



Internal Audit Report

Summary of School Reports 2010/11

Directorate: Children
Date: November 2011

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Author: L Jones

Auditors: A Wileman
M Goodman
L Barnes
S Press
L Jones

1. Introduction

- 1.1 As at the end of the 2010/11 academic year there were ten Secondary (including one Welsh Medium Comprehensive), fifty four 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 In early 2010/11 a Control Risk Self Assessment (CRSA) Programme was piloted in the Bryntirion Cluster. The aim of the CRSA is to enable Head Teachers to self evaluate the controls that exist within the school. Following the success of the initial cluster, the CRSA programme was rolled out at all Schools who were not subject to an audit visit in 2010/11. Responses were received for 55% of the schools which is relatively disappointing. Internal Audit advised Schools that failure to submit the completed CRSA may result in more frequent audit visits as it was anticipated that Internal Audit would be able to seek assurance that controls that we were informed are in place. Of the responses received however, it was pleasing to note that all schools gained either a good or very good rating.
- 1.3 In future years the CRSA's will be issued to all schools (except those due to be visited) on an annual basis. Actual audit visits will then be limited to the highest risk schools only, with each Primary school visited at least once in a four year period and each Comprehensive School continuing to be visited on a three year cycle. The CRSA will allow the Chief Internal Auditor to obtain assurance that internal controls are operating effectively at those schools which are not subject to an audit visit in a particular year. This will contribute to the overall annual audit opinion as stated in the BCBC Statement of Accounts.
- 1.4 In 2011, a shared service arrangement between Bridgend and the Vale of Glamorgan Internal Audit service was officially formalised. Following this, the current school work programmes used by both authorities were reviewed and a combined work programme has been developed.
- 1.5 From 2011/12 all schools subject to an audit visit will be issued a pre audit questionnaire and will be required to submit selected documentation prior to the visit. This information will then be reviewed and the audit programme will be tailored to focus on the high risk areas identified. Thus, not all areas of the schools programme will be subject to review during the audit visit as assurance will be gained from the pre audit questionnaire responses.
- 1.6 During 2010/11 our programme of visits incorporated the following numbers of schools:

	Schools Visited During 2010/11	Schools Visited During 2009/10
Secondary Schools	3	3
Primary & Nursery Schools	10	25**
Special Schools	0	1

** The figure for Primary school visits includes one school which was visited twice during the audit year as a result of being given an audit opinion of “no assurance” during the first visit.

- 1.7 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 2010/11 and comparative figures for 2009/10, as recorded on the Council’s Financial System, were as follows:

	2010/11	2009/10
Secondary Schools Budget	£33,423,131	£37,861,037
Primary & Nursery Schools Budget	£38,945,676	£32,317,663
Special Schools Budget	£6,135,284	£5,758,598
Total	£78,504,091	£75,937,298

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

In addition to the above, income from primary and nursery pupil school meals paid to Catering Services in 2010/11 was £1,413,000 (2009/10: £1,295,000). This money is collected at source in the schools.

- 1.8 During 2010/11 Internal Audit used a standard work programme 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.
- 1.9 The following list details the areas covered by the standard work programme which was followed in each Primary school:

- 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:

- Post 16 PLASC return: The PLASC return is a census return submitted to DFES containing post 16 pupil numbers and subjects which allows DFES to calculate the level of funding due to the school. Internal Audit is required to undertake reviews of PLASC returns by WG.
- 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.

- 1.10 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.
- 1.11 Head Teachers are asked to complete an audit effectiveness questionnaire at the end of the audit. The responses to the questionnaires are detailed below, showing the overall rating from 2010/11 alongside the previous rating categories for 2009/10. The responses received in 2010/11 were positive; however as in previous years the number of schools responding was disappointing. As part of the shared service arrangement with the Vale of Glamorgan, admin support is now available to the department allowing more effective chasing of outstanding questionnaires.

	2010/11	2009/10
No. Schools Audited	10	29
No. Questionnaires Returned	4	8
Ratings: Very Satisfied / Good	2	1
Satisfied / Satisfactory	2	7
Just Acceptable / Not Satisfactory	0	0
Not Rated	0	0

2. Objectives of the Audits

2.1 The main objectives of the schools audits are:

- 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 2010/11 and comparative results for the three previous 3 years is shown in the table below:

Assurance Given	2010/11	2009/10	2008/09	2007/08
Substantial Assurance	2	7	14	5
Adequate Assurance*	6	14	16	16
Limited Assurance	2	3	3	4
No Assurance	0	1	1	0
Total Schools	10	25	34	25

**Adequate Assurance rating has now been renamed as Reasonable Assurance*

- 3.2 Of the four schools receiving limited or no assurance during 2009/10 that were revisited during 2010/11, it is pleasing to note that all of these schools had improved their internal control environment sufficiently to achieve a higher level of assurance.
- 3.3 The school receiving a no assurance rating in 2008/09 again received the same rating on its first re-visit in 2009/10, having made no improvements in the control environment. As a result of this, a second revisit took place later in the year where it was deemed that adequate progress was being made to address the key control weaknesses identified. The school was visited again in 2010/11 and it was encouraging to note that the School has been making continuous progress to improve the levels of the control in existence and as a result the school received a higher level of assurance in 2010/11. It is anticipated that this school will be visited again in 2011/12 to ensure controls remain in place.
- 3.4 The following table summarises the areas in which recommendations have been made during our audit reviews of Primary Schools in 2010/11 and also for the comparative year 2009/10.

Area of review	No. Recommendations made	
	2010/11	2009/10
Collections, Deposits & School Meals Income	12	42
Ordering, Receipt & Invoice payments	26	61
Budget Monitoring	5	9
Private Fund Income	34	28
Asset and Inventories	7	26
IT	3	14
Health & Safety	11	41
Child Protection	8	24
School Development Plan	1	13
Bank Reconciliations & cheque control	0	2
Transport	3	1
Other	0	1
Total no. Recommendations made	110	262
School visits	10	25
Average Recommendations per school	11	10.5

- 3.5 The table shows that in 2010/11 less than half the number of audit visits was made as compared to 2009/10. This is reflected in the number of recommendations made in each area and total recommendations made. What is consistent across the two years is the average number of recommendations made per school. .
- 3.6 Whilst the above table provides information as to the numbers of recommendations made to schools during the course of the 2010/11 year, the significance of each recommendation also needs to be taken into account. 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	2010/11	2009/10	2008/09
Fundamental	3	2	4
Significant	56	68	77
Merits Attention	51	192	185
TOTAL	110	262	266

Given the fact that there were 10 school visits in 2010/11 compared with 25 in 2009/10, this table indicates that, the number of recommendations made per school is consistent with 2009/10. However in 2010/11, the number of significant recommendations made per school has increased from 2.7 in 2009/10 to 5.6 in 2010/11.

- 3.7 The main areas of concern identified during the course of our reviews are as follows:
- Poor controls in the area of procurement, with orders often raised after goods have already been received, and a lack of evidence that goods have been checked and signed for on receipt.
 - Some schools are still failing to receive written confirmation from HR that new starters have been CRB checked.
- 3.8 Only in areas where issues have been frequently identified or where they are of sufficient significance 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 were just over £1.4 million during 2010/11 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 The 2010/11 Internal Audit review of Primary School meals identified that arrears to the value of £2731 were passed back to BCBC for collection as the schools were unable to recover this money themselves. Over the same period £578 of uncollected school meals income was written off. It is pleasing to note that these figures are significantly lower than those for 2009/10, where arrears of £9,577 were passed to BCBC and £3,011 written off.
- 4.1.3 The main issue found in schools in respect of school meals income was regarding the process of independent review of school meals records. Although most schools have some form of review process in place, it is felt that these processes are often insufficient to detect errors or potential misappropriation.

4.2. Budgetary Control

- 4.2.1 In advance of a school visit, Internal Audit perform an analytical review of the school's budget to identify areas of significant variance to previous years. These issues are then discussed with the Head Teachers. As with 2009/10, it is pleasing to note that Head Teachers were found to have a good understanding of their budget, with only a few significant issues identified in some schools.

4.3. Orders and payments

- 4.3.1 Testing undertaken in the area of orders and payments found that for 30% of the schools visited official purchase orders were not always raised and authorised prior to an order being placed and invoice being received.
- 4.3.2 For 40% schools visited there was no evidence that the delivery notes were signed and dated by the person checking the goods. Further to this, significant recommendations were made when segregation of duties could not be evidenced

4.4. School Private Fund

- 4.4.1 The main issue, as last year, was the late submission of certificates to the Finance section of Children's Services. It was found that 60% of the Primary Schools visited had not submitted a copy of their Private Fund Certificate to Finance prior to the deadline.
- 4.4.2 An audit visit was requested by a Primary School following the discovery that the private fund had not been independently audited for the previous two years. Two fundamental and several significant recommendations were made to the school in relation to the area of the school private fund and the School is due to be revisited in 2011/12.
- 4.4.3 Likewise another audit visit was made to a Primary School at the request of a new Headteacher following concerns over the administration processes at the school. A number of significant recommendations were made relating to the various systems

across the school. A large proportion of the significant recommendations were in the area of the School Private Fund.

- 4.4.4 The two schools mentioned above are the schools that were given limited assurance as noted in 3.1. Both schools will be revisited as part of the 2011/12 audit programme.

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 40% of the schools visited, the inventory had either been submitted after the deadline or had still not been completed or submitted at the time of the audit. We acknowledge the LEA takes the necessary action to inform schools that they need to submit an up to date copy of their inventory. However, we have identified that schools continue to fail to provide up to date copies of their inventories on an annual basis.

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.
- 4.6.2 Significant weaknesses' were not identified in the Primary Schools visited in relation to IT Security & Data Protection.

4.7 School Transport and Generic Health & Safety

- 4.7.1 Two of the schools visited during 2010/11 owned their own vehicle; therefore the majority of audit testing under the Transport section was not relevant this year. For the two schools with a vehicle, recommendations were made about the regular inspection of driving licences for penalties or endorsements in order to assess the ongoing suitability of those with the responsibility of transporting pupils and staff at the school.
- 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 40% of schools visited 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.

4.8 Child Protection

- 4.8.1 Child Protection audit 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 Criminal Records Bureau (CRB) checks.
- 4.8.2 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. Some recommendations were made where the Child Protection Officers in schools needed to attend the appropriate, higher level training.

4.8.3 There are still a number of instances where schools do not receive written confirmation that new starters have been subject to the necessary enhanced CRB checks. In 2010/11 this represented 30% of all schools visited. 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. The legal position as set out in Section 175 of the Education Act 2002 and the Welsh Government 2008 circular “Safeguarding Children in Education...” is “the school operates safe recruitment procedures and ensures that all appropriate checks are carried out on new staff and volunteers who will work with children including Criminal Records Bureau.....” The CRB Team’s role is to conduct these checks on behalf of the school.

4.9 School Development Plan

4.9.1 Each school produces an annual School Development Plan (SDP), which includes school-wide objectives for the forthcoming year, along with details of the resources required to ensure these are met. SDPs should be regularly updated and reported to Governors. Only one recommendation was made in 2010/11.

5. Management Summary of Secondary School Findings

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

Assurance Given	2010/11	2009/10	2008/09
Substantial Assurance	0	0	0
Adequate Assurance*	3	4	3
Limited Assurance	0	0	1
No Assurance	0	0	0
Total Schools	3	4	4

**Adequate Assurance rating has now been renamed as Reasonable Assurance*

It can be seen from the above table that of the 3 Secondary visited during 2010/11 all three school were given adequate assurance.

- 5.2 The main areas noted as needing improvement from Secondary School audits in general in 2010/11 are:

- Failure to comply with the financial scheme for schools when purchasing goods.
- Failure to evidence that value for money was obtained for goods purchased in excess of £1000.
- Schools are persistently failing to receive written confirmation from HR that new starters have been CRB checked.
- Schools that own their own vehicle should regularly review the licenses of those charged with driving duties to ensure that they have appropriate licences.

Recommendations made in 2010/11 and in 2009/10 were analysed as follows:

Area	2010/11	2009/10
Collections & Deposits / School Income	6	22
PLASC Returns	0	2
Orders, Goods Received, Payment of Invoices and Contract Procedures	13	9
Petty Cash	4	4
Budgetary Control	4	4
Bank Reconciliation and Cheque control	4	1
IT Security & Data Protection	4	10
Inventory	8	10
School Private Fund	6	12
School Transport & Health & safety	12	15
School Governance	3	6
Child Protection	7	6
Other (mostly Catering)	12	2
Total no. Recommendations made	83	103
School Visits	3	4
Average Recommendations per School	28	26

- 5.3 Overall, the average number of recommendations made per school has remained constant over the two year period. Whilst some marked improvements can be seen in certain areas e.g. IT Security, in contrast, more recommendations have been made in

the area of Orders for example. Care should be taken not to read too much into these comparisons as the recommendations will have been made across different schools.

- 5.4 Whilst the above table provides information as to the numbers of recommendations made to schools during the course of the 2010/11 year, the significance of each recommendation also needs to be taken into account. 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	2010/11	2009/10	2008/09
Fundamental	0	0	0
Significant	22	20	40
Merits Attention	61	83	75
TOTAL	83	103	115

- 5.5 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 Schools Detailed Findings

6.1. School Meals and Other Income

6.1.1 Two of the Comprehensive Schools visited had opted out of Catering services provided by BCBC. As a result the School Management Team and Governors are accountable for the entire catering service. Following the visit to the first opted out school an audit programme was developed to evaluate the controls opted out schools have in place to ensure that the risks related to operating an in house catering function are being appropriately managed. The catering programme focused on the following three areas:

- Budgetary Control & Governance
- Quality Assurance
- Staffing

It was pleasing to note that reasonable assurance was gained in the areas of quality assurance and staffing for the opted out school tested. However, Internal Audit had concerns over the transparency of budget reporting to governors due to the fact that the catering budget was not segregated from the schools main budget and as a result the area of budgetary control only received limited assurance.

6.1.2 Testing identified that in one school 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.

6.2. PLASC Return

6.2.1 It was pleasing to note that no significant issues were identified in this area.

6.3. Purchases, Petty Cash and Contract Procedures

6.3.1 It was disappointing to discover that the majority of the schools did not follow the Financial Regulations for schools when purchasing goods. In particular when schools placed substantial orders exceeding £1,000 it was found that there was little or no evidence that schools had obtained three written quotations from suppliers to evidence best value has been obtained when making purchases.

6.3.2 With respect to the ordering, receiving of goods and authorising of purchase invoices, a reoccurring issue found, was excessive use of the non order facility with official orders not being raised and authorised prior to orders being placed.

6.3.3 In one particular school visited it was identified during the testing of petty cash regular reconciliations are not being undertaken and when the account is ready for reimbursement no checks are undertaken by an officer independent of the day to day administration of the petty cash.

6.4. Budgetary Control & School Governance

6.4.1 The audit testing conducted in the schools found limited evidence to suggest that the Governors declarations of interest were updated on a regular basis. It was recommended at these schools that this be done annually.

6.4.2 Generally, sound levels of budgetary control were evident at the schools visited. Minor issues were identified, these mainly related to signing key documentation to evidence reviews.

6.5. Bank Reconciliation and Cheque control

- 6.5.1 For two of the schools tested significant recommendations were made in the area of bank reconciliations as there was no independent officer reviewing the bank reconciliation. Further recommendations were made for the two schools when the testing undertaken found that payments and receipts exceeding a period of three months were still outstanding.
- 6.5.2 Controls were seen to be in place in the area of cheque book storage and cheque records and consequently no recommendations were made in this area.

6.6. Private Fund

- 6.6.1 As with Primary Schools, Internal Audit do not have right of access to the private fund core records e.g., cash book and invoices so place reliance on discussions with staff and examination of the annual Private Fund Certificate and checklist as to the controls in operation at each school.
- 6.6.2 At one of the 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.

6.7. Assets and Inventory

- 6.7.1 All the schools visited were found to have an inventory in place. For one of the three schools there was no evidence to indicate that the Inventory was regularly reviewed by the Head Teacher to verify that the items recorded in the inventory were still at the school.

6.8. IT Security & Data Protection

- 6.8.1 Some concerns were noted here with respect to Data Protection. At two of the schools mobile devices taken out of school (Laptops, pen drives etc) had not been encrypted, posing significant risks in the protection of personal or sensitive data.

6.9. Child Protection

- 6.9.1 As with Primary Schools, issues were identified at all three comprehensive schools in relation to new starters and CRB clearance. Testing undertaken found that for the sample of new starters tested the Schools had not received confirmation from HR that the employees had been CRB checked prior to commencing employment.

The consensus from Head Teachers was that it is the Human Resources departments' responsibility to ensure a CRB is in place prior to an employee commencing employment. The Head of Human Resources has confirmed that the Authority's policy is that it is the responsibility of the Line Manager to ensure that any employee has received sufficient clearance prior to their commencement date. If positive clearance hasn't been received then the Headteacher should take this as a sign of a problem and not allow someone to commence - and particularly not without making contact with HR.

One Headteacher expressed concerns that despite the school planning and conducting its recruitment process sufficiently in advance that the school is not receiving the required confirmation from HR. This issue has been raised by the Headteacher at the HR user group and was also raised as a concern in the Estyn inspection of the authority. A

central CRB audit is scheduled for the 2011/12 which will include a review of the current processes in relation to schools.

6.9.2 Recommendations were also made where the designated Child Protection Officers in schools needed to attend the appropriate, higher level training. Further recommendations were made for schools to maintain a child protection training record to ensure all staff receive refresher training in the area of child protection as required.

6.10. School Transport and General Health & Safety

6.10.1 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 drivers' licences. Those charged with driving school vehicles should be required to produce their licences on a quarterly basis to ensure that they still hold the appropriate licence to drive the vehicle and to review their licences for any endorsements that may impact on their suitability to be responsible for the safe transport of pupils and staff.

6.10.2 No major health and safety issues were identified during the audit only one significant recommendation was made where there was no evidence at the school that fire drills were being undertaken on a regular basis.

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 relevant to the LEA in terms of support provided to schools.
- 7.4 A persistent issue that was found in a number of schools was that the Private Fund Certificates were not submitted to Finance before the deadline with many certificates being submitted a few months after the deadline. Discussions indicated that the LEA has suitable procedures in place to log and chase up these certificates but there remains an issue with late filing.
- 7.5 Similar to above, it was also found that on many occasions inventories were not submitted to finance by the required deadline.
- 7.6 A more significant issue identified is in relation to CRB checks and the confirmation of their existence from HR. It is clear that the Authority needs to have a clear protocol and Head Teachers should be made aware of their responsibilities in regards to CRB. An audit of the CRB function is underway and recommendations will be made as necessary to help overcome the issues identified in schools.
- 7.7 Where these issues were identified at individual school level, recommendations were made to the relevant schools.