



Internal Audit Report

Summary of School Audits 2005/06

Directorate: Education, Leisure and Community Services
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1. Introduction

1.1. Internal Audit undertakes audits of individual schools in the county borough on a generally cyclical basis. On average a primary school has been visited every two years and secondary schools every 3 years.

1.2. Most of the monies budgeted are delegated to the control of School Governors under the Financial Scheme for Schools. Schools also collect school meal income on behalf of Catering Services. The figures for 2005/06 were:-

Secondary Schools	£33.5 million
Primary & Nursery Schools	£32 million
Special Schools	£ 5.5 million
School Meals Income	£ 1.2 million

1.3. In 2005/06 thirty two primary level schools and three secondary schools were reviewed.

1.4. The following areas are examined in each school.

- Purchasing and payments
- Income collection and banking
- School Private Fund
- Assets and Inventories
- IT
- Budgetary Control
- Supply teachers

1.5. Reviews of secondary schools also includes examination of construction contracts where managed by the school. Statistical returns of pupil registrations are also covered. It is an expectation by the Welsh Assembly that returns on post 16 pupil numbers are reviewed by Internal Audit on a regular basis.

1.6. A report on the audit findings and recommendation is sent to each school for agreement by the Headteacher and a subsequent agreed final report sent to the school and the Chair of Governors. Headteachers were asked to complete an audit effectiveness questionnaire and the responses were generally positive. A copy of the report is also sent to the Executive Director Learning for information.

1.7. In addition an investigation was undertaken into use of monies given for a specific project. A number of recommendations were made to the Executive Director, Learning and the schools participating in the project.

2. Objectives of the Audit

2.1. Internal Audit carries out reviews on behalf of the Authority to help ensure monies given to schools by the Authority are used properly in the pursuit of educating the borough's children. We look for probity, propriety and value for money controls within each school's system.

- 2.2. Other risk areas are also reviewed. E.g. Data protection, operational controls over I.T. and recruitment of supply teachers.
- 2.3. We also aim to provide an assurance service to each school to promote best practice in the areas reviewed.
- 2.4. The main objectives of the audit were:
- to assess whether there are adequate systems of internal control
 - to alert Headteachers to areas for improvement
 - to provide advice to both Headteachers and administrators.

3. Summary

Primary Schools

3.1. It was noted that four of the primary schools out of a total 32 visited have made a significant improvement in the areas examined since the previous audit visit in 2003/04. A further four also appear from our work to have improved. Of these eight schools, three are now giving substantial assurance and five are providing adequate assurance over key risks.

3.2. The overall results were as follows:-

<u>Assurance given:-</u>	<u>2005/06</u>	<u>2003/04</u>
Substantial	13	1
Adequate	14	16
Limited	5	14

(See appendix A for definitions.)

(NB. In 2003/04 schools were classified as good, adequate or inadequate)

Schools reviewed in 2004/05 (not included in this group) were classified as follows

Adequate or better	12
Inadequate	18

3.3. The main areas of concern in a number of schools are:

- A lack of independent monitoring of school meals income by Headteachers.
- A need to provide adequate evidence of receipt of goods.
- A lack of evidence that schools are seeking competitive bids for purchases over £1000.
- A lack of evidence that Headteachers are reviewing monthly budget reports.
- Auditors of Private School Funds not being independent.
- Late submission of audited Private Fund accounts to the Executive Director Learning.
- No testing that computer back up data can be recovered and restored to systems.
- A need to store back up data off site to guard against loss by fire or theft.
- Written assurance from agencies that supply teachers have undergone qualification and CRB checks has often been absent.

3.4. Insurance of private fund monies was an issue at a number of schools. We have received assurance from Corporate Services recently that all schools now have insurance cover in place.

3.5. A total of 229 recommendations were made of which 210 were accepted. These are analysed as follows:-

Area of review:	Recommendations
Ordering, Receipt and Invoice payments	96
Official Fund & School Meals Income	37
Private Fund Administration	52
School Meals Administration (Excluding Catering Services)	22
Asset and Inventories	17
IT	39
Budgetary Control	12
Supply Teachers	8
Other	11

- 3.6. A simple count of recommendations does not give a full picture as some recommendations refer to key weaknesses in control whilst others are suggestions for improvement or refer to relatively low risk operations.

Secondary Schools

- 3.7. Three secondary schools were visited in 2005/06 and all were found to have adequate systems of internal control.

- 3.8. A total of 69 recommendations were made of which 33 were considered significant. Issues raised in more than one school included:-

- Occasions where there was a lack of evidence that competitive quotations were sought for purchases over £1000.
- The lack of an IT policy.
- Improvements needed in segregation of duties.

- 3.9. The 33 significant recommendations were in the following areas of control:-

Area of review:	Recommendations
Ordering, Receipt and Invoice payments	12
Official Fund & School Meals Income	3
Private Fund Administration	2
Asset and Inventories	6
IT	5
Budgetary Control	5

4. Findings and Recommendations

4.1. School Meals & Other Income

- 4.1.1. Primary schools are responsible for the collection and banking of school dinner monies on behalf of the Authority. Each school receives a fee for this service. Secondary schools receive monies collected by Catering Services staff and bank it on the service's behalf. This is a key risk area and the Authority has suffered a major fraud in recent years.
- 4.1.2. Finance Support Services perform an analysis of expected and actual income along with recorded arrears across all the schools. The figures for 2004/05 school year revealed that net arrears recorded by schools were approximately £5,000 with a further £12,000 difference between expected income and recorded income. This is not considered a significant difference with likely explanations of differences between ordered and served meals. However, four schools have been identified with difference of over £1000. These schools were subject to Internal Audit review this year.
- 4.1.3. Whilst there are no apparent significant losses the potential for loss still exists and it is disappointing to note that a number of Headteachers do not perform checks on school meals income. Fourteen schools had inadequate or no checks by an independent person (usually the Headteacher). Recommendations were made to a number of schools to improve the actual checks made. We will pursue this issue further in a forthcoming report on Catering Services.
- 4.1.4. We have also made recommendations to a number of schools to improve records of income and related banking deposits.

4.2. Budgetary Control

- 4.2.1. Budgetary control appeared to have been well controlled by the majority of schools. Eleven Headteachers were advised to sign and date monthly budget reports as evidence of monitoring.

4.3. Orders and Payments

- 4.3.1. Examination of the process revealed that a large number of schools were still not recording orders appropriately. Issues raised included delivery notes not retained or when received not being signed that the delivery has been checked and a lack of evidence that alternative quotes were sought for purchases over £1000.
- 4.3.2. As a result of other audit work outside of these cyclical visits we have noted some confusion at schools as to when individuals supplying services should be paid as self employed and when they should be paid via the payroll. There are risks of sanctions by H.M. Revenue & Customs if we as an employer do not follow proper practices in collecting tax. There is also a need to ensure self employed persons have adequate insurance cover. The Directorate of Education Leisure and Community Services have agreed to provide guidance to schools.

4.4. School Private Fund

- 4.4.1. Internal Audit does not have automatic right of access to private fund records. However, the operation of the fund was discussed with staff to ensure that it was being maintained in accordance with regulations.
- 4.4.2. Each school is required to produce an annual statement of account for its fund. This should be audited by two independent persons and signed by the Chair of Governors. A large number of schools (10) were asking staff who were not independent of the operation of the fund to perform this function. There were significant delays by 7 schools in presenting the accounts to the Executive Director Learning.
- 4.4.3. There was some difficulty in a large number of schools in providing adequate evidence as to who the fund bank signatories were. We have recommended that the relevant schools obtain confirmation from their banks.

4.5. Assets and Equipment

- 4.5.1. An inventory of all equipment held at an establishment is a requirement of Financial Regulations. One copy is held at the school and a further copy is sent to the Education Leisure & Community Services Directorate. Enquiries revealed that most schools had complied with this requirement.
- 4.5.2. Advice was given to a number of schools to improving the identification of valuable items of equipment as belonging to the school or the authority.

4.6. IT

- 4.6.1. It is pleasing to note that schools visited have evidence of for Data Protection registration. This is a significant improvement on previous years.
- 4.6.2. Concern was raised over the lack of information given to parents on schools' internet policy. Such a policy should include the requesting of permission from parents for children to use the internet/electronic communication. In one school we queried the fact that the policy was in Welsh only as this could be difficult for English speaking parents to understand.
- 4.6.3. Seven schools were advised that back up copies of data should be held off site, this safeguarding information in the event of fire. This is an improvement over previous years. We did advise twelve schools to periodically test the back ups to ensure that data can be recovered and systems restored.
- 4.6.4. During our investigation of the spend of monies allocated to improve IT facilities at a number of schools we found weaknesses in control which the Authority has agreed to address. These included the use of small companies to build computers with risks to

health and safety, compliance with copyright laws and in this case a conflict of interest between purchaser and supplier.

4.7. Supply Teachers

- 4.7.1. Schools have the freedom to recruit supply teachers from sources outside the Authority. This is often via agencies or former teachers in the school/county borough. We have highlighted the risks in respect of qualifications and Criminal Records Bureau checks in the past. To get a picture of what happens at the schools we included a discussion with each school in our programme of work for those schools visited. In eight schools we recommended that the Headteacher obtain written assurance from supply agencies that teachers are appropriately checked. We also found a case of a teacher employed by the Authority and working at a number of schools for four months who had not been CRB checked.

Appendix A – Explanation of Categorisations

Individual Controls & Overall Report

The objective of our audit was to evaluate the school with a view to delivering reasonable assurance as to the adequacy of the application of the internal control system. The control system is put in place to ensure that risks to the achievement of the schools objectives are managed effectively.

Based upon the recommendations made, the categorisation of them and the areas that they relate to, an overall conclusion as to the level of assurance that can be provided will be given, as below:

Substantially Controlled

- Key controls exist and are applied consistently and effectively; and,
- Objectives being achieved efficiently, effectively and economically (VFM).

Adequately controlled

- Key controls exist but there may be some inconsistency in application;
- Compensating controls operating effectively; and,
- Objectives achieved after a fashion, e.g. VFM could be improved.

(some risk of loss, fraud, impropriety, or damage to reputation)

Limited Control

- Key controls exist but they are not applied, or significant evidence that they are not applied consistently and effectively; and,
- Objectives are not being met, or are being met without achieving VFM.

(a high risk of loss, fraud, impropriety, or damage to reputation)

Uncontrolled

- Key controls do not exist; and,
- Objectives are either not met, or are met without achieving VFM.

(a very high risk of loss, fraud, impropriety, or damage to reputation)

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