

Millthorpe Secondary School 2012-13
City of York Council
Internal Audit Report 2012/13

Business Unit: Secondary Schools,
Headteacher: T Burton
Date Issued: 30/10/12
Status: Draft
Reference: 15664/002

	P3	P2	P1
Findings	8	1	0
Overall Audit Opinion	Substantial Assurance		

Summary and Overall Conclusions

Introduction

This audit was carried out on Wednesday 3rd October and Thursday 4th October 2012 as part of the Internal Audit plan for Adults, Children and Education for 2012/13.

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 19th July 2012:

- 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;
- Minibus;
- Inventory Records;
- Security; and

- Safeguarding Arrangements.

Key Findings

The key findings in the audit related to management of the bank account, insurances, Staff sickness absence and minibus.

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: Delegated Authority

Severity
Probability



1 Issue/ Control Weakness

Risk

The Headteacher has delegated authority from the Governors which could allow significant over spend or alteration of the approved budget. Failure to effectively control the budget.

Findings

The scheme of delegation to the Headteacher had been amended to increase the maximum expenditure the Headteacher can commit on an item which is not in the budget and the amount he can transfer between budgets to £50K. This is significantly in excess of normal limits and could result in a significant overspend or alteration to the budget approved by the Governors.

Recommendation

It is recommended that the delegated authority to the Headteacher is reviewed.

1.1 Agreed Action

The delegated authority will be reviewed at the next meeting of the Finance & Staffing Committee. We believe that there is an issue regarding the clarity of the wording, rather than simply that the figure is too high. The level is already limited to 0.5% of the delegated budget, which is approximately £22,500.

Priority

3

Responsible Officer

Chair of Finance
Committee

Timescale

November 2012

2 Issue/ Control Weakness Risk

A large payment had been made from the schools bank account without a review of the effect on cash flow at the school.

The BAFS account may go overdrawn. This would constitute a borrowing and schools can only borrow money with the written permission of the Secretary of State

Findings

A large payment had recently been made from the schools bank account (in excess of £70K to account for negative cash flow from the Authority) without any record to confirm that the effect on the schools cash flow had been reviewed prior to payment. At the time of the audit the reconciled balance on the BAFS account was below £50. The next funding remittance from the Authority was not due for approximately two weeks.

Although the Bursar was confident that the actual account would not overdraw it was felt that a cash flow analysis should have been completed or payment delayed to avoid any risk of this occurring.

Recommendation

The school should ensure that there are adequate funds in the bank account to meet any direct debits, standing orders and unrepresented cheques.

Prior to making a significant payment from the account the effect on the reconciled balance should be checked. If the balance would fall very low a formal cash flow calculation should be completed to ensure there is no risk that the account will overdraw. If required the payment should be delayed (or made through the authority if the payment is urgent).

If a payment has already been made and there is a danger of the account overdrawing, the school can apply to the Authority for a cash advance.

2.1 Agreed Action

With immediate effect, the Bursar will complete a cash flow calculation whenever there is a risk of the accounting overdrawing and significant payments will be suspended until there is assurance that there are sufficient funds in place.

Priority	3
Responsible Officer	Bursar
Timescale	With immediate effect

Area Reviewed: Insurance

Severity
Probability



3 Issue/ Control Weakness

Risk

The school does not verify that all groups using the school and contractors directly commissioned to complete works at the school have adequate public liability insurance cover.

Costs may be incurred by the school in the event of a claim.

Findings

Contractors undertaking works at the school are not always asked to provide details of their public liability insurance.

Testing of a sample of lettings highlighted that for some groups using the school copies of current insurance certificates were not held on file.

Recommendation

If the school requests a contractor to carry out works at the school, a copy of the contractors insurance certificate should be retained to prove that they have current public liability insurance cover of at least £5 million before any work is carried out.

For any groups using the school (eg under lettings), a copy of the insurance certificate should be obtained to confirm that they have at least £5m public liability cover. If the group does not have adequate insurance cover may be obtained through the council and an additional charge made to cover this cost on the lettings invoice.

If a contractor is used on a regular basis, or a group regularly uses the school a system should be in place to ensure that an up to date copy of the insurance certificate is obtained when the expiry date has been reached.

3.1 Agreed Action

With immediate effect, all contractors will be obliged to produce a certificate of public liability insurance (for cover of at least £5m) prior to commencing work and a copy retained either with the purchase order or in the contractor's file.
Current procedures already require that groups using the school produce proof of adequate public liability insurance, and that this is checked annually: this will continue and any outstanding documentation will be chased up.

Priority

3

Responsible Officer

Business Manager

Timescale

December 2012

4	Issue/ Control Weakness	Risk
	VAT may not be correctly charged on some sports lettings.	HM Revenue & Customs may penalise the school for failing to account for VAT correctly.

Findings
Testing of a sample of lettings highlighted that VAT is not being charged on some sports lettings which may not meet all the requirements for VAT exemption.

Recommendation
Sports lettings at the school should be reviewed to ensure that invoiced charges include VAT where the letting does not meet the VAT exemption requirements.

4.1 Agreed Action

A thorough check of existing agreements will be completed and outstanding VAT recovered where appropriate. Existing procedures already specify the requirements for charging VAT and these will continue to be enforced.

Priority	3
Responsible Officer	Bursar
Timescale	December 2012

5 Issue/ Control Weakness Risk

Staff sickness may not always be recorded on the sickness return and return to work interviews are not always correctly recorded on the self certification record. Failure to comply with the Councils Attendance at Work policy and Employment Law.

Findings

A sample of sickness self certification forms were checked to the absence return to HR. Two self certifications in the sample tested had not been included on the return.

Absences are normally notified by e-mail to the school secretary who completes the return. It is thought that these absences were not included as they were reported to a different member of staff and no e-mail was sent. However, the self certifications had been forwarded to HR with the incomplete returns.

It was also noted that on occasions details of the return to work interview were not correctly recorded on the self certification forms.

Recommendation

Staff should be reminded of the procedures for notifying sickness. Returns to HR should be checked to ensure that all sickness on the accompanying self certification forms is included.

Return to work interviews should be recorded and signed off by the employee and the manager conducting the interview.

5.1 Agreed Action

All absences are recorded by the Cover Manager on a spreadsheet and this spreadsheet is then passed to the Head's PA for completion of the HR return. The current procedure is clear about the need to report all absence through the Cover Manager and a reminder will be issued to staff of the importance of following this.

Priority	3
Responsible Officer	Business Manager
Timescale	December 2012

Area Reviewed: Inventory

Severity
Probability



6 Issue/ Control Weakness

Risk

The checking process does not appear to be sufficiently independent from the updating of the record. Items have been removed from the inventory without being authorised or disposal details being recorded.

Items which are lost or stolen may not be highlighted and investigated.

Findings

Each department is currently responsible for maintaining their own inventory record. The records are updated on an annual basis when the inventories are checked to the physical items in each department.

The music department inventory was reviewed as part of the sample check of departmental inventories. This was a new inventory record as the previous record had been lost. It is understood that a piano had been disposed of without the authorisation of the Head teacher. No income has been received by the Bursar.

Recommendation

The inventory should be updated as items are received in school and checked on an annual basis by an officer independent of maintaining the inventory record. If the inventory is maintained as a paper record, the record should be held securely in a fire and flood proof location. Electronic inventories should be password protected and covered by the schools back up procedures.

All departments should be reminded that disposals must be authorised by the Headteacher (or another delegated officer) and disposal details recorded on the inventory record. Any income received should be paid back into the account from which the original purchase was funded.

The school should specifically investigate the disposal of the piano and ensure any income related to the disposal is paid into the correct account.

6.1 Agreed Action

The income from the piano has been identified and applied to the relevant account.

The inventory has recently been transferred to an electronic version, one copy of which will be held in secure online storage; the other will be held in a secure location on the school's server, which is backed up regularly.

Future annual inventory checks will be carried out by an independent officer.

Priority

3

Responsible Officer

Business Manager

Timescale

January 2013

Staff are reminded annually of the requirements regarding inventories, including adding new items and seeking authorization for and recording disposals; details are held in the staff handbook.



Area Reviewed: Publication Scheme

Severity 
Probability 

7 Issue/ Control Weakness Risk

The school has not adopted the Information Commissioners Model Publication Scheme for Schools in full.

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 Publication Scheme and guide to information schedule had been discussed at the Finance Committee meeting in May 2012 and has been programmed for further discussion at the next meeting.

Recommendation

The Information Commissioners Model Publication Scheme for School should be adopted by the school and approved by the Full Governing Body. This should be promoted alongside the guide to information and made available to parents e.g. published on the schools website.

7.1 Agreed Action

A draft Publication Scheme and Guide to Information will be taken to the November meeting of the Finance & Staffing Committee ready for sign off at the next Full Governing Body meeting.

Priority

3

Responsible Officer

Business Manager

Timescale

February 2013

8 Issue/ Control Weakness Risk

The school may be holding unencrypted personal data on laptops or memory 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

Personal data may be downloaded onto data sticks and personal laptops which may be vulnerable to being lost or stolen. This data is not currently encrypted.

Recommendation

Personal data should be encrypted when it is stored on portable devices such as laptops and memory sticks.

8.1 Agreed Action

Where personal data is required for access off the premises, this will be provided where possible via secure online storage sites. Where this is not possible, encrypted memory sticks will be supplied to carry the data. In addition, the small number of laptops frequently used for personal data may be encrypted by ICT staff if continuing in this way is found to be necessary. In the long run, a secure link to the school network will be made available, obviating the need to transport personal data on portable devices.

Priority	2
Responsible Officer	Business Manager
Timescale	November 2012

9 Issue/ Control Weakness Risk

Drivers who have not been adequately vetted may be driving the minibus and there is no clear instruction on completion of pre-drive checks. The school may not be able to demonstrate that they have adequately fulfilled their duty of care in relation to the minibus.

Findings

For several staff booking out the minibus here was no evidence of licence checks being carried out or minibus awareness training being completed.

Additionally it was not clear whether vehicle checks are completed prior to the minibus being driven.

Recommendation

The school should ensure that all authorised drivers have a record of license checks and completed minibus driver training on file (ideally MiDAS testing). Licenses should be rechecked on an annual basis.

It is recommended that the current monthly vehicle checks are completed on a weekly basis. Additionally, drivers should be made aware of what pre-drive checks should be completed and these should be evidenced (possibly by ticking the minibus log book).

The school should ensure their procedures are compliant with the Health and Safety workplace transport compliance note CN30.

9.1 Agreed Action

A thorough check of existing drivers will be completed and any gaps in documentation filled. An annual checking procedure will be implemented.
 The vehicle checks will be increased to once a fortnight (in the first instance; this will be increased if needed, e.g. frequent faults, increased usage) and all drivers will be reminded of the pre-drive check requirements and asked to confirm they have completed a check by initialing the log book each time they take the vehicle out.
 The school will adopt the Local Authority's Compliance Note and produce local procedures to complement it.

Priority	3
Responsible Officer	Business Manager
Timescale	March 2013

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

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.
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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.
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