

Yearsley Grove Primary School
City of York Council
Internal Audit Report 2016/17

Business Unit: Children's Services, Education & Skills,
Headteacher: E Morris
Date Issued: 09/03/17
Status: Final
Reference: 15691/004

	P1	P2	P3
Actions	0	0	5
Overall Audit Opinion	Substantial Assurance		

Summary and Overall Conclusions

Introduction

This audit was carried out on Wednesday 9th November and Thursday 10th November 2016 as part of the Internal Audit plan for Education, Skills and Children's Services for 2016/17.

Objectives and Scope of the Audit

The purpose of this audit was 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 were operating effectively to manage key risks, both financial and otherwise. The audit covered the following areas in accordance with the specification issued on 5th October 2016:

- 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;
- Security; and
- Safeguarding Arrangements.

Key Findings

The audit found that overall there were good procedures are in place for financial management and governance at the school. However additional controls are required to ensure delegated authority is appropriately allocated to allow Governors to fulfil their role in overseeing the financial management of the school rather than being involved in operational procedures. The audit trail between the collection recording and

banking of school meals income should be improved and school meals arrears need to be addressed. Inventory controls should include an annual check of the inventory record by an officer independent of maintaining the inventory record and the school should ensure that Parent Declaration Forms should be in place for all free early education funding claimed.

Overall Conclusions

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 School Policies

Issue/Control Weakness

Not all policies adopted by the school had been signed and dated on approval. A process for ensuring all policies were promptly scheduled for review was being progressed but was not complete. A review of the schools financial policies identified that the school does not have a consolidated budget management policy.

Risk

Policies may be out of date and may not meet the needs of the school and regulatory requirements. In particular the financial framework in place may not be sufficient to achieve efficient and effective use of the schools resources and meet the requirements of the Council's LMS Scheme.

Findings

At the time of the audit the School Business Manager was in the process of compiling a schedule of policies, identifying the next scheduled review date and the responsible committee. It was noted that not all current policies had been signed and dated by the Chair of Governors on approval, in particular where standard CYC policies were adopted by the school. The school does not have a consolidated budget management policy in place. It was confirmed that the school has terms of reference in place for its committees, an approved delegation of authority to post holders and a CYC Delegated Authority Scheme, all subject to annual review. However, there is no current document clearly specifying the roles and responsibilities of the Governors and the Headteacher and clearly setting out the financial framework for individual members of the school staff and the Governing Body to achieve efficient and effective use of the schools financial resources.

Recommendation

The schedule of policies should be progressed and all policies adopted by the school should be signed and dated by the Chair on approval.

It is recommended that terms of reference, delegated authorities and details of the financial framework to be applied are brought together as part of a consolidated budget management policy. This policy should conform to the requirements of the LMS Scheme for the Financing of Schools and the City of York Council Financial Regulations and Contract Procedure Rules. It is advised that the policy is based on the City of York Council's recommended model, subject to annual review and approved by the Full Governing Body. A copy of the model policy has been sent to the school.

Agreed Action 1.1

A rolling programme of policies for Full Governor's meetings has been produced by the clerk (from CYC Clerking Service). There is a limit to how many can reasonably be taken to each meeting, 7 are going to the next meeting on 13th March, the Budget Management Policy is one of them. We expect all policies will be completed by December 2017.

Priority

3

Responsible Officer

School Business Manager

Timescale

31st December 2017

2 Authorised Signatories

Issue/Control Weakness

Governors who are not employees of the school are authorised signatories for committing expenditure and for making payments.

Risk

The Governing body is unable to fulfil its statutory responsibility. Officers who are not members of staff are not covered by the school's fidelity guarantee insurance.

Findings

The school has a governor as an authorised signatory on the schools bank account and a governor approved to authorise purchase and payment through the CYC delegated authority scheme. Governors have a statutory responsibility for the oversight of the financial management of the school and for ensuring adherence to the Authority's Standing Orders and Financial Regulations and as such governors (who are not employees of the school) should not be directly involved in operational procedures. Additionally, it should be noted that non staff members are not covered by the schools fidelity guarantee insurance.

Recommendation

The school should not include governors who are not employees of the school as authorised signatories on the bank mandate or on the CYC delegated authority scheme.

Agreed Action 2.1

The relevant governors will be removed as an authorised signatory at the next Full Governors meeting on 13th March. The Bank Mandate form will be signed then and forwarded to HSBC to remove the governor.

Priority

3

Responsible Officer

School Business Manager

Timescale

13th March 2017

3 School Meals

Issue/Control Weakness

The audit trail between the recording of school meals income and payment into the bank was not clear and the completeness of the banking was not being verified. There were also significant school meal arrears at the time of the audit.

Risk

All income due may not be collected and all income collected may not be promptly banked.

Findings

School meal charges are collected by the school meals catering contractor who also updates the school meals return. All payments are made by cash or cheque. An electronic income collection system is not in place at the school. The income and the school meals return is passed to the school for banking into the schools account. The balances of arrears accumulated prior to September 2016 had not been transferred to the current school meals return (these were held as a separate record). As the income included an element of arrears from the last school year, the banking did not agree to the current return and the accuracy of the banking was not being verified by the school.

The records for school meals for the current and previous year were reviewed Total arrears were in the region of £2500 with several individual debts ranging between £200 and £300 (one being for a child who had left the school). As the school pays the contractor for all meals taken the school is covering the cost of arrears. Reminders had been issued to parents and it is understood that further action is being discussed.

Recommendation

The arrears balances prior to September 2016 should be brought forward onto the current school meals return. This will highlight where significant arrears have built up and also allow all payments collected, including arrears, to be recorded on the current return and matched to bankings therefore providing a clear audit trail between collection, recording and banking of income.

The school should consider setting up payment plans with parents with significant arrears which should be regularly monitored. Any further arrears should be followed up promptly. It is suggested that the school considers setting a level at which they would withdraw services unless special circumstances apply and where possible the school should require pre payment if services continue to be used. It is recommended that the current position on arrears is regularly reported to Finance Committee. Council Policy and guidance on the pursuit of overdue payments has been sent to the school.

Additionally, it is suggested that an electronic income collection system (such as Parentpay) is considered for school meals and other income collected directly by the school eg for breakfast club, after school club and trip monies. This should reduce the need for cash handling at the school and provide an alternative method of payment which may reduce the level of arrears overall.

Agreed Action 3.1

The arrears balances prior to September 2016 have been brought forward onto the current school meals return to improve the audit trail. A more rigorous programme of chasing outstanding debts has been introduced. A final letter has been sent to relevant parents, a report made to the Finance Governors meeting on 6th March. Small Claims Court procedures have been investigated and a decision will be made at the Full Governors meeting on 13th March about initiating claim action.

Priority

3

Responsible Officer

Head / School
Business Manager

Timescale

31st March 2017

4 Early Years

Issue/Control Weakness

Completed Parent Declaration Forms were not in place for all funded nursery children.

Risk

Failure to comply with funding requirements.

Findings

Nursery attendance records for Summer term 2016 were reviewed and hours attended supported the funded hours claimed.

The office administrator advised that a number of parent declaration forms relating to the Summer term 2016 had been sent to the Council on request and only a photocopy of the back of the form retained (this did not include the child's name and details of funded hours claimed). The administrator identified which children the forms related to, however, this left a total of six from the 48 children in the nursery without Parent Declaration Forms.

Recommendation

The school should ensure that it has completed Parent Declaration Forms for all children for whom funding is being claimed.

Agreed Action 4.1

All completed Parent Declaration Forms have been received. The nursery teacher has introduced a more rigorous process to get completed forms from new starters.

Priority

3

Responsible Officer

Nursery Teacher

Timescale

Completed

5 Inventory

Issue/Control Weakness

There was no record of an annual check of the inventory record.

Risk

Items which have been lost or misappropriated may not be identified and investigated.

Findings

An inventory record is maintained by the School Business Manager. Assurance was given that the inventory was last checked during the summer break, however no record was in place to evidence the check. Additionally the check was not completed by an officer independent of maintaining the inventory record.

Recommendation

The inventory should be subject to an annual check by an officer independent of maintaining the inventory record. A copy of the verified inventory should be retained and signed by the officer completing the check. If this is not a full check (eg a targeted check towards the most vulnerable items, higher value items or particular equipment) it should be clear from this record which items have been checked.

Agreed Action 5.1

Future inventory checks will be signed by the person carrying out the check, normally the business manager. A governor is going to be requested to carry out spot checks of the inventory and sign against each item checked.

Priority

3

Responsible Officer

School Business Manager

Timescale

31st August 2017.

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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