

## **Swindon Internal Audit Services**

***Strictly Private and Confidential***

**Greendown Community School**

**Report status: FINAL**

***Report date:*** 2<sup>nd</sup> November 2009

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***Auditor:*** Melanie Fitzgerald & Nikki Soave

***Issued by:*** Nikki Soave - Principal Auditor

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***Report distribution:***

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Mr C Zimmerman	Headteacher
M Lanchester	School Business Manager

***Revised Draft Issued 2<sup>nd</sup> October 2009, following feedback on draft:***

Mr C Zimmerman	Headteacher
M Lanchester	School Business Manager

***Final Issued 2<sup>nd</sup> November 2009, following receipt of Management Responses:***

Mr C Zimmerman	Headteacher
M Lanchester	School Business Manager
Cllr N Martin	Chair of Governors
K Murray	SBC Group Finance Manager – Children Services
P Bradley	SBC Director of Schools and Learning

## **1 Executive Summary**

- 1.1 A review of the financial procedures operating at Greendown Community School was completed as part of the planned programme of work, undertaken by Internal Audit, on behalf of the Group Director – Children’s Services, during 2009/10.
- 1.2 In addition, the results of this internal audit will inform the school’s re-assessment against the DfES Financial Management Standards in Schools (Standard 5.7).
- 1.3 Greendown Community School is a mixed comprehensive secondary school for pupils aged between 11 and 16 years. The school was awarded dual specialist status as a Sports College and Maths and Computing College in September 2007.
- 1.4 The school currently has a budget of £3,950,514 and is predicting a deficit budget of £272,515 for 2009/10, which has been agreed with the Local Authority along with plans to recover the deficit by year 3.
- 1.5 However, the Internal Audit review raises concerns over the budget setting process and questions whether the individual income and expenditure budgets set are accurate. Little evidence was provided to the Auditors to demonstrate that the budget levels set were based on a detailed examination and consideration of historic spending information and future pressures.
- 1.6 In addition the school’s budget template for 2009/10, submitted to the LA at the end of June 2009, is showing a significant increase in the predicted level of deficit for 2009/10 compared to that initially reported at the end of 2008. Consequently, we are concerned that there is a high risk that the predicted 2009/10 year end deficit is inaccurate and likely to be higher, unless action is taken.
- 1.7 The school has reduced its level of support staff as part of a staff reduction programme to address the deficit budget. During the audit, the Business Manager was covering duties that should have been carried out by junior members of staff. It is understood that this is not unusual and is resulting in the Business Manager being unable to appropriately focus on strategic financial management.
- 1.8 It is our opinion that the school needs significant support from the Local Authority’s Finance Team to ensure that the school’s exact financial deficit has been correctly identified and that realistic, achievable actions are identified to recover the deficit within a period acceptable to the Local Authority, without putting the education provision at risk. This process should also help determine if the correct level of financial management skill and resources is available at the school.
- 1.9 The level of involvement of the Governors in supporting the school is also unclear, as the minutes of meetings do not demonstrate that they have been actively involved in the management and monitoring of the deficit budget, which has been increasing since at least 2005/06. The Chair of Finance, who was appointed in February 2009, confirmed that this information had not been brought to the attention of the Full Governing Body until recently.
- 1.10 We found that the general day to day running of the school’s financial administration was of a satisfactory standard and the finance team tries to ensure that the correct procedures and Financial Regulations are followed. However, instances of non-compliance were found which has resulted in the school being unable to fully demonstrate that they are using their resources effectively.
- 1.11 The school has recently opted to process their payroll in-house and has bought a specific software package for this purpose. The early review of the processes in

place has confirmed that the school has considered the risks in the process and appropriate controls have been identified. In addition, a check of a sample of personnel files has confirmed that the information held is complete and up to date.

1.12 The fundamental issues identified during the audit and the impact they could have on the future financial management of the school has resulted in our opinion that they are sufficiently significant to place doubt on the reliability of the procedures reviewed.

1.13 The key recommendations are:

- A review should be conducted of the information used when the 2009/10 predicted deficit budget was initially identified of £161k, to establish the reasons for the significant variance compared to the amount reported to the LA in June 2009 of £272,515 (69% increase), on the school's budget template.
- The review should include detailed costings to establish whether all anticipated factors and historic trends have been accounted for and to confirm the budget set is realistic and achievable. The school should seek assistance from the LA's Finance Team in conducting this review. The results from the review should be submitted to the Group Financial Manager for Children Services to establish whether the budget needs to be restated and a revision to the licensed deficit agreed with the LA.
- A detailed action plan should be produced to address the school's deficit budget, which should be monitored by the School's Finance Committee and regularly report on to the Full Governing Body.
- A review of the current School Development Plan should be conducted to ensure all costs have been calculated and are affordable.
- All actions identified in the School Development Plan, which have an associated financial implication to the school, should be fully costed and provision made for this expenditure in the school's budget.
- Detailed budget monitoring information should be produced for Governors to allow for robust monitoring and challenge.
- A central contract register should be devised and maintained detailing all contracts in place, their expiry date, annual cost and contract coverage. This register should also be used as a record to confirm that adequate insurances and policies are in place.
- In accordance with Financial Regulations for schools, quotes and formal tendering procedures should be established when expenditure is expected to exceed, £1k and £50k respectively.
- Segregation of duties should be established within the HR/Payroll function.
- A review of the catering budgets should be conducted to confirm that the anticipated level of income is achievable.
- An action plan to increase catering turnover should be devised, using information obtained from the school meals cashless system to identify areas where take up can be increased.
- The school fund accounts for the year ending 30<sup>th</sup> June 2008 should be prepared and submitted for audit immediately.

- School Fund bank reconciliations should be conducted promptly, upon receipt of the bank statement.
- The school should seek assistance from the LA in developing a school specific Disaster Recovery, Business Continuity and Emergency Plan.

## 2 Approach

- 2.1 Managers determine the extent of internal control in their systems and are responsible for providing an environment that ensures that resources are properly applied, value for money is secured, fraud and other losses prevented, and the Council's Financial Regulations are complied with.
- 2.2 Internal Audit, as a service to the Directorate and the Council as a whole, contributes to internal control by examining and evaluating its adequacy and effectiveness. The auditor's responsibility is to form an independent opinion, based on the audit work undertaken, on the reliability of the systems of internal control, risk management and governance reviewed and report this to the Headteacher, Governors, Director of Schools and Learning and to other relevant officers.
- 2.3 In accordance with best practice, a risk-based approach was adopted that identified the key risks to the business objectives and those mitigating actions/controls that should be in place. The auditor then assessed the effectiveness of the mitigating controls through examination of relevant documents, procedures and detailed testing.
- 2.4 The appropriate managers and senior staff were consulted during the course of the review and examination and testing of relevant documentation and procedures took place within departments.

## 3 Risk Areas Examined

- 3.1 The table below summarises the Risk Areas examined during the review and provides an assessment of the adequacy of the mitigating controls in place for each area of risk examined (see also Appendix A):

Risk Area Examined	Audit Conclusion re. mitigating controls
• Budget Setting	<b>Fundamental Weaknesses Identified</b>
• Budget Monitoring	<b>Significant improvements required</b>
• Census	<b>Significant improvements required</b>
• Ordering and Purchasing	<b>Significant improvements required</b>
• Bank Accounts	<b>Satisfactory</b>
• Personnel and Payroll	<b>Satisfactory</b>
• Catering	<b>Fundamental Weaknesses Identified</b>
• School Fund	<b>Significant improvements required</b>
• Business Continuity and Disaster Recovery	<b>Significant improvements required</b>

## 4 Overall Opinion

- 4.1 **Materiality and impact: Medium.** Greendown Community School currently has an annual budget of approximately £3,950,000 excluding Standards Fund and Direct Grant. It is therefore, a system that is of medium materiality when compared to the other systems and establishments operated throughout the Council. It is considered that there would be a medium impact on the Council, should there be major system failures.
- 4.2 **Changes since last audit:** The previous internal audit was conducted in 2006/07 and found that significant improvements were required in existing procedures. Since that audit, the school has appointed a new Headteacher.
- 4.3 **Opinion on system controls: Fundamental Weaknesses Identified** (see Appendix A) i.e. the auditor completing the review concluded that the matters arising from the review are sufficiently significant to place doubt on the reliability of the procedures reviewed. Implementation of the recommendations made is a priority to ensure that reliance can be placed on the system.
- 4.4 **Overall assessment of risk:** the combination of the high impact of the system, along with the opinion on the system controls gives an overall risk assessment to the Council as being **of concern**:

		MATERIALITY AND IMPACT		
SYSTEM CONTROL		High	Medium	Low
1	High standard	Moderate	Minimal	Minimal
2	Satisfactory	Moderate	Moderate	Minimal
3	Significant Improvements required	Of Concern	Moderate	Moderate
4	Fundamental weaknesses identified	Significant	Of Concern	Moderate

- 4.5 All of the matters arising are detailed in the action plan, together with suitable recommendations, together with an indication as to whether the matters arising are of a high, medium or low priority. The action plan provides a checklist of the findings of the review, potential consequences, and identifies officers responsible for implementing the recommendations and appropriate time-scales.
- 4.6 Management's response to the Internal Audit recommendations is attached at Appendix C.

## **5 Secure Procedures**

5.1 The following secure procedures were identified during the course of the audit review:

- The Headteacher has worked closely with the LA's School Place Planning Information Manager to ensure pupil number predictions are as accurate as possible.
- The school benchmarked their pupil/teacher ratio with other similar schools to assist in decision making during their staffing structure review.
- The Finance Manager produces a budget pack for all budget holders which includes their annual allocation, a summary of the relevant financial regulations that they have to comply with and a tear off slip for them to sign and return confirming they agree to abide by Financial Regulations and to disseminate their requirements to their staff.
- The Finance Manager reminds staff by email that they are not permitted to place phone or fax orders without prior approval from the finance team and that they are not allowed to accept inspection copies of books.
- Cost centre reports are provided to budget holders on a monthly basis.
- Paid invoices examined were accurate and appropriately authorised.
- Appropriate separation of duties exists within the school's purchasing process.
- Appropriate pre-employment checks had been conducted for the new starters examined.
- All salary payments made to staff that were examined were found to agree to the latest information held on the individual's personnel file.
- Personnel and payroll records are held securely, with access restricted.
- Bank reconciliations examined were conducted promptly and were found to be correct. The Headteacher had independently checked reconciliations.

## **6 Acknowledgement**

- 6.1 Internal Audit would like to acknowledge and thank the following members of staff and Governors who contributed to the review:

<b>Name</b>	<b>Job title</b>
C Zimmerman	Headteacher
A Youngman	Governor – Chair of Finance Sub Committee
M Lanchester	School Business Manager
N Eagle	Finance Manager
J Clarke	HR Manager
J Rodden	School Fund Administrator
N Yapp	Catering Manager
M Walker-Loveridge	Fundraising Officer
N Archer	SBC Deputy Group Finance Manager – Schools
K Murray	SBC Group Finance Manager – Children Services

**Section 7: Findings and Recommendations - Action Plan**

The purpose of this action plan is to provide a summary of the matters arising during the audit of Greendown Community School, together with the associated risk of non-compliance, recommendations to mitigate risks, responsible officer and proposed timescales.

In order for you to identify the most significant matters arising, which affect the reliance that can be placed on the controls reviewed, the recommendations have been prioritised.

Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer/Time Scale.
<b>1</b>	<b>Budget Setting</b>				
1.1	In January 2009 the school informed the LA that they were projecting a deficit budget of £161k for 2009/10 and were looking to obtain an agreed licensed deficit for the year. However, the budget template finally submitted by the school included a deficit of £272,515, £111k more than initially reported.	Inaccurate budget setting and projections leading to additional overspending.	A review of the information used to initially identify the deficit budget for 2009/10 should be conducted to establish the reasons for the significant variances.	High	Business Manager  September 2009
1.2	A review of previous year's financial information has identified that the school has had a deficit revenue budget since at least 2005/06, when there was an £11,955 overspend at year end. The CFR return for 2008/09 shows a £142,899 deficit year end position.  The minutes of Governors meetings do not demonstrate that this increasing deficit was fully considered or that an action plan was devised to reverse the position.  The Chair of Finance, who became Chair of this committee in November 2008 after being a Governor for 2 years, stated that he did not become aware of the financial difficulties of the school until he sat on the Finance Committee as this information was not brought to the attention of the Full Governing Body.	Decisions are made based on incomplete financial information.  Budgets become further overspent.  Governors are not provided with sufficient information in order to carry out their role fully.	A detailed action plan should be produced to address the deficit budget which should be monitored by the Finance Committee and regularly report on to the Full Governing Body.  A review of the information provided by sub committees to the Full Governing Body should be carried out to ensure that crucial information, affecting all decisions made, is properly communicated.	High	Governors September 2009

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Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer/Time Scale.
<b>1</b>	<b>Budget Setting</b>				
1.3	<p>In light of the deficit rollover and the predicted increasing deficit, a review of the budgets set was conducted by the Auditor during the audit. The actual spend for 08/09 for non staffing expenditure was compared to the 09/10 budgets set and any significant variances were queried. A number of expenditure budgets had been set at less than last year's actual spend and there was little information to demonstrate that these anticipated savings had been fully costed and therefore achievable. See Appendix B for details.</p> <p>When queried, there was no readily available information or evidence to explain the reasons for the levels set.</p>	Unrealistic budgets are set leading to additional overspends.	<p>A review of the budgets set for 2009/10 should be conducted, with detailed costing carried out and recorded, to establish whether all anticipated factors and historic trends have been accounted for and to confirm the budget set is realistic and achievable. The school should seek assistance from the LA's Finance Team in conducting this review.</p> <p>The results should be presented to the Finance Committee to allow sufficient challenge on the assumptions made.</p> <p>The results from the review should be submitted to Group Financial Manager for Children Services to establish whether the budget needs to be restated and a revision to the licensed deficit agreed with the LA.</p>	High	Headteacher in liaison with the Finance Committee. September 2009

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Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer/Time Scale.
<b>1</b>	<b>Budget Setting</b>				
1.4	<p>A review of the costs identified in the school development plan was conducted to establish whether they had been fully accounted for in the school's budget.</p> <p>Whilst the £6,000 identified for departmental development bids had been clearly included in the 2009/10 budget, there are at least six other actions included in the SDP which have not been fully costed and which do not appear to have been included in the school's budget.</p> <p>When the spend was discussed with the SDP Finance Manager, she was not clear which budgets would fund any associated expenditure.</p>	<p>SDP is not achieved.</p> <p>Budget becomes further overspent.</p> <p>Expenditure is allocated to incorrect budgets.</p>	<p>All actions identified in the School Development Plan which have an associated financial implication to the school, should be fully costed and provision made for this expenditure in the school's budget.</p> <p>A review of the current School Development Plan should be conducted to ensure all costs have been calculated and are affordable.</p>	High	Business Manager September 2009
1.5	School budgets have been profiled, however these have been set using the pre-set system profiles and do not necessarily reflect the historic spend of the school.	<p>Budget monitoring is not effective.</p> <p>Budgets become overspent.</p>	The budget profiles should be set following a review of the school's historical spending information.	Medium	Business Manager September 2009
1.6	The school has reduced its level of support staff as part of a staff reduction programme to address the deficit budget. During the audit, the Business Manager was covering duties that should have been carried out by junior members of staff. It is understood that this is not unusual and is resulting in the Business Manager being unable to appropriately focus on strategic financial management.	<p>Ineffective use of staff time.</p> <p>Strategic financial planning is not robust.</p>	A review of the current support staffing structure should be conducted to ensure there is an adequate level of strategic financial support available to the school.	High	Headteacher  October 2009

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Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer/Time Scale.
<b>2</b>	<b>Budget Monitoring</b>				
2.1	<p>Budget monitoring information provided by the Finance Team to staff is comprehensive.</p> <p>However, the information provided to Governors needs further development. The report produced for Governors does not match the budget split approved, due to the way the report has been written. This was raised at the time of the audit and the school is working with the Accounting Technician to rectify this.</p> <p>In addition, the report produced only shows the original budget, current budget, actual and committed spend and balance remaining. It does not show the profiled budget to date in order to assist Governors in detailed monitoring.</p> <p>As an example, the electricity budget has been set at £50k and, as at 16.6.09, £10,812 has been spent with no commitments entered. This results in a £39,188 (78%) balance remaining and so has not been flagged to Governors for review. The school is invoiced monthly, so only two months bills for the current year have been paid, and these are likely to be for lower levels of use than the winter months. If these bills remain at the same level throughout the year, the total expenditure will be approx £65k. A review of the 2008/09 actual payments shows that 69% of expenditure occurred in the period October 2008 to March 2009. Based on this level of usage, a more accurate budget for 2009/10 would be £102k excluding VAT – which is £52k more than has been allowed for in the 2009/10 budget.</p>	<p>Decisions are made based on incorrect or incomplete information.</p> <p>Budgets become overspent.</p>	<p>Detailed budget monitoring information should be produced for Governors to allow for detailed monitoring and challenge.</p> <p>In light of the current financial situation of the school, more comprehensive information should be presented to Governors for review.</p>	High	<p>Headteacher &amp; Business Manager.</p> <p>September 2009</p>

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Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer/Time Scale.
<b>3</b>	<b>Census</b>				
3.1	<p>A review of the school's Census return produced for 15<sup>th</sup> January 2009 was conducted to confirm that the data reported to the LA was accurate.</p> <p>The census returns are produced by the HR Manager using an automated system. The report is not checked prior to submission and the HR Manager was not clear what it showed and stated that it was her responsibility to produce the reports and send it to the LA on the required dates.</p> <p>Hard copies of the returns are not produced as they are submitted electronically. When the January return was reviewed, it was noted that the report states the totals are the 'number of pupils on roll aged 5 or over at 31/8/08', this should be at 15<sup>th</sup> January 2009. When this was queried with the HR Manager she stated that she had never noticed this and did not know why the date was different. A review of the other returns produced contained the same date although with differing totals.</p>	<p>Inaccurate data is submitted to the LA.</p> <p>Incorrect budget share is given to the school.</p>	<p>The census returns should be independently checked prior to submission to the LA.</p> <p>The anomaly identified in the report information should be investigated to establish whether this is affecting the total number of pupils recorded on roll.</p>	High	<p>Business Manager</p> <p>September 2009</p>

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Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer/Time Scale.
<b>3</b>	<b>Census</b>				
3.2	<p>A report listing all female pupils on roll on 15<sup>th</sup> January 2009 was produced by the school during the audit and this was compared to the census return. This identified an overall variance of 2 pupils (more on census than on report) with more variances between year groups. Based on the 2009 AWPU rates, these variances equate to a potential overclaim of -£5,164.52.</p> <p>This matter was queried with the Business Manager who discussed this with the Attendance Officer. They could not list specific pupils or specific reasons but said that this could have occurred where pupils were taken off roll retrospectively. The school is not able to take a pupil off roll until they get approval from their EWO. The BM said that they had two pupils who moved away and the school were not allowed to take them off roll until their new addresses were confirmed – the BM did not provide the names of these pupils so it was not possible to check the detailed report to establish whether these pupils were included in the figures.</p>	Incorrect funding is awarded.	A review of the discrepancies in pupils on roll compared to the census return produced for 15 <sup>th</sup> January 2009 should be conducted to identify the reasons for these and to confirm whether the correct level of funding has been awarded to the school.	High	<p>Business Manager</p> <p>September 2009.</p>

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Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer/Time Scale.
<b>4</b>	<b>Purchasing.</b>				
4.1	<p>The school have a number of contracts in place, a central list is not maintained detailing all these contracts, the expiry date, annual cost or what the contract covered.</p> <p>In addition, the school were not able to provide copies of all contracts in place, in some instances only the purchase orders were provided. The BM explained that a central file or list is not maintained but the information is held in various locations and different people are responsible for maintaining this information, including the Site Manager. Consequently, it was not possible to confirm that the necessary insurance etc. is in place due to the lack of organised records.</p> <p>This issue reflects the findings raised in budget setting, where the 2009/10 budget set for maintenance contracts could not be easily substantiated.</p>	<p>Contract monitoring is not conducted.</p> <p>Contracts expire before a formal review or renegotiation can take place.</p> <p>Duplicate contracts exist.</p> <p>Value for money is not achieved.</p>	<p>A central contract register should be devised and maintained detailing all contracts in place, their expiry date, annual cost and contract coverage. This register should also be used as a record to confirm that adequate insurances and policies are in place.</p> <p>The register can then be reviewed regularly to identify when contracts are due to expire to allow for contract negotiations, or tendering, to be carried out in sufficient time before the end of the contract.</p> <p>The register can also be used to assist in the annual budget setting and to provide information to profile budgets accurately.</p>	High	<p>Business Manager</p> <p>September 2009</p>

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Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer/Time Scale.
<b>4</b>	<b>Purchasing.</b>				
4.2	<p>The school's bank history report showed a number of payments in excess of the quotes and tenders limit set in Financial Regulations for Schools.</p> <p>The documentation supporting these payments was examined. It was found that none of these payments had quotes and tenders to evidence that best value was achieved and to demonstrate that Financial Regulations had been complied with.</p>	<p>Breach of Financial Regulations.</p> <p>Best Value not achieved.</p> <p>Allegations of inequitable treatment of suppliers.</p> <p>Allegations of conflict of interests.</p>	<p>In accordance with Financial Regulations, quotes and formal tendering procedures should be established when expenditure is expected to exceed, £1k and £50k respectively.</p>	High	<p>Business Manager</p> <p>September 2009</p>

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Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer/Time Scale.
<b>4</b>	<b>Purchasing.</b>				
4.3	The refurbishment of the school's all weather service costing £250k was not subject to tender, with only quotes received and no evidence of independent evaluation carried out. This project was managed by the School's Fundraising Officer who confirmed that he was advised of the requirements for tendering by the Business Manager but failed to follow the procedure. Consequently, we have not been able to confirm that the contract was awarded properly and in the best interest of the school, nor can Best Value be demonstrated.	<p>Breach of Financial Regulations.</p> <p>Allegations of collusion or corruption.</p> <p>Value for money is not achieved.</p>	<p>All staff should be reminded of the Financial Regulation requirements for obtaining quotes and tenders at the specified level.</p> <p>Disciplinary action should be considered against the member of staff who wilfully breached financial regulations and thereby put the school at risk of not obtaining value for money, allegations of inappropriate contract awards and lack of transparency.</p> <p>Instructions, procedures and standard documentation should be produced for obtaining quotations and tenders, in accordance with the Financial Regulations.</p>	High	Business Manager September 2009

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Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer/Time Scale.
<b>4</b>	<b>Purchasing.</b>				
4.4	<p>A print of orders raised was obtained. There are a number of old commitments for which invoices have not been received by the school. These totalled £27,490.</p> <p>There was no evidence that these outstanding orders have been reviewed to establish whether the orders are still valid and an invoice has not been received from the supplier, or whether the order has been cancelled.</p>	<p>Inaccurate budget information provided to staff and Governors.</p> <p>Duplicate invoices go undetected.</p>	The print of all orders raised should be run on a routine basis. Old outstanding commitments should be reviewed. If they are no longer required they should be cancelled.	Medium	<p>Finance Manager</p> <p>September 2009</p>
In order to establish the controls in place for purchasing, six payments to suppliers were randomly selected from the SIMS bank history report and traced back through the supporting documentation to ensure the controls identified were operating satisfactorily.					
4.5	There was no evidence for purchases examined that delivery notes were retained, and consequently ticked and signed to confirm all items were received.	<p>Payment made for goods not received.</p> <p>Goods not received satisfactory.</p>	Delivery notes should be retained, ticked and signed by the person receiving the goods to confirm goods were received intact and satisfactory.	Medium	<p>Finance Officer.</p> <p>September 2009</p>
<b>4</b>	<b>Purchasing.</b>				

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Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer/Time Scale.
4.6	<p>The school has a 3 year agreement to lease laptops which are then leased to parents. The Friends of Greendown School collect the payments from the parents and passes the income to the school periodically.</p> <p>At the time of the audit the school had not received any payment from the Friends of Greendown School in the financial year to date.</p>	<p>Loss to the school.</p> <p>Debts occur which cannot be recovered.</p>	<p>The school should ensure that payments collected by the Friends of Greendown School for the leased laptops are made at least monthly.</p>	Medium	<p>Business Manager</p> <p>September 2009</p>
<b>5</b>	<b>Staffing and Payroll.</b>				
5.1	<p>The School operate in-house HR and Payroll using Sage Payroll software. At the time of the audit, the school were carrying out their second payroll run.</p> <p>The HR Officer is authorised to set up new employees, make payments, authorise amendments to pay and create leavers.</p> <p>In addition she has full access rights to Sage payroll and the online banking system.</p> <p>It was found that a lack of segregation of duties exists, although it is acknowledged that initially the school decided it was necessary to have the Business Manager, HR Manager and Finance Manager with access to all data as a precaution.</p>	<p>Ghost employees created and go undetected.</p> <p>Misappropriation of payroll.</p> <p>Fraud and corruption go undetected.</p>	<p>Segregation of duties should be established within the HR/Payroll function. A member of staff independent of the HR Officer should authorise any changes to staff and pay including new starters, amendments, leavers etc.</p> <p>It is suggested that the HR Officer should be restricted to administration rights only on the payroll and banking system.</p>	High	<p>Business Manager</p> <p>September 2009</p>

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Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer/Time Scale.
<b>6</b>	<b>Catering</b>				
6.1	<p>The school has identified that their catering function is not performing to the required levels, with a subsidy required.</p> <p>The year end Governors Report showed that the catering function made an overall loss of £81k in 2008/09.</p> <p>The budgeted catering income for 2009/10 has been set at £190k when the actual income for 2008/09 was £103k, according to the Governors Report. The school stated that they would be focussing on initiatives to proactively increase income. However, there is no clear plan in place to demonstrate that a 90% increase in turnover is achievable, including taking in to account falling pupil numbers.</p> <p>The cashless system in use at the school can be used to provide information such as average spend per customer, fluctuations in customer numbers, popular meal choices and students who do not use the service, to allow for targeted promotion. This information is not currently used.</p> <p>Trading accounts have not yet been formally prepared and the Catering Manager (CM) is not involved in the financial monitoring and is not provided with any performance information. When interviewed, the CM was not aware of any targets or performance to date, she stated that she has been instructed to keep costs down and works to obtain the cheapest prices.</p>	<p>Budgets set are not realistic.</p> <p>Budgets become overspent and the overall school deficit increases.</p> <p>Informed decisions cannot be made.</p>	<p>A review of the catering budgets should be conducted to confirm that the anticipated level of income is achievable.</p> <p>An action plan to increase catering turnover should be devised, using information obtained from the school meals cashless system to identify areas where take up can be increased.</p> <p>Catering Trading accounts should be prepared and monitored. Historical income and expenditure data can be used to identify spending profiles.</p> <p>Performance targets should be set for the Catering function, including gross and net profit and % increase in customer numbers. The actual performance should be reported to the Catering Manager to allow staff to monitor whether initiatives have worked and informed decisions can be made.</p>	High	<p>Business Manager</p> <p>September 2009</p>

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Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer/Time Scale.
<b>6</b>	<b>Catering</b>				
6.2	The school are considering providing catering for a feeder school and is in the process of arranging this. They have identified that this will result in a small surplus and might lead to provision for other schools. However, they could not provide detailed costings to demonstrate that this is achievable.	Loss incurred by the school.  Budgets become overspent.	A detailed business case should be prepared to demonstrate that provision of catering services to other schools would be financially beneficial.  This should be presented to Governors for approval before any arrangements are formally agreed with feeder schools.	Medium	Business Manager in liaison with the Catering Manager  October 2009.
6.3	The school has a number of rented vending machines which the catering staff stock and empty. The machines have two keys, one to empty the stocking area and a further key to open the cash box. While the restocking and cash collection is carried out at separate times, the keys are kept together, therefore all catering staff have access to the cash.  This was fed back to the CM during the audit who agreed that this was a risk and agreed to separate the keys and ensure two members of staff were involved in the cash collection and counting.  In addition, monitoring is not conducted to compare the stock to cash sales to confirm whether the income collected is complete.	Loss to the school.  Allegations of theft/ misappropriation.	Vending machine keys should be separated to ensure that access to the cash boxes are restricted.  Detailed monitoring of the vending machine income should be carried out to ensure the income collected covers the full costs of the stock and the operational costs.	Medium	Catering Manager  September 2009

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Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer/Time Scale.
<b>7</b>	<b>School Fund</b>				
7.1	<p>The school fund accounts for the year ended 30<sup>th</sup> June 2007, which were audited by an independent accountant, were not audited until the 19<sup>th</sup> January 2009.</p> <p>At the time of the Internal Audit, the accounts for the year ended 30<sup>th</sup> June 2008 had not been prepared and submitted for audit.</p>	<p>Allegations of theft/ misappropriation.</p> <p>Errors are not detected.</p> <p>Recommendations made by the Auditor are not implemented promptly.</p>	<p>The school fund bank accounts should be audited within 4 months of the year end.</p> <p>The school fund accounts for the year ending 30<sup>th</sup> June 2008 should be prepared and submitted for audit immediately.</p>	High	<p>Business Manager</p> <p>September 2009.</p>
7.2	<p>School Fund Bank reconciliations are conducted by the School Fund Administrator and these are checked and countersigned by the Headteacher.</p> <p>At the time of the audit, the bank balance had not been reconciled since 27<sup>th</sup> February 2009. The reason given is that a Special Interest Bearing Account has been set up and £65k transferred into it to earn higher interest rates. The School Fund Administrator does not know how to reconcile the system using two accounts and had not asked for assistance.</p>	<p>Allegations of theft/ misappropriation.</p> <p>Errors are not detected and rectified.</p>	<p>School Fund bank reconciliations should be conducted promptly, upon receipt of the bank statement.</p> <p>Bank reconciliation training should be provided to the School Fund Administrator.</p> <p>It is suggested that the Finance Manager or Business Manager reviews the bank reconciliations prior to the Headteacher to ensure they are kept up to date.</p>	High	<p>Business Manager</p> <p>September 2009.</p>

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Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer/Time Scale.
<b>8</b>	<b>Business Continuity &amp; Disaster Recovery</b>				
8.1	<p>The school has been provided with a template 'Business Continuity Plan' by the LA and is in the process of completing it.</p> <p>This document focuses on major emergencies but does not seem to cover medium issues such as snow, infection etc. Also plans have not been identified for instances where closure is predicted for short-term, medium term, long term etc. to account for key school events such as exams. The BM has completed the document as far as possible and has passed it to the nominated Governor for H &amp; S for further completion.</p> <p>In addition to this document, the school has an Emergency Plan and the Head stated that he has asked for clarification from the LA as to whether the school can have one document rather than the different documents they are currently being asked to produce.</p>	Continuity of education provision is disrupted.	<p>The school should seek assistance from the LA in developing a school specific Disaster Recovery, Business Continuity, Emergency Plan.</p> <p>Advice could be sought from the Council's Business Continuity Officer for the content and approach.</p>	Medium	<p>Headteacher &amp; Governors</p> <p>December 2009</p>

## APPENDIX A

## Standard Audit Opinions

1. The audit opinion is based on two different criteria; the first is the materiality of the system and its impact on the Council if there were to be a system failure. This has been spilt into High, Medium or Low.
2. The second criteria is the standard of control found within the system audited. This has been categorised into 4 different levels i.e. high, satisfactory, improvements required and fundamental weakness. Each of these categories has a standard opinion (see below).
3. The combination of these two factors gives an overall risk assessment to the Council of one of three scores i.e. significant, moderate or minimal (see section 4 of the main report).

Standard Audit Opinions on System Control
<p><b>Audit Opinion 1. <i>High Standard</i></b></p> <p>The auditor completing the review concluded the significant system controls are in place and operating effectively and only minor recommendations have been made.</p>
<p><b>Audit Opinion 2. <i>Satisfactory Standard</i></b></p> <p>The auditor completing the review concluded that most of the significant controls are in place and operating satisfactorily although some non-compliance was identified and therefore there is scope for improvement.</p>
<p><b>Audit Opinion 3. <i>Significant Improvements Required</i></b></p> <p>The auditor completing the review concluded that existing procedures needed to be improved to ensure that they are fully reliable. A number of significant recommendations have been made to improve missing or failing controls.</p>
<p><b>Audit Opinion 4. <i>Fundamental Weaknesses Identified</i></b></p> <p>The auditor completing the review concluded that the matters arising from the review are sufficiently significant to place doubt on the reliability of the procedures reviewed. Implementation of the recommendations made is a priority to ensure that reliance can be placed on the system.</p>