

# RSM Tenon

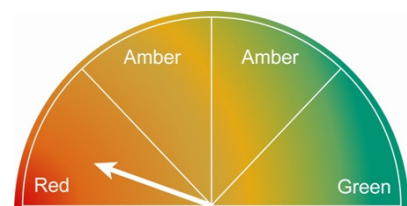
Thurrock Council

Manor School

Internal Audit Report  
23 January 2013

**FINAL**

## Overall Opinion



## CONTENTS

Section	Page
Executive Summary	1
Action Plan	4
Findings and Recommendations	7

Debrief meeting	4 Dec 2012	Auditors	C.Harris – Director
Draft report issued	4 Dec 2012		G.Clifford – Client Manager
Responses received	4 Dec 2012		B.Bolt – Internal Auditor
Final report issued	23 Jan 2013	Client sponsor	Director of People Services
		Distribution	Jo Olsson - Director of People Services Carmel Littleton - Head of Learning & Universal Outcomes Alexandra Seaford - Headteacher Jo Lang - Governor Development Officer Education Finance Vivien Cutler - Strategic Lead School Improvement, Learning and Skills



This review has been performed using RSM Tenon's bespoke internal audit methodology, **i-RIS**.

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regard to the advice and information contained herein. Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

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# 1 EXECUTIVE SUMMARY

## 1.1 INTRODUCTION

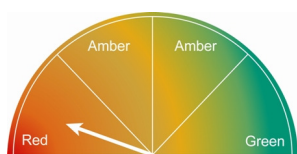
An audit of Manor School was undertaken as part of the approved internal audit periodic plan for 2012/13.

In September 2011 Tilbury Manor Junior School and Manor Infants and Nursery amalgamated to become Manor School. This audit was carried out following the amalgamation of the two schools. Following concerns raised within the Council, the scope of this review was extended to look, in more detail, at the capital project to amalgamate and extend the two schools from an infant and junior school into a primary school which was agreed by Cabinet on 12 January 2011.

The audit was designed to assess the controls in place to manage the following objectives and risks:

Objective	To ensure the school is administered in the most economic, efficient and effective way possible in accordance with Central Government and Local Authority guidelines.
Risk	<p>Controls over the school's bank account(s) and governance may be weak resulting in financial loss to the school.</p> <p>Controls over the school's petty cash funds may be weak resulting in financial loss to the school.</p> <p>Procurement may not be controlled resulting in inappropriate purchases of goods and services.</p> <p>Staff might not be informed of how to purchase, store or dispose of fixed assets.</p> <p>There may be an inadequate separation of duties for making changes to personnel data.</p> <p>Building works, repairs and maintenance may not be kept up to date and might not achieve value for money.</p> <p>Income due to the school may not be appropriately recorded and as such might not be collected in full.</p> <p>The school's budget may not be balanced or aimed at recovering a deficit or achieving a prudent level of unspent balances resulting in inefficient use of school funds.</p> <p>The school may not have valid insurance policies in place which may lead to financial loss in the event of claims being made.</p> <p>Security of school data might not be adequately controlled leading to a loss of information or breach of confidentiality.</p>

## 1.2 CONCLUSION



**Taking account of the issues identified, the Governing Body of Manor School cannot take assurance that the controls upon which they rely to manage this risk are suitably designed, consistently applied or effective. Action needs to be taken to ensure this risk is managed.**

The above conclusions feeding into the overall assurance level are based on the evidence obtained during the review. The key findings from this review relating to the general audit programme and additional work on the capital grant work were as follows:

- For some purchases, orders had been raised and later cancelled and replaced with another order of a higher value. It appears that this was done to cover invoices submitted at a higher value than originally agreed.

- Invoices have been accepted and paid which did not show the VAT registration number or a suitable description of the services/goods provided.
- There was no evidence of a signed contract with one of the main suppliers being used as part of the building project.
- For a number of purchases relating to both the school and capital project, we could not find evidence of tenders being issued or quotes being sought where necessary. This is a breach of the Council and the School's financial procedures.

### 1.3 SCOPE OF THE REVIEW

To evaluate the adequacy of risk management and control within the system and the extent to which controls have been applied, with a view to providing an opinion. Control activities are put in place to ensure that risks to the achievement of the organisation's objectives are managed effectively. When planning the audit, the following controls for review and limitations were agreed:

#### Limitations to the scope of the audit:

- Testing will be undertaken on a sample basis only.
- Our work does not provide any guarantee against material errors, loss or fraud or provide an absolute assurance that material error, loss or fraud does not exist.

The approach taken for this audit was a Risk-Based Audit.

### 1.4 RECOMMENDATIONS SUMMARY

The following tables highlight the number and categories of recommendations made. The Action Plan at Section 2 details the specific recommendations made as well as agreed management actions to implement them.

#### Recommendations made during this audit:

Our recommendations address the design and application of the control framework as follows:

	Priority		
	High	Medium	Low
Design of control framework	1	0	0
Application of control framework	2	2	0
<b>Total</b>	<b>3</b>	<b>2</b>	<b>0</b>

The recommendations address the risks within the scope of the audit as set out below:

Risk	Priority		
	High	Medium	Low
Controls over the school's bank account(s) and governance may be weak resulting in financial loss to the school.	1	0	0
Controls over the school's petty cash funds may be weak resulting in financial loss to the school.	0	0	0
Procurement may not be controlled resulting in inappropriate purchases of goods and services.	1	2	0
Staff might not be informed of how to purchase, store or dispose of fixed assets.	0	0	0

Risk	Priority		
	High	Medium	Low
There may be an inadequate separation of duties for making changes to personnel data.	0	0	0
Building works, repairs and maintenance may not be kept up to date and might not achieve value for money.	1	0	0
Income due to the school may not be appropriately recorded and as such might not be collected in full.	0	0	0
The school's budget may not be balanced or aimed at recovering a deficit or achieving a prudent level of unspent balances resulting in inefficient use of school funds.	0	0	0
The school may not have valid insurance policies in place which may lead to financial loss in the event of claims being made.	0	0	0
Security of school data might not be adequately controlled leading to a loss of information or breach of confidentiality.	0	0	0
<b>Total</b>	<b>3</b>	<b>2</b>	<b>0</b>

## 1.5 ACKNOWLEDGEMENTS

The following staff gave their time and co-operation during the review, and we would like to record our thanks.

Head Teacher – Alex Seaford.

Office Manager – Angela Ruston

Chair of Governors – Marion Wollaston

## 2 ACTION PLAN

The priority of the recommendations made is as follows:

Priority	Description
High	Recommendations are prioritised to reflect our assessment of risk associated with the control weaknesses.
Medium	
Low	
Suggestion	These are not formal recommendations that impact our overall opinion, but used to highlight a suggestion or idea that management may want to consider.

Ref	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
3.1	Orders should not be raised and cancelled to align their value with the invoice. Additional "variation" orders should be raised and properly authorised before any additional work and/or goods are supplied. This ensures value for money has been considered before the costs are incurred.	Medium	Y	The Head Teacher will ensure that this is looked at and the process changed.	ASAP	Headteacher
3.2	Proper invoices must only be accepted by the school. The invoice must include the invoice number, date of invoice, VAT registration number and a description of the goods/services provided. The description should be sufficient to show that the school is obtaining value for money.	Medium	Y	The Head Teacher will request that the company concerned ensure that the invoices are clearer and contain the required details.	ASAP	Headteacher
3.3	Signed copies of contracts should be retained at the school to reduce the likelihood of contractual disputes or failure to meet contractual obligations. No work	High	Y	Agreed. Signed copies of contracts will be obtained and a copy will be held at the school.	Immediate	Headteacher

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Ref	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
	should be carried out without a formal contract, signed agreement or evidence of quotes being in place. This ensures value for money has been considered.					

### 3 FINDINGS AND RECOMMENDATIONS

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
<b>Risk 1: Controls over the school's bank account(s) and governance may be weak resulting in financial loss to the school.</b>					
1.1	The school receives bank statements on (at least) a monthly basis. Reconciliations between the statements received and the schools accounting records are undertaken on a monthly basis, and reviewed by a member of the school's financial management team. Discrepancies are investigated and any necessary adjustments made.	Yes	Manor School is a Central Payment school. However, the school had a current and deposit account for the School Fund and a current account for the petty cash. These accounts were reconciled on a monthly basis. They were completed by the Finance Officer and signed by the Head Teacher. The School Fund Accounts had been opened for the merged school. All monies from the previous accounts had been transferred in and verified and signed by the Head Teacher.		
1.2	The schools cheque book(s) are crossed 'Account Payee Only'. All cheques must bear the signatories of two authorised officers.	Yes	A new mandate was obtained following the amalgamation of the Infant and Junior schools. The mandate dated 11/10/11, which had been authorised by the Chair of Governors, showed the authorised signatories are the 2 Deputy Head Teachers and the Assistant Head Teacher. Cheque signatories for both the Petty Cash Account and the School Fund Accounts are specified in the Financial Regulations. The authorised officers are two of the following: The Head Teacher, the Deputy and Finance Manager for Petty Cash The Deputy Head and Assistant Head for the School Fund Account. All cheque books are crossed 'A/C Payee' for both accounts.		
1.3	The cheque book is held securely with access restricted	Yes	Internal Audit verified that the cheque books for both the Petty Cash and School Fund Accounts were held in the school safe. Access was restricted to the Head Teacher and the Finance Manager.		



	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
1.4	The Terms of Reference/Scheme of Delegation/Financial Regulations are in place, were agreed by the GB and are in use at the school.	Yes	Internal Audit obtained a copy of the school's Financial Regulations & Scheme of Delegation. They were produced following the amalgamation of the 2 schools. They are dated November 2011 and were signed and approved by the Chair of Governors on 24th January 2012. The regulations are in line with all the schools processes and are in regular use at the school.		
<b>Risk 2: Controls over the school's petty cash funds may be weak resulting in financial loss to the school.</b>					
2.1	The governing body have stipulated in writing an appropriate level for the amount of petty cash to be held. The petty cash imprest is held securely and only authorised staff has access to it.	Yes	According to the latest School's Financial Regulations the petty cash imprest level has been increased to £500. It is held in the School's safe in the Head Teacher's office, to which only the Head Teacher and the Finance Officer have access. Internal Audit counted the petty cash held in the safe and reconciled it together with the Bank statement and outstanding petty cash receipts to the petty cash imprest amount of £300, (The additional £200 has not been put into the account yet)		
2.2	Payments made from the petty cash imprest are limited to minor amounts. Payments must be approved prior to expenditure being incurred.	Yes	According to the latest copy of the Financial Regulations, the maximum claim has been set to £100. Up to £60 can be reimbursed in cash and £100 by cheque. Internal Audit examined a sample of five transactions recorded as petty cash payments. In all cases receipts were provided with supporting petty cash forms signed by the Head Teacher, and signed by the claimant. All amounts paid are in accordance with the Financial Regulations.		

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
<b>Risk 3: Procurement may not be controlled resulting in inappropriate purchases of goods and services.</b>					
3.1	Official, pre-numbered orders should be used for all goods and services except utilities, rents, rates and petty cash payments. Where urgency requires an oral order, these should be confirmed in writing. The school should always consider price, quality and fitness for purpose when purchasing goods or services. All invoices received are accurately updated onto the system,	Yes	Purchase orders had been raised against all the invoices selected for the sample. Purchase orders were raised by the Finance Officer, and had been signed either by the Head Teacher or the Deputy as per the school's financial regulations. Occasionally purchase orders are raised and subsequently cancelled as the invoice has come in with additional costs.	Orders should not be raised and cancelled to align their value with the invoice. Additional "variation" orders should be raised and properly authorised before any additional work and/or goods are supplied. This ensures value for money has been considered before the costs are incurred.	Medium
3.2	All invoices are marked as goods/service received prior to being released for payment.	Yes	A sample of 23 invoices was selected. Goods received/delivery notes are signed and attached to the invoices which were duly signed by authorised staff. There were 9 Invoices included in our sample where there were two suppliers; who are the same company, in as much as payment goes into the same Bank Account. These are not proper VAT invoices, some appear to have not been dated or have missing invoice numbers, and do not detail the work carried out. This could be related to the copying and the style of the original invoice. Internal Audit was not able to view the originals and therefore not able to clarify if the information regarding the date etc. was included.	Proper invoices must only be accepted by the school. The invoice must include the invoice number, date of invoice, VAT registration number and a description of the goods/services provided. The description should be sufficient to show that the school is obtaining value for money.	Medium

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
3.3	Signed copies of contracts should be retained at the school.	No	From the sample of higher value payments made by the school, in some cases, there was a lack of evidence of signed formal contracts. In particular, there was no evidence of a signed contract with Clive Sall Associates even though they had already carried out work and received payment for it.	Signed copies of contracts should be retained at the school to reduce the likelihood of contractual disputes or failure to meet contractual obligations. No work should be carried out without a formal contract, signed agreement or evidence of quotes being in place. This ensures value for money has been considered.	High
<b>Risk 4: Staff might not be informed of how to purchase, store or dispose of fixed assets.</b>					
4.1	The asset register is reviewed on an annual basis and signed as accurate.	Yes	Internal Audit reviewed the School's inventory currently in place at the school. The inventory currently includes: A key register which lists all internal keys and is signed by the user; A mobile phone listing, where details include the equipment recipient and the contract start dates; An IT inventory kept as a spread sheet; Lists by classroom of furniture and appliances. This is maintained by the Finance Officer. Included with the register are copies of invoices relating to high price equipment		
4.2	Any asset write offs are authorised according to the authorisation levels stipulated in the Terms of Reference. There is a write off	Yes	According to the school's Financial Regulations, inventory disposals up to £100 must be authorised by the Head Teacher and by the Resources Committee for larger amounts. All disposals must be		

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
	policy offering guidance to staff.		reported to the Resources Committee. There were no significant write-offs in the past 12 months.		
<b>Risk 5: There may be an inadequate separation of duties for making changes to personnel data.</b>					
5.1	The duties of authorising appointments, making changes to individuals' conditions or terminating the employment of staff are separated from the duties of processing claims. Starters are added to the system at the correct pay scale and leavers do not receive pay for the period after their official leaving date.	Yes	Internal Audit selected a sample of five recent starters and examined the documentation supporting these changes. In all five cases the school held copies of starter forms, which were duly signed by both the member of staff and the Head Teacher, Upon completion, copies are sent to Thurrock Council payroll to process.		
5.2	All timesheets/ overtime claim forms are signed by the claimant and authorised by a designated signatory approved by the Governing body. All overtime claims are certified and processed correctly. Where overtime claims are made the number of hours worked is stated in words as well as numbers.	Yes	Internal Audit examined the overtime and additional duties claims paid out to the school's staff. On a monthly basis these forms are completed by the Finance Manager detailing the overtime and additional hours worked by members of staff. This is forwarded to the council's payroll section to process and pay the claim. All forms for the last four months were examined; they had been signed by the Head Teacher, and agreed to the individual extra hours claim forms completed by the individual, and reviewed by the Head Teacher.		
5.3	Personnel files contain: Contract of Employment Letter of Appointment/Termination Two references Evidence of an enhanced CRB Check Evidence of Qualifications (where appropriate)	Yes	Internal Audit examined the personnel files of five randomly selected employees. All files contained a letter of appointment and contract. Two references were found in all the files examined. All staff had obtained CRB clearance within the last 3 years. It is the school's policy to obtain CRB clearance for all staff at least once every three years. Internal Audit found evidence that qualifications had been verified		

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
			for all teaching staff.		
<b>Risk 7: Income due to the school may not be appropriately recorded and as such might not be collected in full.</b>					
7.1	SCHOOL MEALS: Dinner Registers legibly record all pupils in receipt of a paid meal on a given day along with details of monies paid.	Yes	The weekly school's dinner money was counted and banked whilst the auditor was on site. Therefore, there was no unbanked income. School Meals income reconciliation sheets were examined, together with the paying-in slips and banking returns.		
7.2	LETTINGS: All lettings are authorised by the Head teacher within the framework determined by the governing body. The school issues official, pre-numbered receipts or maintains other formal documentation for all income collected. Receipts are securely stored in order.	Yes	The statement in the latest version of the Financial Regulations is: 'It is the current policy of the Governing Body not to let the school premises'. This policy is reviewed on an annual basis.		
7.3	Income should be banked promptly and intact. Banking records must clearly show the split between cash and cheques and list cheques individually.	Yes	Internal Audit examined recent paying-in slips held by the school and traced them back to documentation of the income. Banking of the school's dinner money is carried out every week on a Monday. All school dinner money income banked agreed to the authorised Banking return forms which were signed by the Head Teacher and sent to Thurrock Council. All other income including breakfast club is included on these Banking returns.		
7.4	The school has its own policy with regard to recovery action. It is recommended that levels are not allowed to rise to the extent that	Yes	Internal Audit established how school meals arrears are monitored and recovered by the school. The Finance Officer records all income received on the system, and calculates any amounts owing. System		

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
	recovery becomes prohibitive. The school should retain copies of letters issued in respect of recovery action taken.		generated letters are sent out for dinner money owed. Note: The school rarely has bad debts to deal with.		
7.5	Only children who have been authorised for free school meals by the LA are receiving free meals.	Yes	Thurrock Council send via e-mail a full entitlement record, with updates of changes once a week. This information is then verified to the information held in the system. The number of children receiving free school meals matches the information received from Thurrock.		
<b>Risk 8: The school's budget may not be balanced or aimed at recovering a deficit or achieving a prudent level of unspent balances resulting in inefficient use of school funds.</b>					
8.1	The current budget is based on the best and most complete information available (e.g. actual and projected pupil numbers and notifications of funding levels).	Yes	Internal Audit obtained the school's budget for the current financial year and the supporting working papers. The 2011/2012 budget was approved at the resources committee meeting of 10th March 2011.		
8.2	The current budget is either, balanced, aimed at recovering a previous deficit in the agreed manner, or intended to achieve only a prudent planned level of unspent balances. The School's financial performance has been substantially in line with budget and there is evidence of regular and active monitoring by governors and the head teacher.	Yes	There is a surplus carried forward from the previous financial year, which will be used for the school's building program. Internal Audit obtained a report from the school's system. The GLCC summary and the Fund review printed 20th February 2011 shows current and actual performance against the budget. The performance is substantially in line with the budget. The school's financial performance is regularly reported to the Council.		
8.3	There have been no subsequent significant changes to the budget that should have been included in	Yes	Internal Audit did not find any evidence that subsequent changes to the budget should have been included in the original budget. Virements limits are included within the Financial Regulations. Budget		

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
	the original budget.		virements are approved in line with these limits, and reported to the Governing Body on a regular basis.		
8.4	Does the school have a School Improvement Plan which covers in outline, the school's educational priorities and budget plans for the next three years?	Yes	The latest School Development Plan was sent to the Governing Body on 19th January 2012. The plan includes a comprehensive Learning and Teaching Action List. It is a one year plan and was produced following the merger of the two schools in September 2011. The Head Teacher is aware that a three year plan is required, but this cannot be achieved until all the implications of the merge to a Primary School are identified.	The three year plan will be developed during the summer term 2012.	Suggestion
<b>Risk 9: The school may not have valid insurance policies in place which may lead to financial loss in the event of claims being made.</b>					
9.1	INSURANCE – On-site	Yes	The school is included within Thurrock Council's Blanket Policy, which is currently held with Zurich Insurance.		
9.2	INSURANCE – Off-site	Yes	The policy with Thurrock Council covers all the school's property. No items are taken out of school		
<b>Risk 10: Security of school data might not be adequately controlled leading to a loss of information or breach of confidentiality.</b>					
10.1	DATA SECURITY – System Access and Passwords	Yes	Internal Audit established the processes in place at the school for ensuring the security of its electronic data. Access to the FMS system is password protected, which is updated every 2 months. The Finance Officer and Office Manager both have system administrator access rights. Passwords for other systems including logon are also updated every 2 months.		
10.2	DATA SECURITY – Back-up	Yes	Internal Audit established how backups of the electronic records were maintained at the school. Backups are carried out daily for both the school's servers. They are taken at the end of the day. These		

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	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
			are stored to tape and taken off-site by the Head Teacher. The school's electronic data is protected by the Information Commissioners data protection register. The register number is Z7488660 which expires 16th February 2013.		