



Internal Audit Final Report

Summary of School Reports 2008/09

Directorate: Children
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1. Introduction

- 1.1 As at the end of the 2008/09 academic year there were ten Secondary (including 1 Welsh Medium Comprehensive), fifty eight Primary (including nursery) and two Special schools in Bridgend County Borough. Internal Audit aims to audit every school at least once every three years, with increased visits if necessary on the basis of a risk assessment. The risk assessment incorporates those schools deemed to provide Limited Assurance on controls to manage risks. Such schools are visited again the following year to ensure improvements are being made. In addition, schools undergoing amalgamation will be subject to visits both prior to amalgamation and then post amalgamation to both ensure that controls are bedding in well and to provide help and guidance where possible.
- 1.2 During 2008/09 our programme of visits incorporated the following numbers of schools:

	Schools Visited During 2008/09	Schools Visited During 2007/08
Secondary Schools	3	3
Primary & Nursery Schools	34	25
Special Schools	1	0

- 1.3 School budgets are delegated to the control of School Governors under the Financial Scheme for Schools which includes financial regulations and standing orders. The Individual School Budgets for 2008/09 and comparative figures for 2007/08, as recorded on the Council's Financial System, were as follows:

	2008/09	2007/08
Secondary Schools Budget	£33,505,408	£31,448,289
Primary & Nursery Schools Budget	£39,181,919	£37,243,604
Special Schools Budget	£6,736,085	£6,103,720
Total	£79,423,412	£74,795,613

In addition to the budgets referred to above, schools obtain additional income in the form of various WAG grants including the Foundation Phase grant.

- 1.4 In addition to the above, Income from school meals paid to Catering Services for Pupil meals in 2008/09 was £1,364,000 (2007/08: £1,354,000.) This money is collected at source in the schools.
- 1.5 BCBC are presently undertaking a major programme of School Modernisation and the failure to modernise our schools is one of the highest scoring risks on the Authority's Joint Risk Assessment. Some recent achievements here include the opening of the new PFI Comprehensive School at Maesteg and the opening of the Welsh Medium Comprehensive School Ysgol Gyfun Gymraeg Llangynwyd.

- 1.6 Internal Audit has developed a standard work programme for use at each school depending on the nature of the school, i.e. a more detailed review is undertaken at Comprehensive Schools to reflect the size and nature of their operations. Prior to the commencement of the 2008/09 visits, Internal Audit undertook a detailed review of the way in which we undertake these audits and as a result revised the areas that we cover to ensure that we adopt a more risk based approach. Our review included, inter alia, liaising with other Local Authority Internal Audit departments to identify risk areas that may not have been given sufficient coverage under our existing work programmes. In addition to this, we have also revised the format in which we report and favourable feedback has been received from Chairs of Governing Bodies on the revised format.
- 1.7 The following list details the areas covered by the standard work programme which is followed in each Primary school: (New areas from 2008/09 denoted in italics).
- Income collection and banking
 - School meals administration
 - Purchasing and payments
 - Budgetary control
 - School Private Fund
 - Assets and Inventories
 - IT security and Data Protection
 - Bank Reconciliation and controls over cheque stationery (Cheque book schools only)
 - *School Transport*
 - *Child Protection*
 - *School Development Plan*
 - *Health & Safety*

The following additional areas are also subject to review during the audit of Secondary and Special schools:

- PLASC return: The PLASC return is a census return submitted to DCELLS containing post 16 pupil numbers and subjects which allows DCELLS to calculate the level of funding due to the school. Internal Audit is required to undertake reviews of PLASC returns by WAG.
- Contract procedures
- Petty Cash
- *School Governance*

Audit visits to Primary Schools typically last one day, whilst visits to Comprehensive Schools and Special schools will typically last approximately 20 days across a team of auditors.

- 1.8 Following the audit visit and subsequent debrief discussion with Head Teachers, a draft report on the audit findings and recommendations is sent to each school for agreement by the Head Teacher. A subsequent agreed final report is sent to the school, the Chair of Governors for presentation to the Governing Body, and to the Corporate Director, Children.

- 1.9 Head Teachers are asked to complete an audit effectiveness questionnaire at the end of the audit, and the responses received for 2008/09 were very positive. However, it is disappointing that in the current and previous year responses were at or below 50%. Internal Audit is striving to improve the service it provides to schools and the questionnaires sent to Head Teachers following an audit visit is a vehicle by which we can achieve this.

	2008/09	2007/08
No. Schools Audited	38	28
No. Questionnaires Returned	17	14
Ratings: Good	14	13
Satisfactory	2	0
Not Satisfactory	0	0
Not rated	1	1

2. Objectives of the Audit

- 2.1 The main objectives of the audits were:

- To assess whether there are adequate systems of internal control present in BCBC schools.
- To make Head Teachers aware of areas for improvement.
- To provide advice to both Head Teachers and Administrators.

Acknowledgement

- 2.2 A number of staff gave us their time and co-operation during the course of our reviews. We would like to record our thanks to all of the individuals concerned.

3. Management Summary of Primary School Findings

- 3.1 The overall assurance levels given on the Internal Control systems at the Primary Schools during 2008/09 and comparative results for the three previous 3 years is shown in the table below:

Assurance Given	2008/09	2007/08	2006/07	2005/06
Substantial Assurance	14	5	5	13
Adequate Assurance	16	16	21	14
Limited Assurance	3	4	9	5
No Assurance	1	0	0	0
Total Schools	34	25	35	32

- 3.2 Of the four schools receiving limited assurance during 2007/08 that were revisited during 2008/09, it is pleasing to note that three of these schools had improved their internal control environment sufficiently to achieve a higher level of assurance. It is however disappointing to note that one of the schools was found not to have made sufficient improvements to the level of internal control in place and in operation to enable us to give a higher level of assurance than in the 2007/08 year. This school will be revisited again in 2009/10 to establish if improvements have now been made.

- 3.3 As shown in the table above, one of the schools visited during the year was given an assurance rating of “no assurance”. The reasons for this level of assurance being given are as follows:

- Incomplete recording of dinner money received resulting in no monitoring of dinner money arrears and no attempts to collect outstanding money owed.
- No monitoring of dinner money records by the Head Teacher.
- No attempts by the Head Teacher to address these problems either by arranging training for the Clerical Assistant or by informing Catering Services that dinner money was not fully being collected.
- A resulting shortfall of approximately £3,700 in uncollected dinner money for the period September 2008 to May 2009. This situation resulted in many hours of work having to be carried out by both Internal Audit and the LEA in order to bring records up to standard to allow some of the income to be recouped from the relevant parents. However, as at October 2009, the relevant Finance Officer in the LEA has expressed concerns that little progress has been made by the school in collecting this income. Internal Audit will be completing a further audit of the School during the autumn term and will reassess the position at that time.
- A lack of updating of the private fund accounts, meaning the 2007/08 accounts had not been completed and audited at the time of our visit in June 2009, and the ongoing 2008/09 accounts were found to have not been maintained.
- The main entrance door was observed to have been left open on a number of occasions during the audit allowing free access to any unauthorised visitor.

- 3.4 The following table summarises the areas in which recommendations have been made during our audit reviews of Primary Schools in 2008/09 and also for the comparative year 2007/08.

Area of review	No. Recommendations made	
	2008/09	2007/08
Collections, Deposits and School Meals Income	42	50
Ordering, Receipt and Invoice payments	67	68
Budget Monitoring	10	11
Private Fund Income	39	29
Asset and Inventories	29	23
IT	18	11
Health & Safety	33	N/A
Other	28	37
Total no. Recommendations made	266	229
Schools visited	34	25
Recommendations per school	7.8	9.16

- 3.5 Whilst at first sight the above table suggests that there have been more recommendations made and hence more issues identified in 2008/09 than in 2007/08, it is to be noted that during 2008/09 there were visits to 34 schools compared with 25 in 2007/08. The overall trend therefore shows a fall in the number of recommendations made at each school in spite of the fact that our audit programme now gives greater coverage to areas not previously included in 2007/08.
- 3.6 Whilst the above table provides information as to the numbers of recommendations made to schools during the course of the 2008/09 year, care should be taken not to misinterpret this. Some recommendations made relate to key weaknesses in control (recommendations categorised as significant or fundamental) whereas others relate to suggestions for improvement or are lower risk areas (merits attention). The following table summarises the categorisation of recommendations made during the year and in previous years.

Categorisation of Recommendations	2008/09	2007/08	2006/07
Fundamental	4	1	0
Significant	77	64	132
Merits Attention	185	164	212
TOTAL	266	229	344

- 3.7 Whilst the overall number of significant and fundamental recommendations appears to have increased, this is due to the number of schools visited increasing rather than deterioration in the level of internal controls within schools. Indeed, the number of significant/fundamental recommendations made per school has fallen from 2.60 in 2007/08 to 2.38 in 2008/09.

- 3.8 There are a number of areas where it is pleasing to note that the level of internal controls in operation at Primary Schools have improved over the last three years. Among these are the level of IT security, administration of school meals income collections and budgetary control.
- 3.9 However, with respect to the administration of school meal income and collections and deposits, there are still issues with respect to the level of independent checks undertaken on monies banked against expected income based on school meals numbers. A large proportion of Head Teachers do now check monies banked, as noted on paying in stubs, against collections noted in the Collection and Deposit (C&D) books. However, it is submitted that these checks do not provide a sufficient control against error or fraud. If, for example, a fraud were to be perpetrated by a School Clerk, it is likely that person would only record the money they would actually bank in the C&D book, deliberately not recording amounts that were being misappropriated. It is therefore felt to be imperative that the independent checks incorporate a review of monies banked against expected income as recorded on the Primary School Meals 3 (PSM3) forms which detail the actual number of meals served at the school.
- 3.10 The other main areas of concern identified during the course of our reviews are as follows:
- A lack of signatures for goods received, and therefore no evidence of segregation of duties in the authorising of orders and invoices, and receiving of goods.
 - A number of key control issues were identified with respect to Private Fund administration including non submission of audited certificates within the deadline, often submissions were made several months late. Additionally, there were a number of instances whereby the Fund Auditors were found not to be independent of the administration and management of the Fund.
- 3.11 Only in areas where issues have been frequently identified or where they are of sufficient magnitude have they been referred to in the following detailed summary. Where issues were identified at an individual school level, recommendations have been made to the school concerned at the time of the audit.

4. Primary School Detailed Findings.

4.1. School Meals and Other Income.

- 4.1.1 Schools are responsible for the collection of school meals income and of the banking into Authority funds. Such amounts exceeded £1.3 million during 2008/09 and given the level of cash handling involved and the fact that BCBC has suffered a major fraud in the past, this is considered to be a high risk area.
- 4.1.2 During 2007/08 Internal Audit undertook a review of Primary School meals and it was identified that a key issue is the level of arrears for school meals that are written off by the Authority. In the financial years 2007/08 and 2008/09 arrears totalling approximately £22,000 over the two years were passed back to BCBC for collection. Over the same period approximately £17,000 was written off. To put these figures into context, the Authority collects approximately £1.3 Million in school meals income per year.
- 4.1.3 Generally, the overall level of administration of school income and banking is improving; however, it is felt that the checks of banking against meals served is still inadequate. In 13 of the 34 schools visited had inadequate or no independent checks undertaken.
- 4.1.4 To illustrate the potential risks to the Authority of a failure to implement a sound system of internal control, at one school visited, a discrepancy of £3,700 between monies banked and expected income from meals served for the period September 2008 to May 2009 was identified by Internal Audit. This had occurred due to the failure to keep sufficient records, failure to impose any arrears monitoring and chasing systems, and a lack of monitoring of monies due and banked. Through liaison with the LEA and BCBC Cash Control, we have recommended that schools no longer maintain detailed cheque listings which have previously included bank account numbers and sort codes of parents paying by cheque. This is considered by schools as being a significant and unnecessary administrative burden. Auditors were advised that in some of the larger schools this onerous task could take up to a day. In addition to the time benefits, there are also positive connotations with respect to Data Protection.

4.2. Budgetary Control

- 4.2.1 In advance of the commencement of the 2008/09 Primary Schools audit programme, changes were made to the way in which we tested the level of monitoring and understanding of budgetary control at schools. An analytical approach was adopted to discuss with Head Teachers reasons for significant variances in their current years budget identified as part of our audit work. It is pleasing to note that generally Head Teachers were found to have a sound understanding of issues affecting their budgets with appropriate engagement in the monitoring process.
- 4.2.2 A number of schools were found to have had difficulty in achieving and maintaining a balanced budget position. A number of factors contributed to this and it is acknowledged that BCBC funding levels per pupil are amongst the lowest in Wales. Where schools were identified as having budget difficulties, it was commonly advised by Head Teachers that a key difficulty was the fact that they had a number of experienced Teachers employed at the school resulting in high salary costs. It is noted that schools are funded based on an average Teachers salary for that particular type of school so those schools that do have Teachers that are higher than average earners due to their length of service are at an immediate disadvantage.

4.3. Orders and payments

- 4.3.1 Our review of the processes in place at the schools visited indicated frequent occurrences of delivery notes not being signed by the person receiving the goods to indicate that all goods recorded as delivered on the note were actually received. One of the key purposes of this check is that when the person designated to authorise the purchase invoices receives the invoice, part of their authorisation check should be that the school has only been invoiced for goods actually received.
- 4.3.2 Due to the lack of signed delivery note in a number of cases it was not always possible to evidence that appropriate segregation of duties was in operation in the purchasing process. The purpose of such segregation is to reduce the potential of goods being ordered for personal use and being misappropriated by one employee that has responsibility for every step in the process.

4.4. School Private Fund

- 4.4.1 Under the Financial Scheme for Schools, Internal Audit does not have automatic authority to have access to Private Fund records. In order to give assurances that risks associated with Private Funds are mitigated, reliance is placed on compliance with audit requirements under the Private Fund regulations. These require that the Private Fund accounts are audited by two persons independent of the funds administration and management.
- 4.4.2 During 2008/09 our review identified that a large number of certificates had not been submitted to Financial Support Services by the deadline. On some occasions these were then found to have been submitted shortly after the deadline. However, there were a number of instances where certificates had still not been submitted at the time of undertaking our audit visit (up to 6 months after the deadline.). In total 11 of the 34 schools visited were found to either have submitted their certificate after the deadline or still had not submitted it at the time of the audit.
- 4.4.3 There were also a number of instances where it was identified that at least one of the Auditors of the Private Fund were either fund signatories or part of the management of the fund. It is submitted that this does not represent an independent audit and reliance cannot be placed on this work. There were also instances whereby full records for the fund had not been available to the Auditor and this had been noted on the relevant Audit checklist but the certificates had been signed off as audited. As a result of this there are periods of time in a number of schools whereby the Fund has not been subject to audit. Where records are not available at the time of the Private Fund audit, the Auditor should refrain from signing the certificate until he/she is satisfied that records have been made available to them for the full accounting period.
- 4.4.4 It is disappointing to note that an instance was identified whereby at one school, due to the fact that the school only has two signatories for the Private Fund, cheques are regularly pre signed by one of the signatories to ensure continuity if one signatory is absent. This nullifies the control of having two signatories in the first place. Internal Audit advised the school to appoint a third Fund signatory to ensure continuity in the event of either of the existing signatories being absent.

4.5 Assets and Inventory

- 4.5.1 The completion of an inventory detailing the equipment held at a school is a requirement of the Financial Regulations as is the submission of the inventory to the LEA. For 10 out of the 34 schools visited up to date inventories had either been submitted after the deadline or had still not been submitted at the time of the audit. Previous Annual reports have recommended that this be monitored more closely and it is noted that the vast majority of the schools now maintain their inventory electronically which should improve the level and timeliness of submission in the future.

Recommendation
The Authority should monitor submission of inventories and take appropriate action where there is non compliance with the regulation.

4.6 IT Security & Data Protection

- 4.6.1 The majority of schools visited during the year have taken out the IT SLA to cover the back up of administrative network as well as virus control. Some schools have also taken out additional support as part of the SLA. Audit is satisfied that generally across the Authority appropriate measures exist within schools over the related IT risks.
- 4.6.2 Where schools had not subscribed to the back up content of the IT SLA, a number of schools were still found to not be taking a copy of the back up off site and some had not tested their back ups to ensure they could be restored. Where this was identified, recommendations were made. Additionally, some schools were unaware of the need to encrypt data taken off site if it contains personal data. The Information Commissioner has stated that he will issue enforcements where such data is lost and it is established that it was not encrypted. Schools should take care to ensure that any data taken off site on mobile devices such as lap tops or USB pen drives has encryption software installed. There were a small number of instances of good practice evidenced in this area where schools had entered into reciprocal arrangements to store each others data back ups rather than have staff take them home.

4.7 School Transport and Generic Health & Safety

- 4.7.1 School Transport and Health & safety are new areas to the Schools work programme for 2008/09. Work with respect to School Transport involves consideration of whether a school owns its own vehicle and if so, reviewing controls over vehicle maintenance and appropriateness of those designated to drive. If a vehicle is not owned, discussions as to what security measures are in place where external companies are contracted.
- 4.7.2 With respect to Health & safety, a short questionnaire is completed including, for example, access & security arrangements, risk assessments and fire safety.
- 4.7.3 All schools that do not own their own vehicle advised that they only used BCBC approved home to school transport providers for their additional transport needs.

- 4.7.4 A number of schools indicated that their staff had not received training in the use of fire equipment. Several Head Teachers stated that they would rather that their staff did not attempt to fight a fire should one occur and would rather their staff concentrated on evacuating the building. However, whilst Internal Audit appreciates this view point it is our view, and indeed that of the BCBC fire Officer, that staff should have training in the use of equipment in case it is absolutely necessary to enable escape.
- 4.7.5 Generally, all schools had risk assessments in place but the content and adequacy varied across schools. A small number of Head Teachers advised that although they were expected to complete these they had not been given sufficient help and guidance.
- 4.7.6 Liaison with the BCBC Corporate Health & Safety Unit identified that they intend on setting up a risk assessment working group with schools to develop generic risk assessments and provide advice and guidance.

4.8 Child Protection

- 4.8.1 As above, this area is new to the programme and has involved liaising with the BCBC Child Protection Officer (CPO) to identify key controls that should be in place at each school to ensure the protection of its pupils.
- 4.8.2 Our checks involve checking that staff at schools have received child protection training, appropriate policies are in place and staff are aware of them, designated CPO's have received the higher level training and checking that new starters have been subject to CRB checks.
- 4.8.3 It was noted that there is a programme of training provided to all schools across the Authority which all staff attend. Additionally, the designated Child Protection Officers at each school receive higher level training to support their role.
- 4.8.4 There are still a number of instances whereby schools do not receive written confirmation that new starters have been subject to the necessary enhanced Criminal Records Bureau (CRB) checks. There is a common misperception that it is the responsibility of BCBC CRB Team within the Human Resources function to ensure that staff have been checked; it is in fact the responsibility of the Head Teacher. The CRB Team conduct these checks on behalf of the school.

5. Management Summary of Secondary & Special School Findings

5.1 The overall assurance levels given at BCBC Secondary and Special Schools during the current and previous two years were as follows:

Assurance Given	2008/09	2007/08	2006/07 & 2005/06
Substantial Assurance	0	1	0
Adequate Assurance	3	2	3
Limited Assurance	1	0	0
No Assurance	0	0	0
Total Schools	4	3	3

5.2 It can be seen from the above table that of the 3 Secondary and 1 Special School visited during 2008/09, 1 School was given limited assurance. The reasons for this are documented below:

- During sample testing of the School's PLASC return for September 2008 difficulty was encountered in verifying pupil subject entries to timetables. We were unable to verify contact hours in 50% of subjects recorded in our sample. Given that funding is based on the number of contact hours a pupil is recorded as receiving in each subject, we could not verify the PLASC return was accurate and subsequently that funding levels were correct.
- Testing of school income / collections and deposits indicated that there was no segregation of duties in the process of collecting, recording, banking and receipting income, with the Clerical Assistant responsible for each stage.
- There was found to be a lack of control over the purchase ordering, goods receipting and invoice authorisation process. Among the breaches found in our sample were examples of staff regularly bypassing the official ordering process and placing orders with suppliers themselves and for approximately half of the sample there was no evidence that the invoice had been authorised for payment by an appropriate person.

5.3 Due to our serious concerns over the PLASC return in particular, Internal Audit revisited the school concerned. Although further issues were identified, Internal Audit were satisfied that the school had made sufficient progress in rectifying the issues identified as part of the initial audit such as to give an assurance level of adequate.

5.4 The main areas noted as needing improvement from Secondary and Special School audits in general in 2008/09 are:

- A lack of segregation of duties was evident between income, receipting, recording and banking in 3 of the 4 schools visited.
- Some aspects of IT Security could be improved e.g., data encryption.
- Schools that own their own vehicle should regularly review the licenses of those charged with driving duties to ensure that they have appropriate licences which are free of endorsements.

Recommendations made in 2008/09 and in 2007/08 were analysed as follows:

Area	2008/09	2007/08
Collections & Deposits / School Income	17	19
PLASC Returns	4	5
Orders, Goods Received, Payment of Invoices and Contract Procedures	13	13
Petty Cash	4	6
Budgetary Control	7	0
Bank Reconciliation	4	3
IT Security & Data Protection	19	5
Inventory	14	8
School Private Fund	7	5
School Transport & Generic Health & safety	14	N/A
School Governance	7	N/A
Child Protection	5	N/A
Other	1	9
Total no. Recommendations made	116	73

- 5.5 Whilst at first sight the number of recommendations made, and consequently the number of issues identified, appears to have increased significantly over the previous year, it should be noted that during 2007/08 3 schools were visited but during 2008/09 an additional school was subject to audit. In addition to this, the revisions made to our standard work programme have led to new areas being reviewed. Of the 116 recommendations made above, 26 are recommendations made in areas that were not covered on the previous years work programme. It is only in the area of IT Security where more issues have been identified leading to an increased number of recommendations made.
- 5.6 During 2008/09 reports were requested from each of the three comprehensive schools visited during 2007/08. The aim of the reports was for schools to confirm their progress in implementing the recommendations agreed in their 2007/08 audit. It is pleasing to note that of the 73 recommendations made across the three schools, 61 were reported as having been fully implemented.
- 5.7 Only in areas where issues have been frequently identified or where they are of sufficient magnitude have they been referred to in the following detailed summary.

6. Secondary and Special Schools Detailed Findings

6.1. School Meals and Other Income

- 6.1.1 Testing identified that in the majority of schools visited there was a lack of segregation of duties in the process of income receipting, recording and banking with a lot of over reliance on the Finance Officer to complete the full process.
- 6.1.2 Similar to the above point, it was also noted that final counting of dinner money prior to bagging was undertaken by one person. There should be two persons present when money is counted and both should sign control documentation to indicate that the amount has been agreed. To illustrate the level of monies involved, recent audits of Comprehensive Schools indicate that income banked can regularly exceed £6,000 a week.

6.2. PLASC Return

- 6.2.1 Significant issues were only identified in one of the schools visited and these have been referred to in paragraph 5.2 above.

6.3. Purchases, Petty Cash and Contract Procedures

- 6.3.1 Generally, it was found that schools were complying with the Financial Scheme for Schools.
- 6.3.2 With respect to the ordering, receiving of goods and authorising of purchase invoices, issues were identified at 1 of the schools visited as referred to in paragraph 5.2 above.
- 6.3.3 It was regularly identified during testing of petty cash that the Officer responsible for the petty cash account had issued reimbursements to themselves. We were able to evidence appropriate supporting receipts for the items found, but do not feel it appropriate that a person authorises payments to themselves. Where this was identified it was recommended that a second person authorises the payment.

6.4. Budgetary Control & School Governance

- 6.4.1 School Governance is a new area covered under the 2008/09 audit programme. The scope of our work includes ensuring that the composition of the Governing body is in line with legislation, ensuring that terms of reference exist and checking that all Governors have completed a register of interests.
- 6.4.2 It was noted for all schools visited that there are insufficient procedures in place for making available Minutes of meetings for Governing Bodies. Such procedures should take account of the level of information that is legally required to be available to the public and ensuring that Data Protection legislation is also complied with.
- 6.4.3 Generally, sound levels of budgetary control were evident at the schools visited with some very minor breaches of the Financial Scheme for Schools.

6.5. Private Fund

- 6.5.1 As with Primary Schools, Internal Audit do not have right of access to the private fund core records eg, cash book and invoices so place reliance on discussions with staff and examination of the annual Private Fund Certificate as to the controls in operation at each school.
- 6.5.2 At all schools visited it could not be evidenced that the Head Teacher was reviewing the Private Fund accounts each term as required by The Private Fund Regulations (Para. 14.1).
- 6.5.3 It was also identified that in 2 of the 4 schools visited staff were not submitting statement of accounts within 1 month of the trip / activity taking place (again a requirement of The Private Fund Regulations).

6.6. Assets and Inventory

- 6.6.1 All schools visited were found to have an inventory in place. However, there is some confusion as to the content required at some schools. Examples were found of unnecessary items such as exercise books and staplers being recorded. Additionally, at one school items not yet procured were found to be included with the full inventory, representing a “wish list” rather than a position statement. In contrast to this, the nature of the information being recorded also varied across the schools with some not recording uniquely identifying numbers or purchase dates and prices.

6.7. IT Security & Data Protection

- 6.7.1 Some concerns were noted here with respect to Data Protection issues. At one school it came to light that where Data Destruction companies were contracted to dispose of obsolete machines, no confirmation was received that the hard drives had been successfully been destroyed.
- 6.7.2 Additionally, there are issues with respect to the encryption of mobile devices taken out of school (Lap tops, pen drives etc). At two of the schools visited discussions indicated that mobile devices taken off site were not subject to encryption. Due to recent, widely publicised, data loss events, the Information Commissioner has stated that he will issue enforcements where any personal data is held and the device itself has not been encrypted. It is up to each school to review the information held on any such devices for data that would be classed as “personal data” under the Data Protection Act and act accordingly.

6.8. Child Protection

- 6.8.1 As with Primary Schools, issues were identified at one school whereby the school had not received written confirmation that new starters had been subject to the necessary enhanced CRB checks. Internal Audit did then receive confirmation from the CRB Team that the sample of new starters had been subject to the relevant checks before starting in post but the school itself had not received this written confirmation.

6.9. School Transport and General Health & Safety

- 6.9.1 The main issue identified in these areas is that in the schools that own minibuses, sufficient checks are not carried out, or could not be evidenced, with respect to designated driver's licences. Those charged with driving school vehicles should be required to periodically produce their licenses to ensure that they still hold the appropriate license to drive the vehicle and that their licence is free of endorsements.

7. LEA Support

- 7.1 The Authority performs a number of roles in monitoring and supporting schools to ensure compliance with relevant laws and regulations including the Financial Scheme for Schools.
- 7.2 This section sets out findings and recommendations relevant to the LEA in terms of support provided to schools.
- 7.3 During our reviews of schools already subject to amalgamation or due to amalgamate in September 2009, it was noted that the Private Fund Regulations for Auditors do not provide guidance on account closures and transfers. Where two schools merge and only one bank account will be used ongoing, the Auditors should satisfy themselves that the other account has been closed. The risk being that the non used account could be deliberately be kept open and used to misappropriate funds.

Recommendation
Schools should be issued with guidance with respect to the audit of Private Funds where a school has been amalgamated. Where this involves combining more than one fund account, with one account closing, the Auditor should see confirmation from the bank that the account has been closed and also that all funds have been transferred into the remaining account.

- 7.4 At a number of schools it was noted that the Private Fund Auditors did not receive all records for the full period subject to audit. Although this fact was noted on the audit checklists the certificates had still been signed off with no further action. Where not all records have been made available to the Auditors this represents a limitation in scope to their work and failure to receive and check this information does not provide a sufficient safeguard against fraud or error.

Recommendation
Where school Private Fund certificates are submitted to the LEA and it is noted that appropriate records have not been made available for the full year, these should not be accepted by the LEA and returned to the Auditors for them to obtain the full records from the school to complete the audit.
On receipt of Private Fund certificates, the forms should be examined and the school challenged where there are cases of the Fund Auditors being either signatories or part of the Management Committee.
Schools should be chased when they fail to submit their completed forms to the LEA by the required deadline.

7.5 As part of the changes made to the audit work programme for schools, we have included issues related to School Governance. Some frequently occurring issues were identified as follows:

- There were some differentials noted with respect to the quality of minutes available. Some schools were found to have comprehensive minutes available whereas others were found to be fairly vague. Where minutes were found to be vague this led to difficulties in evidencing the involvement of Governing Bodies with respect to contributing to, monitoring and approving the School Development Plan and similarly that of the School budget. This was the source of much frustration on the part of both Internal Audit and of Head Teachers keen to demonstrate the close involvement of their Governing Body in such matters.

Recommendations

The Governor Support Unit should work closely with The Clerks to Governing Bodies to ensure that minute taking is suitably comprehensive.

8. Management Action Plan

Rec. No.	Recommendation	Categorisation	Agreed	Management Comments	Officer Responsible	Date to be implemented
1	Schools should be issued with guidance with respect to the audit of Private Funds where a school has been amalgamated. Where this involves combining more than one fund account, with one account closing, the Auditor should see confirmation from the bank that the account has been closed and also that all funds have been transferred into the remaining account.	Significant	Yes	We are in the process of updating the School Private Fund Regulations and will incorporate guidance in for schools that are closing / amalgamating.	Finance Manager	November 2009
2	Where school Private Fund certificates are submitted to the LEA and it is noted that appropriate records have not been made available for the full year, these should not be accepted by the LEA and returned to the Auditors for them to obtain the full records from the school to complete the audit.	Significant	Yes	We will scrutinise the auditors checklist for any indications that the fund has not been fully audited due to incomplete records, and return the certificates where this is the case.	Finance Assistant	Following submissions for 2008/09 academic year.
3	On receipt of Private Fund certificates, the forms should be examined and the school challenged where there are cases of the Fund Auditors being either signatories or part of the Management Committee.	Significant	Yes	We will maintain separate records of the private fund management committee and check that the auditors are independent from these.	Finance Assistant	Following submissions for 2008/09 academic year.

Rec. No.	Recommendation	Categorisation	Agreed	Management Comments	Officer Responsible	Date to be implemented
4	The Authority should monitor submission of inventories and take appropriate action where there is non compliance with the regulation.	Merits attention	Yes	We already chase up schools which do not submit their inventories. However, where there is consistent failure not to submit we will inform the Chair of Governors and Corporate Director – Children.	Finance Assistant	Following 2008/09 academic year submissions.
5	Schools should be chased when they fail to submit their completed forms to the LEA by the required deadline.	Merits attention	Yes	We already chase up schools which do not submit their private funds, including writing to the Chair of Governors. We also include a section on governor responsibilities for the School Private Fund under the Governor Training module on finance.	Finance Assistant and Finance Manager	On-going
6	The Governor Support Unit should work closely with The Clerks to Governing Bodies to ensure that minute taking is suitably comprehensive.	Merits attention	Yes	Governor Support meets with the clerks on a termly basis to take them through the director's report and discuss any issues that have arisen over the previous term. Training is always provided to new clerks and ongoing training is given to existing clerks to aid them in their responsibilities.	Team Manager Governor Support	Ongoing

Explanation of Categorisations for Audit Reports

Individual Recommendations

For each control reviewed, where it was established that the control is either not in place or is in place but not being adhered to, a recommendation will be made. Each recommendation will be given a categorisation based upon the severity of the missing control. The categorisations are as follows:

- Fundamental - action that is considered imperative to ensure that the Authority is not exposed to high risks;
- Significant - action that is considered necessary to avoid exposure to significant risks;
- Merits attention - action that is considered desirable and should result in enhanced control or better value for money (VFM).

Individual Controls & Overall Report

The objective of an audit is to evaluate the system 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 Authority's 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:

Substantial Assurance

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

Adequate Assurance

- 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 Assurance

- 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)

No Assurance

- 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)