

1 EXECUTIVE SUMMARY

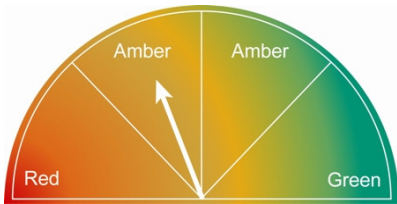
1.1 Introduction

An audit of Woodside Primary School was undertaken at the request of Education Finance at Thurrock Council as the school moved to Academy status on 1st December 2012.

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 might not be controlled resulting in inappropriate purchases of goods and services.</p> <p>Staff may not be informed of how to purchase, store or dispose of fixed assets.</p> <p>There could be an inadequate separation of duties for making changes to personnel data.</p> <p>Repairs and maintenance might not be kept up to date and may not achieve value for money.</p> <p>Income due to the school might not be appropriately recorded and as such may 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 adequately controlled leading to a loss of information or breach of confidentiality.</p>

1.2 Conclusion



Taking account of the issues identified, whilst the Governing Body of Woodside Primary School can take some assurance that the controls upon which it relies to manage this risk are suitably designed, consistently applied and 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 are as follows:

- No copy of the bank mandate held in the school to show the authorised signatories for the bank account matched the Financial Regulations.
- The Financial Regulations did not reflect the school's current financial arrangements.
- Income from dinner money had been used for petty cash.
- Purchase orders were not always signed in accordance with the school's financial procedures.
- Purchase orders were raised after the invoice was received.

- Goods received were not always evidenced by a delivery note or signature on the invoice.
- Two written references were not always kept on file.
- Three quotes are not always obtained for orders over £5,000, and no evidence of Governor's approval.
- No daily correlation between the dinner money collected and entered onto system.
- Dinner Money is not banked each week, meaning the safe contains more cash than the insurance limit.
- Not enough controls in place to ensure the large debt for dinner money arrears is reduced.
- No evidence that Virements are approved by the Governors

1.3 Scope of the review

The objective of our audit was 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 was 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.

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	0	0	0
Application of control framework	1	6	5
Total	1	6	5

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.	0	1	1
Controls over the school's petty cash funds may be weak resulting in financial loss to the school.	0	1	0
Procurement might not be controlled resulting in inappropriate purchases of	1	0	2

Risk	Priority		
	High	Medium	Low
goods and services.			
Staff may not be informed of how to purchase, store or dispose of fixed assets.	0	0	0
There could be an inadequate separation of duties for making changes to personnel data.	0	0	1
Repairs and maintenance might not be kept up to date and may not achieve value for money.	0	1	0
Income due to the school might not be appropriately recorded and as such may not be collected in full.	0	3	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	1
The school may not have valid insurance policies in place which could 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
Total	1	6	5

Recommendations implemented since the previous audit in this area:

Date of previous audit: 18 February 2009			
Assurance:	Fundamental	Significant	Merits Attention
Number of recommendations made during previous audit	0	0	3
Number of recommendations implemented	0	0	2
Recommendations not yet fully implemented:	0	0	1

1.5 Additional Feedback

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

Head Teacher – Ed Caines
Mandeep Flora – Finance Manager
Julie Haydon – Office Administrator

2 ACTION PLAN

The priority of the recommendations made is as follows:

Priority	Description
High	Action is imperative to ensure that the objective for the area under review is met.
Medium	Requires action to avoid exposure to significant risk in achieving the objective for the area under review.
Low	Action is advised to enhance control or improve operational efficiency.
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
1.2	A copy of the bank mandate should be kept on file to ensure the correct signatories are authorising cheques.	Low	Y	Agreed: All procedures will be reviewed now we have moved to an Academy school	A.S.A.P	Head Teacher Chair of Governors
1.4	The Financial Regulations need to be reviewed to reflect the current arrangements for the school. The school fund section needs to be removed as this had been closed 3 years previously.	Medium	Y	As above	As above	As above
2.2	It is recommended that the school uses petty cash account in line with their Financial Regulations and ensures regular reconciliations take place. Petty cash payments must not be made from the school dinner money, which must be kept separate and banked in full.	Medium	Y	As above	As above	As above

Ref	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
3.1	All purchase orders should be signed in accordance with the limits stated in the Financial Regulations. All purchase orders must be raised in the first instance, including for utility bills, to ensure commitments are reflected on the system and management information reports are up to date.	High	Y	As above	As above	As above
3.2	Goods or services that have been received should be recorded. In the absence of a delivery note, the invoice should be signed as "goods received and checked" by someone other than the person who authorised the order.	Low	Y	As above	As above	As above
3.3	All invoices should be signed by the Head Teacher to signify approval of payment, in line with the schools' Financial Regulations.	Low	Y	As above	As above	As above
5.3	Copies of 2 references should be kept on file for all new employees.	Low	Y	As above	As above	As above
6.1	Quotes or tenders should be sought for all orders over £5,000, to ensure the school gets value for money. If the school decide not to go with the cheapest quote e.g. on the basis of quality, this must be included in the minutes of the Governor's meetings to show the decision has been discussed and agreed by the Governors.	Medium	Y	As above	As above	As above
7.1	An independent reconciliation should be carried out to ensure the amount entered on the system for dinner money collected, agrees with the income received and banked.	Medium	Y	As above	As above	As above

Ref	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
7.3	Income should be reconciled regularly and banked at least weekly. This reduces the risk of loss or misappropriation of cash.	Medium	Y	As above	As above	As above
7.4	Stronger controls are needed to ensure the amount of debt does not continue to increase. Letters must be sent out to parents immediately there is any money owing, with follow ups either by phone or further letters. An escalation process needs to be developed.	Medium	Y	As above	As above	As above
8.3	The Chair should either sign the Virement form, or the minutes should clearly detail the amount, reason and cost centres the budget was transferred from and to. This will ensure there is a clear audit trail of changes made to the budget and inform future budget planning.	Low	Y	As above	As above	As above

3 FINDINGS AND RECOMMENDATIONS

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
Risk 1: Controls over the school's bank account(s) and governance may be weak resulting in financial loss to the school.					
1.1	The school receives bank statements on (at least) a monthly basis. A bank reconciliation between the statements received and the schools accounting records is 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	Internal Audit verified that statements were available for the main bank account controlled by the school, in the last year. Reconciliations were completed in timely manner each month. They were signed by the Head Teacher and Finance Manager. Internal Audit verified that the last 3 months reconciliations were completed correctly and agreed to the bank statements.		
1.2	The schools cheque book(s) are crossed 'Account Payee Only'. All cheques must bear the signatories of two authorised officers. There must be no pre-signed cheques	Yes	Internal Audit examined the main bank account cheque book which was crossed A/C payee only. According to the Financial Regulations, all cheques need to be signed by two authorised signatories. The Head Teacher, the Deputy, and an authorised member of the SLT. Internal Audit was not able to see evidence of the two signatures on a cheque. The school could not find their copy of the bank mandate.	A copy of the bank mandate should be kept on file to ensure the correct signatories are authorising cheques.	Low
1.3	The cheque book is held securely with restricted access.	Yes	Internal Audit verified that the schools' pre-printed cheque books were held in the safe in the Office Manager's office. Access to the safe was restricted to the Office Manager and the Office Administrator.		

	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 dated January 2012 and were approved at the Governor's meeting of 12th January 2012. The Regulations were in line with the school processes with the exception that the school fund was closed 3 years ago and the section regarding the school fund had not been removed.	The Financial Regulations need to be reviewed to reflect the current arrangements for the school. The school fund section needs to be removed as this had been closed 3 years previously.	Medium
1.5	The Governing Body should appoint an auditor for the School Fund who is independent of the school, and not a member of the Governing Body. The Governing Body to be presented with the audited accounts as soon as possible after the accounting year.	Yes	Internal Audit confirmed with the Office Manager that the School Fund Account was closed down 3 years ago.		
1.6	Regular reconciliations of the School Fund between the accounting records and the bank statements are undertaken and independently reviewed.	Yes	Not applicable. See comments in 1.5 above.		
1.7	A register of business interest has been established and all Governors have signed within the last 12 months.	Yes	Business interest forms were completed between Sept and Nov 2011. However, the school moved to Academy status on 1st December 2012 and arrangements are being made to complete these forms under the new regime.		
1.8	The school maintains proper accounting records and retains all the documents for at least the period recommended by the local authority.	Yes	The Office Manager confirmed that all accounting records are held for six years plus the current.		

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
	Risk 2: Controls over the school's petty cash funds may be weak resulting in financial loss to the school.				
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 have access to it.	Yes	According to the school's Financial Regulations the petty cash amount is £300. The school does not keep £300 as petty cash but purchases sundries required directly from the main account. All cash was kept in the locked safe in the Finance Manager's office to which only the Finance Manager and the Office Administrator had the keys.		
2.2	Payments made from the petty cash imprest are limited to minor amounts. Payments must be approved prior to expenditure being incurred. The frequency of the petty cash submissions to be made as recommended by the local authority	Yes	<p>Internal Audit examined the petty cash account and found that it was not run in accordance with the Financial Regulations.</p> <p>The anomalies were:</p> <ul style="list-style-type: none"> • The £300 imprest level was not being adhered to. • Transactions over £60 were paid from the petty cash account. • There was no evidence of regular reconciliations. • Petty cash was used to pay firms who could have normal creditor arrangements. <p>In addition petty cash reimbursements were paid from the school dinner money which was left in the safe. Petty cash vouchers were approved by the Head Teacher and signed by the claimant.</p>	It is recommended that the school uses petty cash account in line with their Financial Regulations and ensures regular reconciliations take place. Petty cash payments must not be made from the school dinner money, which must be kept separate and banked in full.	Medium

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
	Risk 3: Procurement might not be controlled resulting in inappropriate purchases of goods and services.				
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	Internal Audit selected a sample of 20 invoices recently paid by the school and traced them to supporting documents in order to verify how they were ordered and authorised. 19 out of the 20 purchase orders were signed by the Head Teacher. In three cases the order required a signature from the Finance Committee, but this wasn't present. 16 out of the 20 purchases were raised after the date of the invoice.	All purchase orders should be signed in accordance with the limits stated in the Financial Regulations. All purchase orders must be raised in the first instance, including for utility bills, to ensure commitments are reflected on the system and management information reports are up to date.	High
3.2	All invoices are marked as goods/service received prior to being released for payment.	Yes	From the sample of the 20 purchases tested earlier, Internal Audit verified how the delivery of goods or services was recorded. There was no evidence that invoices had been signed off or a delivery note had been received to verify delivery of the goods/service. The schools own Financial Regulation (section 4.3) require this.	Goods or services that have been received should be recorded. In the absence of a delivery note, the invoice should be signed as "goods received and checked" by someone other than the person who authorised the order.	Low
3.3	The individual authorising an invoice for payment must have the delegated authority as per the school's Terms of Reference. The individual authorising payment must not be the same individual who signed the order or received the goods/service.	Yes	Internal Audit found that none of the invoices relating to the sample of 20 purchases tested earlier had been signed as authorised for payment by the Head Teacher. The schools own Financial Regulation (section 4.5) require this.	All invoices should be signed by the Head Teacher to signify approval of payment, in line with the schools' Financial Regulations.	Low

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
3.4	All direct debit payments are for appropriate purposes and can be supported by underlying documentation.	Yes	Internal Audit found the school had 1 direct debit for the BT telephone connection, and traced them to supporting evidence such as authorised invoices. There was no evidence of a purchase order being raised. Invoices were present and the amounts agreed to the bank statements.	See 3.1 above	
Risk 4: Staff may not be informed of how to purchase, store or dispose of fixed assets.					
4.1	The asset register is reviewed on an annual basis and signed as accurate. Check the last review of the asset register.	Yes	Internal Audit reviewed the inventory register in place at the school. The IT Manager and the individual teachers were responsible for their own inventories. Internal Audit examined the inventories and found that a one page document was available for all classrooms and offices. These documents were held on the system.		
4.2	Any asset write offs are authorised according to the authorisation levels stipulated in the Terms of Reference. There is a write off policy offering guidance to staff.	Yes	Inventory disposals values were included in the Financial Regulations. There had been no significant disposal of surplus equipment and materials.		
4.3	Computer Equipment to be security marked.	Yes	Internal Audit examined a random selection of IT equipment, and found they had been marked with an ultra violet pen by the IT Manager. IT equipment is marked upon delivery.		
Risk 5: There could be an inadequate separation of duties for making changes to personnel data.					
5.1	The duties of authorising appointments, making changes to individuals' conditions or terminating the employment of staff are separated from the duties	Yes	Internal Audit selected a sample of 5 members of staff and examined the documentation. All new applications and changes were signed by the Head Teacher and Thurrock Council was informed.		

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
	of processing claims. Ensure starters are added to the system at the correct pay scale and that leavers do not receive pay for the period after their leaving date.				
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 duty claims, paid out to the school's staff. Additional hours claim forms were completed and signed by the claimant. On a monthly basis, these amounts were copied to the form which was then signed by the Head Teacher and sent to Thurrock Council for payment.		
5.3	Personnel forms contain: Contract of Employment Letter of Appointment/Termination Evidence of an enhanced CRB Check Evidence of Qualifications (where appropriate)	Yes	Internal Audit examined the personnel files of the 5 employees tested earlier. All files contained a letter of employment signed by the Head Teacher, and a contract of employment signed by the new recruit. It is the school's policy to obtain CRB clearance for all staff at least once every three years. All staff tested had such clearance. Evidence of qualifications for teaching staff was found but only 3 out of the 5 files held 2 references.	Copies of 2 references should be kept on file for all new employees.	Low
5.4	Personnel files are held in a secure location and authorised staff only have access.	Yes	Internal Audit verified that all personnel files are kept in a locked cupboard in the Finance Manager's office, with restricted access.		

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
Risk 6: Repairs and maintenance might not be kept up to date and may not achieve value for money.					
6.1	Three written quotations are obtained for all expenditure above a predetermined limit unless it is impractical to do so. In such circumstances, the reasons for not doing so should be reported to the governing body. Ofsted guidance states this is usually above the limit set in accordance with the financial parameters set out in the Terms of Reference (Standard D2). As such, this should be determined by individual schools. Where a quotation other than the lowest is accepted, the reasons for this decision are reported to the governing body and included in the minutes of the relevant meeting.	Yes	<p>Internal Audit examined purchase orders raised between April and December 2012. In accordance with the Financial Regulations all orders over £5,000, are subject to 3 quotes or tenders. During this period, 8 purchase orders were raised which exceeded £5,000.</p> <p>2 of these were for previously agreed contracts. 3 quotes or tenders were successfully sought and the correct process followed in 2 further cases. In 2 cases involving the same company, 3 quotes were received but the school did not go with the cheapest quote. There was no evidence from minutes of the Governing Body that the reason for this had been discussed and approved by the Governors.</p> <p>Quotes were not sought for the network upgrade as the school used the same company that supply their Network Support but again there was no evidence of discussion and agreement from the Governors. The largest purchase for windows and doors was originally tendered before the Site Manager left. However, only 2 quotes were received.</p>	Quotes or tenders should be sought for all orders over £5,000, to ensure the school gets value for money. If the school decide not to go with the cheapest quote e.g. on the basis of quality, this must be included in the minutes of the Governor's meetings to show the decision has been discussed and agreed by the Governors.	Medium
Risk 7: Income due to the school might not be appropriately recorded and as such may not be collected in full.					
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	Internal Audit examined the processes in place for the collection of dinner money. Money is handed in to the office or teacher in envelopes. This is entered on to the system and the money put in the safe. There was no reconciliation to ensure the amount entered on the system agreed to the money received that day. The banking returns were signed by the Head Teacher.	An independent reconciliation should be carried out to ensure the amount entered on the system for dinner money collected, agrees with the income received and banked.	Medium

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
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	Internal Audit verified that the school did not have any lettings.		
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 the process for banking of the dinner money and found it was not banked regularly.	Income should be reconciled regularly and banked at least weekly. This reduces the risk of loss or misappropriation of cash.	Medium
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 recovery becomes prohibitive. The school should retain copies of letters issued in respect of recovery action taken.	Yes	Internal Audit established how school meals arrears are monitored and recovered by the school. The latest catering return showed that since September 2012, the amount owing had reached £825 meaning the total debt, including that brought forward from the previous year, was £3.7k. The Office Administrator only sends out letters to parent every half term, and does not insist that the child brings in a packed lunch.	Stronger controls are needed to ensure the amount of debt does not continue to increase. Letters must be sent out to parents immediately there is any money owing, with follow ups either by phone or further letters. An escalation process needs to be developed.	Medium
7.5	Only children who have been authorised for free school meals by the LA are receiving free meals.	Yes	On a monthly basis, the Council sends the school a list of pupils who are currently entitled to free school meals. The Office Administrator verifies this list against information held at the school. Internal Audit verified the children who are receiving school meals were included on the list.		

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
	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.				
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 2012/2013 budget was approved at the Governing Body meeting of 18th April 2013, which was confirmed in the minutes for that meeting. The income level can be reconciled to the Section 251 budget statement 2012/2013.		
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	The school's budget is balanced. There was a surplus of £252k carried forward from 2011/2012. The school's financial performance is regularly reported to the Governing Body. Internal Audit examined the minutes of the Governing Body meetings for 12th January, 18th April, and 16th May 2012, when the budget was discussed, and any concerns were raised.		
8.3	There have been no subsequent significant changes to the budget that should have been included in the original budget.	Yes	Internal Audit did not find any evidence that subsequent changes to the budget should have been included in the original budget. Virements have been signed by the Head Teacher but not signed by a relevant governor when appropriate, in line with the school's Financial Regulations (section 4.15). The Office Manager stated that it is sometimes difficult to get hold of the Chair of Governors and therefore, virements were approved at Governing Body meetings. Although approval was given in the meetings, the amount and reason was not specified,	The Chair should either sign the Virement form, or the minutes should clearly detail the amount, reason and cost centres the budget was transferred from and to. This will ensure there is a clear audit trail of changes made to the budget and inform future budget planning.	Low

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
			so there was no audit trail of which virements had been approved.		
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	Internal Audit examined the current 3-year plan, which covers 2011-2014. This covers the pre-Academy period.		
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.					
9.1	INSURANCE – On and off site	Yes	Internal Audit verified that the school had been included in the blanket insurance policy held by Thurrock Council, until the 1st December 2012, when it became an Academy school.		
Risk 10: Security of school data might not be adequately controlled leading to a loss of information or breach of confidentiality.					
10.1	DATA SECURITY – System Security	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 adequately password protected, and restricted to the Finance Manager and the Office Administrator. Up to 1st Dec 2012 when the school moved to Academy the school was registered under number Z1208146 with an expiry date of 6th Feb 2013. It has since been cancelled and a new one applied for.		
10.2	DATA SECURITY – Back-ups	Yes	Internal Audit established how backups of the electronic data are maintained at the school. Full daily backups are performed on the Admin server. On the Curriculum server two weekly incremental back-ups and one full back up at weekends are performed. The backups are stored in the main switch area. The school's computers are protected by Sophos anti-virus software.		