances the information was out of date. Clerking is now provided by the CYC Governance service which will resolve the problem.

Priority	3
Responsible Officer	Clerk to Governors
Timescale	June 2014

Area Reviewed: Obtaining quotations or a waiver from financial regulations

Severity
Probability

2	Issue/ Control Weakness	Risk
	Quotations not obtained for work over £5000.	Failure to demonstrate that best value has been obtained and risk of challenge to procurement decisions.

Findings

It was noted that contracts for the refurbishment of the front office had been let without obtaining the three written quotes required under CYC contract procedure rules, for purchases estimated to cost over £5K. An explanation was provided for only one supplier being approached as equipment purchased was bespoke but a waiver to contract procedure rules had not been obtained from the council approving this approach.

Recommendation

When purchasing goods or services costing in excess of £5,000 at least 3 written quotations should be requested, in line with CYC contract procedure rules (section 8). If 3 written quotations will not be sought a request to waive the contract procedure rules (in accordance with section 36) should be made in advance of awarding the contract.

2.1 Agreed Action

This was a one off purchase and does not reflect normal purchasing processes. It was not possible to obtain 3 written quotes due to the nature of the products, instead comparisons were made from product catalogues. The waiver requirements are noted.

Priority	3
Responsible Officer	XXXXXXXXXXX (Business Manager)
Timescale	Ongoing

Area Reviewed: Completion of income record

Severity 1
Probability 1

3	Issue/ Control Weakness	Risk
	Incomplete income records.	Income may be incorrectly recorded and not properly accounted for.

Findings

10 lettings invoice items were tested. All of these could be traced to the schools bankings and the itemised paying in slips. However, the income record maintained at the school did not record 6 of these items. In addition, some items were more difficult to trace to bankings because the income record was not summarised each time the banking was done, to confirm the total amount banked each time.

Recommendation

The income record should be used to record all income received by the school, and the date on which it was banked and entered on to the school's financial system. Income should be summarised and ruled off after each banking.

3.1 Agreed Action

Procedures will be reviewed and updated to ensure that this process is correctly followed going forward.

Priority	3
Responsible Officer	XXXXXXXXXXX (Business Manager)
Timescale	Immediate

YORK

Area Reviewed: Recruitment checks

Severity 1
Probability 1

4	Issue/ Control Weakness	Risk
	XXXXXXXXXXXXXXXXXXXXXXXXXXXX.	Inappropriate people may be employed. Evidence may not be available to support the school should an appointment be challenged.

Findings

XXXXXXXXXXXXXXXXXXXX

Area Reviewed: Free meals for MSAs

Severity 1
Probability 1

5	Issue/ Control Weakness	Risk
	MSAs receiving free school meals.	Free meals are being given to members of staff not entitled to them.

Findings

Midday supervisory assistants (MSAs) currently receive a free meal, which is not part of the terms of their contract. If the school wishes to continue providing free meals for MSAs this decision should be approved by governor's and a declaration should be made to payroll to ensure all benefits in kind can be correctly accounted for.

Recommendation

A decision whether to continue providing free school meals for MSAs should be made and approved by governor's. Records of MSAs taking free school meals should be made available to the payroll department if required to ensure all benefits in kind are accounted for.

5.1 Agreed Action

Governors have now approved continuation of existing practice. Payroll will be contacted in respect of any potential benefits in kind although given the amounts involved and the annual salary of the MSA's we do not believe a benefit in kind will apply.

Priority	3
Responsible Officer	XXXXXXXXXXX (Business Manager)
Timescale	Completed

Area Reviewed: School fund governing document

Severity II
Probability II

6	Issue/ Control Weakness	Risk
	No governing document for school fund.	The Governors may not be aware of the financial position of the school fund and inappropriate use may be made of school fund monies and/or the school may be open to challenge about the use of school funds.

Findings

The school fund accounts have not been presented to the governing body, either during the financial year or following the audit of the final accounts. This had been noted and the plan was to present the last two years school fund accounts at a forthcoming full governor's meeting.

The school fund is registered with the charity commission and the charity commission website contains a statement of the charitable objects of the fund, setting out the purposes of the fund. Instances of leaving gifts for staff being bought from school fund were found and these could be questioned as to whether they meet the stated purposes of the fund.

Recommendation

As trustees of the school fund, the governing body should be presented with the set of audited accounts at the end of every financial year. Governor's should review the use of the school fund to ensure all uses comply with the purposes of the fund, as set out in the funds charitable objects on the charity commission's website.

6.1 Agreed Action

Comments noted and we will consider either adapting the charitable objects of the school fund or making such purchases through the school's main bank account.

The school fund accounts have now been presented to the Governing body.

Priority	3
Responsible Officer	XXXXXXXXXXX (Business Manager)
Timescale	June 2014

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Annex 1

Audit Opinions and Priorities for Actions

Audit Opinions	
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. Our overall audit opinion is based on 5 grades of opinion, as set out below.	
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.

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.