

Final Internal Audit Report Priory Special School April 2018

Distribution: Head Teacher
Chair of Governors
Business Support Manager
Executive Director, People (Final Only)
Director of Finance, Investment and Risk (Final Only)
Director of Education and Youth Engagement (Final Only)

Assurance Level		Recommendations Made	
Substantial Assurance	Direction of Travel from previous audit: Up from Limited	Priority 1	0
		Priority 2	1
		Priority 3	5

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1. Introduction

- 1.1. Priory School is a Special School and at the time of audit there were 116 pupils attending. It has an expenditure budget of approximately £4m for the current financial year.
- 1.2. The audit was undertaken as part of the agreed Internal Audit Plan for 2017/18 based on a risk assessment. The objectives, approach and scope are contained in the Audit Terms of Reference at Appendix 1.

2. Key Recommendation and Issues

Priority 2 Recommendation

Sample testing identified two transactions exceeding £1,000 where two quotations, as required by the School's Financial Policy and Procedures Manual, had not been obtained, (Rec 1).

The priority 3 recommendations are included included under item 4 below.

Acknowledgement

We would like to thank the following members of staff for their time and contribution to this audit:

- Head Teacher
- Business Support Manager
- Finance Officer

3. Actions and Key Findings/Rationale

Priority	Recommendation 1	Detailed Finding/Rationale			
2	All future high value purchases should be supported by a sufficient number of quotes or tenders in line with the requirements of the Priory School Financial Policies and Procedures Manual.	<p>Expected Control</p> <p>The Priory School Financial Policies and Procedures Manual section D requires two quotations for purchases between £1,000 and £9,999.</p> <p>Issue/Finding</p> <p>Examination of a sample of fifteen transactions identified that two of these exceeded £1,000; however, there was no evidence that any quotations had been obtained for these two transactions.</p> <p>Risk</p> <p>Where the School cannot demonstrate that appropriate quotes have been received, there is a risk that the School is not achieving value for money, resulting in overspending for the procurement of goods and services</p>			
Management Response		Agreed/Disagreed	Responsible Officer	Deadline	
<p>The School acknowledges that we are experiencing increasing difficulty in obtaining multiple quotes for relatively low cost building works. The School has 'preferred' or regular contractors who will work at weekends, evenings etc. to fit in with School arrangements and who have evidenced value for money in previous contracts.</p> <p>In addition, the specialist nature of some of our equipment (e.g. 'adapt' chairs and tables) means that we frequently use known specialist suppliers, this is particularly the case when a specific piece of equipment for individual students has been recommended by external therapists.</p> <p>To date, it is not always possible to evidence that 'value for money' processes have been followed, e.g. comparing websites for</p>		Agreed	Finance Officer	31 May 2018	

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<p>furniture procurement. Following discussions at School Management and Governor level, it has been agreed that</p> <ul style="list-style-type: none">a) The threshold for obtaining two quotes is unrealistic and has not been reviewed for some time. The Finance Policy will be amended to raise the threshold to (5K).b) The School will secure agreement with regular contractors, agreeing a schedule of rates, covering hourly rates for work and profit and overhead mark-up on materials, for the purpose of monitoring value.c) The School will add a section to its draft order form, whereby staff can record (and evidence) "informal" comparison of prices or rational for purchasing from chosen suppliers, e.g. comparing websites or catalogues.d) The School will review and amend our Best Value Statement to reflect these improvements.			
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4. Priority 3 Recommendations

Recommendation	Findings
<p>1) The summary of remedial action and timetable in Section E of the School's Financial Value Standards (SFVS) Self-assessment to be completed in future for all questions answered as "In Part".</p>	<p>Guidance detailed on the Department for Education website states that, 'Local Authority (LA) maintained schools are required to complete the SFVS assessment once a year. Answering Yes should be complemented by supporting evidence and answering In Part or No should be followed by a brief summary and any remedial action that is to be taken. An annual review is required thereafter by all maintained schools.</p> <p>In the School's SFVS self-assessment for 2016/17, dated 21 March 2017, Questions 1, 3, 10, 11, 18, 20, 21 & 24) were answered "In Part", but relevant remedial action for Questions 3, 11, 18, 20 & 21 was not included in Section E as required.</p> <p>Where the school's SFVS self-assessment does not include a summary of remedial action and a timetable for resolution, there is risk that these 'in part' questions are not resolved.</p>
<p>2) For all cases where costs relating to transactions can be identified in advance, management should ensure that orders are raised and appropriately certified in advance of purchases being initiated.</p>	<p>The Priory School Financial Policy and Procedures Manual section D11 states that "When an order is placed, the estimated cost must be committed against the appropriate budget allocation so that it features in subsequent budget monitoring."</p> <p>Examination of the documentation relating to a sample of fifteen transactions identified that in one instance the order had been raised subsequent to the corresponding invoice being received by the Nursery.</p> <p>Where official orders are not raised and authorised prior to purchases being made, there is a risk that the authorisation and commitment processes are by-passed which may result in inappropriate purchases and poor budgetary control.</p>
<p>3) The Head Teacher should ensure that authorised officers checking that the goods/services have been received and sign delivery notes/invoices accordingly.</p>	<p>The Priory School Financial Policy and Procedures Manual section E3 gives authority to check deliveries and sign delivery notes to the Caretaker/Site Manager and the Finance Officer.</p> <p>Examination of the documentation relating to a sample of fifteen transactions identified that in one instance the evidence of goods received was signed by the Assistant Head Teacher, who is not authorised to sign for delivery of goods.</p> <p>Where appropriate evidence of goods/services received checks is not retained, there is a risk that payments are made for goods and services that are not received.</p>

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4) The Head Teacher should sign all equipment loan forms to evidence authorisation of the loans.	Examination of the two ipad loan forms evidenced that these had been signed by the borrowers, but had not been authorised by the Head Teacher. Where the Head Teacher does not authorise equipment loans, there is a risk that inappropriate loans might occur.
5) The School should resolve the issue with the School Fund and present the audited accounts to the Governing Body.	School Fund accounts should be audited and presented to the Governing Body annually. The School Fund accounts for the period ending November 2017 have been audited, but because there is a discrepancy to be resolved by the School these accounts have not yet been presented to the Governing Body.

**Agreed Terms of Reference
Priory Special School – 2017/18**

1. INTRODUCTION & BACKGROUND

1.1 This audit is being undertaken as part of the agreed Internal Audit Plan for 2017/18.

2. AUDIT OBJECTIVES AND METHODOLOGY

2.1 To provide an independent and objective opinion on the degree to which the Council's internal control environment supports and promotes the achievement of the Council's objectives. The internal control environment comprises the policies, procedures and operations in place to:

- establish, and monitor the achievement of the service's objectives;
- identify, assess and manage the risks to achieving the services objectives;
- facilitate policy and decision making;
- ensure the economical, effective and efficient use of resources;
- ensure compliance with established policies (including behavioural and ethical expectations), procedures, laws and regulations;
- safeguard the service's assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption; and
- ensure the integrity and reliability of information, accounts and data, including internal and external reporting and accountability processes.

2.2 To confirm that management have controls in place to detect and vigorously, pursue, fraud, corruption, other irregularities, errors and poor value for money.

2.3 To confirm that appropriate management action has been taken to implement recommendations for change leading to improvement in performance and/ or control.

3. SCOPE

3.1 The audit included the following areas (and number of recommendations made):





Audit Area	Recommendations Made		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Governance and Leadership	0	0	1

Budgetary Control & Monitoring	0	0	0
Payroll	0	0	0
Safeguarding	0	0	0
Procurement	0	1	2
Bank Accounts	0	0	0
Information Governance	0	0	1
Income	0	0	0
Health and Safety	0	0	0
School Fund	0	0	1

Definitions for Audit Opinions and Recommendations

In order to assist management in using our reports:

We categorise our **audit assurance opinion** according to our overall assessment of the risk management system, effectiveness of the controls in place and the level of compliance with these controls and the action being taken to remedy significant findings or weaknesses.

	Full Assurance	There is a sound system of control designed to achieve the system objectives and the controls are constantly applied.
	Substantial Assurance	While there is basically a sound system of control to achieve the system objectives, there are weaknesses in the design or level of non-compliance of the controls which may put this achievement at risk.
	Limited Assurance	There are significant weaknesses in key areas of system controls and non-compliance that puts achieving the system objectives at risk,
	No Assurance	Controls are non-existent or extremely weak, leaving the system open to the high risk of error, abuse and reputational damage.

Priorities assigned to recommendations are based on the following criteria:

Priority 1 (High)	Fundamental control weaknesses that require immediate attention by management to action and mitigate significant exposure to risk.
Priority 2 (Medium)	Control weakness that still represent an exposure to risk and need to be addressed within a reasonable period.
Priority 3 (Low)	Although control weaknesses are considered to be relatively minor and low risk, still provides an opportunity for improvement. May also apply to areas considered to be of best practice that can improve for example the value for money of the review area.