



# Schools Themed Audit

## Electronic Cash Collection 2016-17

### City of York Council

Business Unit: Children, Education and Communities Directorate  
Responsible Officer: Assistant Director Education and Skills  
Service Manager: Headteachers  
Date Issued: 13/02/18  
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	P1	P2	P3
<b>Actions</b>	<b>0</b>	<b>0</b>	<b>6</b>
<b>Overall Audit Opinion</b>	Substantial Assurance		

# Summary and Overall Conclusions

## Introduction

Schools are under pressure from increasing workloads and reducing budgets. An electronic income collection system can help to improve efficiency while achieving cost savings and demonstrating real benefits to the whole school community.

Creating cashless schools has a number of benefits for schools, parents and pupils and can:

- Help with school administration
- Take pressure off school finance staff
- Allow schools to redirect resources
- Help schools manage parent debt
- Provide clear, concise income reporting
- Improve financial reconciliation in schools
- Reduce the social stigmas linked with free school meals
- Support the healthy eating agenda
- Meet the demands of parents for online school payments
- Help reduce bullying and anti-social behaviour
- Assist in reducing crime amongst young people
- Reduce errors and ensure an audit trail is available
- Reduce cash held in schools and increase staff security

Costs for these systems are usually based on a standard annual service fee along with an additional service charge for every pupil on roll and a charge per transaction. Modules such as cashless catering are generally available.

There are a number of providers of cashless payment and income management systems for schools such as ParentPay, Tucasi, and SIMS Agora.

Schools are encouraged to investigate the costs and benefits of introducing an electronic income collection system.

## Objectives and Scope of the Audit

The purpose of this audit was to review the usage of electronic income collection systems in CYC maintained schools and provide assurance to management, that where electronic income collection is operated, procedures and controls in place will ensure that:

- The system is used to its full potential and achieves maximum Value for Money
- There is provision of facilities for parents who have no internet access.
- Income is collected in full and accounted for accurately.

- Suitable procedures are in place for chasing outstanding debts.
- Evidence is retained to support any manual transactions or transfers

The audit reviewed the procedures in nine schools currently using an electronic income collection system via questionnaire, and tested controls at five schools.

## Key Findings

All maintained secondary schools and PFI primary schools have electronic income collection for school meals, mostly operated by the school meals contractor, and extended by the school as a payment option for other income collections.

A number of other primary schools have also elected to use an electronic income collection system as a payment option for school meals income (and in most cases other income).

A significant number of schools do not use electronic income collection (22 Primary Schools). This method of income collection has significant benefits for all but the very smallest schools and should be promoted.

Procurement procedures for electronic income collection systems for schools varied from an individual procurement to a cluster procurement. As such the resulting contract conditions and charges also varied. This resulted in some schools having a better deal than others and affected the way the systems were used to achieve value for money. Some schools had rolled forward their contracts annually for a number of years. Schools may benefit from a review of contracts with a possible central procurement (which schools can choose to use) to ensure the most beneficial contract conditions are achieved.

Only one school receiving a questionnaire had become cashless, offering paypoint collection for parents who did not pay electronically. Consideration should be given to operating a cashless system if the maximum benefit is to be achieved.

Income collected through the electronic system and the applicable charges were found to be correctly accounted for. However, additional reconciliation controls were required to ensure all charges and all cash payments were correctly allocated to parental accounts. Additionally, evidence needs to be retained to support manual refunds or transfer of balances particularly for leavers at the end of a school year.

It was found that the schools used the electronic income collection system to chase debts but did not have an effective written policy for debt management.

Most schools had received some form of training (online or otherwise) in the use of their electronic income collection system but user groups were not attended.

## **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 Procurement

## Issue/Control Weakness

The variety of different procurement processes used by schools have resulted in different contract conditions which may not achieve best value. A number of schools are using a rolling annual contract which may benefit from review.

## Risk

Best value is not achieved.

## Findings

All secondary schools and PFI primary schools have electronic income collection in place for school meals operated by the catering contractor in most cases. The majority have extended this as a payment option for other income streams.

22 primary schools did not have an electronic income collection system.

The remaining primary schools have procured their own system for the collection of school meals income (and other income in some cases).

Of the nine schools completing questionnaires all had either completed a procurement exercise, or where electronic income collection was already in operation by their catering contractor, they used the same system. The form of procurement varied from an exercise for the schools cluster to individual school procurement.

Contracts included an annual service fee at a fixed cost and a cost per pupil. However, transaction fees varied from a percentage of income (irrespective of the method of payment) to a charge dependent on the method of payment plus a lesser percentage fee. Contract conditions were therefore inconsistent across schools with some schools getting a better deal than others.

Additionally, contracts in some schools have been in place for some time on an annual roll over and may benefit from review.

## Agreed Action 1.1

Schools will be reminded of the benefits of introducing an electronic payment option for parents. Training and toolkits for schools on procurement are available on York Education an update on procurement is also being provided on 7<sup>th</sup> March, where schools will be reminded of the benefits from effective procurement.

**Priority**

3

**Responsible Officer**

School Business Support Manager

**Timescale**

March 2018

## 2 Restrictions on use

### Issue/Control Weakness

The electronic income collection system may not be used to its full potential if a cashless system is not considered.

### Risk

Best value is not achieved.

### Findings

Electronic income collection is used for school meals income and has been extended to varying degrees to other income collection at schools.

Where an element of fixed fee is charged for each transaction this may not be considered a viable method of collection for low value charges and a minimum payment may be set.

However, where the transaction fee is a percentage of income only one school has taken the option to go "cashless" for all except charity collections and child led activities (using paypoint cards for those who do not pay electronically).

### Agreed Action 2.1

Schools will be encouraged to adopt cashless payments for all income (except charity collections and child led activities), and phase out options to pay by cash. This will include a reminder that going 100% cashless will maximise the benefits and savings of introducing electronic payment in school.

#### Priority

3

#### Responsible Officer

School Business Support Manager

#### Timescale

March 2018

### 3 Entry of Charges onto Parental Account

Issue/Control Weakness	Risk
Charges may not be correctly entered onto the parental account and an incorrect balance may be shown.	All income due may not be collected.

#### Findings

Where there is no automatic link between the parental account and the school meals system, school meals charges are entered manually to the parental account on a daily basis.

For the schools tested it was confirmed that a sample of daily meal charges had been correctly entered onto the parental account, However a periodic reconciliation between the number of school meals ordered and the charges entered on the parental accounts is not always retained to confirm charges have been input correctly including any adjustments (eg if a child ordered a meal in error).

#### Agreed Action 3.1

a) Schools will be reminded of the importance of completing a daily reconciliation, and what the benefits of completing this are (ie fewer disputes over children having a meal and the potential to reduce arrears)	<b>Priority</b>	3
b) An electronic cash collection tool kit will be prepared and published on York Education for schools to refer to. This will include template spreadsheets to adopt in support of reconciliations.	<b>Responsible Officer</b>	School Business Support Manager
	<b>Timescale</b>	a) March 2018 b) June 2018

## 4 Cash Payments Received in School

### Issue/Control Weakness

Parental accounts may not be accurately updated with cash payments.

### Risk

All income due may not be collected.

### Findings

Cash income for school meals received directly by the school is manually entered onto the parental account so that the correct balance is shown.

For the schools tested it was confirmed that a sample of cash payments had been correctly entered onto the parental account.

However there is no reconciliation of cash payments entered onto the parental account to cash paid into the bank to confirm input errors have not been made.

### Agreed Action 4.1

- a) Schools who choose not to operate a 100% cashless system, will be reminded to reconcile the cash entered onto the parent account with the amount paid into the schools bank account.
- b) An electronic cash collection tool kit will be prepared and published on York Education for schools to refer to. This will include template spreadsheets to adopt in support of reconciliations.

#### Priority

3

#### Responsible Officer

School Business Support Manager

#### Timescale

- a) March 2018
- b) June 2018



## 5 Debtors Policy

### Issue/Control Weakness

Identified debts are not pursued in a consistent manner.

### Risk

Suitable procedures are not in place for chasing debts.

### Findings

All schools visited used electronic facilities within their income collection system to chase debts where necessary. However, for the five schools none had a written policy for chasing debtors.

Inconsistent arrangements were found for the ceasing of services pending payment of the debt. If no arrangement could be made with the parent or the arrangement is not honoured the debt generally is not pursued further.

### Agreed Action 5.1

Schools will be reminded to adopt the debt management policy, copy of which will be made available on York Education.

**Priority**

3

**Responsible Officer**

School Business  
Support Manager

**Timescale**

June 2018

## 6 Manual Transactions

### Issue/Control Weakness

Manual refunds may occur that are not recorded on the parental account or manual transfers that are unauthorised by the parent.

### Risk

Year end manual transactions or transfers may be incorrectly processed.

### Findings

Manual transfer of balances or refunds may be required for example if a payment is made in error, for leavers school meals balances, or if a trip did not occur. The reason for the transaction is put in the comments box on the parental account (with cheque details where necessary). However, a printed report supporting transfers or refunds is not retained in the case of children leaving the school who are no longer on record. This should form part of year end procedure.

### Agreed Action 6.1

- a) Schools will be reminded to print a copy of the transactions from the parent account for all school leavers. This will ensure that there is a record which supports manual transactions and all refunds made.
- b) An electronic cash collection tool kit will be prepared and published on York Education for schools to refer to. This will include reference to printing the parent account transactions for school leavers each year.

#### Priority

3

#### Responsible Officer

School Business Support Manager

#### Timescale

- a) March 2018
- b) June 2018

# 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.
Reasonable 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.

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