



DERBY CITY COUNCIL

**AUDIT AND ACCOUNTS
COMMITTEE
28 SEPTEMBER 2006**

ITEM 15

Report of the Corporate Director
of Children and Young People

AUDIT REPORT – Dale Community Primary School

RECOMMENDATION

- 1.1 To note the report.

SUPPORTING INFORMATION

- 2.1 At its meeting on 6 April 2006, the Committee requested that it wished to receive a follow up report from the Corporate Director of Children and Young People in respect of the progress made by Dale Community Primary School to address the internal control weaknesses identified in the audit report published in December 2005. This had found that the overall level of control was unsatisfactory. The follow up report would set out in more detail the issues and actions taken subsequently to address internal audit's recommendations.
- 2.2 Appendix 2 is a report from Keith Howkins, Head of Finance for Children and Young People, which briefs members on the actions taken since the publication of the audit report, in particular the progress that has been made on the implementation of recommendations contained within the audit report.
- 2.3 From the information provided by the school, I am satisfied that appropriate progress has been made to address those issues raised.

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Background papers: Final Internal Audit Report

List of appendices: Appendix 1 – Implications
Appendix 2 – Report from Head of Finance, Children and Young People

IMPLICATIONS

Financial

1. None directly arising.

Legal

2. None directly arising.

Personnel

3. None directly arising.

Equalities impact

4. None directly arising.

Corporate objectives and priorities for change

5. None directly arising.

Dale Community Primary School

Report of Keith Howkins, Head of Finance, Children and Young People's Department

Following an internal audit review of the above school, the school agreed to implement 42 recommendations to address the control weaknesses highlighted. Progress to date on the implementation process is detailed below and summarised in Table 1. This is based on discussions between the Schools Finance team and the school, and has not been independently verified.

Implemented	–	24
Being Implemented	–	15
Not Implemented	–	3

The audit report was completed in December 2005 based on work undertaken in the autumn term of 2005. It is important to note that, since then, there has been substantial change in the personnel involved in the administration of the school. The new headteacher started in January 2006. She was already an experienced head in Derby. The Finance Manager resigned with effect from March 2006, and the Office Manager has taken on her finance responsibilities. We are providing appropriate training for these new responsibilities. The school is also now buying monthly meetings from the Council's schools finance team, compared to the three originally purchased for the 2005/06 financial year and a single annual meeting in previous years. I am, therefore, confident that there is effective close contact with the school on financial issues and that the school has made the necessary changes to its processes.

The recommendations which have not been implemented are:

Recommendation 19 – the use of a third signature by a member of staff independent of the purchasing process to authorise invoices above a level set by the governing body. This recommendation occurs frequently in audit reports, but there is no requirement in Schools Financial Regulations to use a third signatory and, given that the headteacher usually authorises invoices in primary schools, it is debatable what additional assurance this would provide.

Recommendation 27 – that the school appoints an e-governor to lead on ICT issues. The governing body does not wish to allocate individual governors to individual subjects. While it may be good practice to have governors specialising in particular areas, this recommendation cannot be seen in isolation to how the school is deploying its governors generally and I do not see this as having a fundamental impact on the school's financial management.

Recommendation 29 – that the school's inventory should be brought up to date before the new headteacher started in January 2006. The lack of previous information and staffing changes made this impractical, and the inventory is still being put together.

Table 1 - Summary Of Progress Made In Implementing Audit Recommendations

Rec No	Original Recommendation	Original Agreed Action Details	Current Status
1	<p>Significant</p> <p>The school does not have a Terms of Reference in place for the Governing Body.</p> <p>We recommend that the school compares the DfES 'governor-net' document to their own Terms of Reference for the Governing Body (Finance Policy). To comply with regulation 38 (3) of the 1998 School Standards and Framework Act, the Finance Policy in place at the school should be improved to include those roles and responsibilities and financial limits which are not already covered.</p>	Yes	<p>Being Implemented</p> <p>The school will be working with the Council's Governor Support team and will receive training, including a review of the terms of reference.</p>
2	<p>Merits Attention</p> <p>The official minutes of the Governing Body and accompanying appendices to the minutes are not being signed by the Chair of Governors.</p> <p>We recommend that the official minutes and all appendices are signed by the Chair of Governors to verify the authenticity of these documents.</p>	Yes	<p>Being Implemented – will be signed at next governors' meeting</p>

Rec No	Original Recommendation	Original Agreed Action Details	Current Status
3	<p>Merits Attention</p> <p>The school does not have an Accessibility Plan or Governors Allowances Policy in place.</p> <p>We recommend that the school ensure that these documents are put in place to comply with the relevant legislation and guidance issued.</p>	Yes	<p>Being Implemented</p> <p>The school is working towards these plans. From September 2006, a new review cycle has been established so that all plans will be reviewed on a regular basis.</p>
4	<p>Merits Attention</p> <p>The current Register of Pecuniary Interests is in the incorrect format.</p> <p>We recommend that the school uses the updated version of the Business Interest form which is available under the Education section of the Council's website.</p>	Yes	Being Implemented
5	<p>Merits Attention</p> <p>Not all members of the Governing Body had completed a Pecuniary Interest Declaration form. These were in the process of being completed, but there were no previous year's forms available for examination.</p> <p>We recommend that the Register of Business Interests be brought up to date as soon as possible to ensure that all members of the Governing Body have completed the necessary forms.</p>	Yes	Being Implemented

Rec No	Original Recommendation	Original Agreed Action Details	Current Status
6	<p>Merits Attention</p> <p>The recent appointment of a teacher had not been approved either retrospectively or (preferably) in advance by the Governing Body.</p> <p>We recommend that all appointments are approved by the Governing Body in line with the school's Finance Policy.</p>	Yes	Implemented
7	<p>Significant</p> <p>The Finance Manager is able to both complete and authorise the various staffing returns.</p> <p>We recommend that there is separation of duties between the officer completing the staffing changes forms and the officer authorising them.</p>	Yes	<p>Implemented</p> <p>Office Manager completes the returns and the Head authorises them.</p>
8	<p>Significant</p> <p>Manual payroll calculations undertaken by the Finance Manager are not checked by a second officer prior to submission to Education Personnel.</p> <p>We recommend that where manual calculations of payroll details are undertaken they are checked thoroughly and are approved by an appropriate officer, ensuring separation of duties is observed.</p>	Yes	Implemented

Rec No	Original Recommendation	Original Agreed Action Details	Current Status
9	<p>Merits Attention</p> <p>There was no evidence of a Statement of Best Value having been adopted by the school's Governing Body.</p> <p>We recommend that in accordance with the Guide to the Law Chapter 8 (20) the Governing Body must demonstrate in their annual budget plan that they have followed best value principles. The Best Value statement should be approved by the Governing Body and be detailed in the official minutes.</p>	Yes	<p>Being Implemented</p> <p>This has been added to the school's finance policy, but may need further work</p>
10	<p>Merits Attention</p> <p>The unique journal reference number created by CODAS is not being written onto the hard-copy of the journal/virement when processed.</p> <p>We recommend that once a journal/virement has been entered into CODAS, the journal reference number is written into the appropriate box on the journal form.</p>	Yes	<p>Implemented</p> <p>All virements go through the governing body.</p>
11	<p>Merits Attention</p> <p>There is no separation of duties between the officer completing and authorising journals and virements.</p> <p>We recommend that the officer authorising journals and virements on the hard-copy forms is different to the one preparing and inputting the details to CODAS.</p>	Yes	<p>Implemented</p> <p>Finance Officer prepares journals and virements, and Headteacher authorises.</p>

Rec No	Original Recommendation	Original Agreed Action Details	Current Status
12	<p>Significant</p> <p>The school did not follow official tender procedures as set out in the Finance Manual to purchase ICT equipment (whiteboards and projectors).</p> <p>We recommend that where the school anticipates spending in excess of the financial limits prescribed in the Finance Manual, it should take the appropriate action of obtaining official tenders or obtaining advice from the LEA in terms of approved suppliers.</p> <p>In accordance with the Contract Procedure Rules:</p> <p>(C15.4) At least 3 firms must be asked to submit tenders</p> <p>(C24.4) The lowest tender should be chosen unless the Governing Body gives an appropriate reason</p> <p>(C6.3) The Governing Body must include the waiving of tender procedures in the official minutes.</p>	Yes	Implemented
13	<p>Significant</p> <p>Quotes for the refurbishment of the teacher work area were not retained by the school and the minutes do not give sufficient detail of these quotes.</p> <p>We recommend that all quotes are retained by the school and that the official minutes of the Governing Body specify what quotes have been received, from whom, for what value and which one has been selected.</p> <p>In accordance with the Contract Procedure Rules (C15.1) 3 or more quotes, where practical, should be obtained for purchases between £1k - £5k.</p>	Yes	Implemented

Rec No	Original Recommendation	Original Agreed Action Details	Current Status
14	<p>Significant</p> <p>It would appear that the Computer Misuse Act regulations have been breached as it is alleged that passwords have been shared.</p> <p>We recommend that batches of invoices are authorised by an officer independent to the processing of batches.</p>	Yes	Implemented
15	<p>Significant</p> <p>There is no adequate separation of duties in respect of the order and invoice processing procedures. The Finance Manager is involved in all key procedures.</p> <p>We recommend that in accordance with the LMS Financial Regulations G14/16, goods and services should be checked on receipt to ensure that they are in accordance with the order, where possible, by a different person from the member of staff who signed the order. There should be adequate separation of duties between the officers authorising orders, checking goods received and authorising invoices.</p>	Yes	<p>Implemented</p> <p>There is now one single order book plus the catering book. Finance Officer completes, Headteacher authorises and other office staff check the receipt of the orders.</p>

Rec No	Original Recommendation	Original Agreed Action Details	Current Status
16	<p>Merits Attention</p> <p>The completion of official orders is not satisfactory.</p> <p>We recommend that the instructions within the official order books are followed and that all orders are fully completed in terms of the name and address of the supplier, the price, and the description of goods/services. All orders should be authorised by an officer independent to the one completing the order.</p>	Yes	Implemented
17	<p>Merits Attention</p> <p>The invoice processing procedures are not satisfactory.</p> <p>We recommend that coding slips are used on all invoices and are fully completed and authorised by the appropriate officers.</p>	Yes	Implemented
18	<p>Merits Attention</p> <p>A number of invoices had been paid in excess of the required 30 day period. In addition the incorrect late payment code had been input to CODAS.</p> <p>We recommend that where invoices are paid late, an appropriate late payment code is recorded in CODAS.</p>	Yes	<p>Implemented</p> <p>The number of invoices paid late has been significantly reduced</p>

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19	<p>Merits Attention</p> <p>The school does not currently operate a procedure for a third authorisation of invoices.</p> <p>We recommend that the school considers strengthening the controls over the purchasing procedures in place by enforcing a third authorisation of all invoices over a certain amount. The amount should be set by the Governing Body and this should be specified in the school's Finance Policy.</p>	Yes	<p>Not implemented</p> <p>The school does not feel this is realistic to achieve, though it will be discussed with the governing body.</p>
20	<p>Merits Attention</p> <p>Staff members are personally benefiting from using their store loyalty cards.</p> <p>We recommend that either the school obtains its own card or staff keep their personal shopping separate from their purchases for the school and do not use their own loyalty cards for school purchases.</p>	Yes	<p>Implemented</p> <p>The occasions when payments are made to staff have been reduced and all staff were informed about the use of loyalty costs at a staff briefing on 15/12/05</p>
21	<p>Merits Attention</p> <p>The school do not monitor energy use, read utility meters or regularly check phone bills.</p> <p>We recommend that the Site Manager checks the utility meters on a monthly basis and keeps records of the checks. These records should be compared to the utility bills for accuracy prior to payment. The phone bills should be checked for reasonableness.</p>	Yes	<p>Implemented</p> <p>The Site Manager now checks the utility meters and the Office Manager checks the bills</p>

Rec No	Original Recommendation	Original Agreed Action Details	Current Status
22	<p>Merits Attention</p> <p>Absence Monitoring procedures are not being followed at the school.</p> <p>The school should ensure that the absence monitoring procedures are consistently followed throughout the entire process.</p>	Yes	<p>Implemented</p> <p>Headteacher is now responsible for absence monitoring and is aware of reasons for absence which are documented on the forms</p>
23	<p>Merits Attention</p> <p>The passwords used to access Phoenix have not been changed since its installation.</p> <p>We recommend that the Systems Administrator for Phoenix sets up a 90-day prompted change for all users of the system.</p>	Yes	Implemented
24	<p>Merits Attention</p> <p>There is no IT Disaster Recovery plan in place at the school.</p> <p>We recommend that the school establish an IT Disaster Recovery plan. This should be approved by the Governing Body and the approval should be documented in the official minutes.</p>	Yes	<p>Being Implemented</p> <p>Headteacher has confirmed that an IT disaster recovery plan is now in place through Link IT. This will be presented at the next governing body meeting.</p>

Rec No	Original Recommendation	Original Agreed Action Details	Current Status
25	<p>Merits Attention</p> <p>The school's ICT policy is considered to be inadequate.</p> <p>We recommend that the policy be improved to include the various relevant legislation and guidance issues.</p>	Yes	<p>Being Implemented</p> <p>The review of this policy has been included in the review cycle.</p>
26	<p>Merits Attention</p> <p>The annual check of the school's software inventory is not being evidenced.</p> <p>We recommend that the member of staff responsible for the software database maintains a written record of the detail of the annual checks and when these were undertaken. The record should be evidenced by the member of staff performing the review.</p>	Yes	<p>Being Implemented</p> <p>The ICT co-ordinator is currently working with the Council to check software licences</p>
27	<p>Merits Attention</p> <p>The school does not have an e-governor.</p> <p>We recommend that the school appoints an e-governor to lead on ICT issues.</p>	Yes	<p>Not Implemented</p> <p>The governing body does not want to allocate individual governors to individual subjects</p>

Rec No	Original Recommendation	Original Agreed Action Details	Current Status
28	<p>Merits Attention</p> <p>The inventories maintained by the school have not been subject to an annual review. The non-ICT inventory is not considered to be up-to-date.</p> <p>We recommend that inventories are kept up-to-date, are updated on receipt of new additions or write-offs and are reviewed annually to satisfy LMS Financial Regulation K18. This check should be evidenced. The duties of updating and reviewing the inventory should be assigned to two separate responsible officers.</p>	Yes	Being Implemented
29	<p>Merits Attention</p> <p>The new Headteacher is due to start in January 2006. We recommend that the inventory is brought up to date prior to this date and is officially handed over to the new Headteacher. The transfer from Acting Headteacher to incoming Headteacher should be evidenced.</p>	Yes	<p>Not Implemented</p> <p>As the inventory has had to be developed from scratch, this was not practical in the timescale</p>
30	<p>Merits Attention</p> <p>Detail on the non-ICT inventory was considered to be inadequate.</p> <p>We recommend that the inventory includes model and serial numbers and locations of each item to assist in the identification and annual review process.</p>	Yes	Being Implemented
31	<p>Merits Attention</p> <p>Non inventory items are being recorded on the inventory.</p> <p>We recommend that only items considered portable, desirable and valuable are included on the inventory.</p>	Yes	Being Implemented

Rec No	Original Recommendation	Original Agreed Action Details	Current Status
32	<p>Merits Attention</p> <p>The school do not use an off-site register.</p> <p>We recommend that the school maintains an off-site register to document the loan of school equipment.</p>	Yes	Being Implemented
33	<p>Merits Attention</p> <p>School Fund income is not being held securely in separate receptacles depending on the type of income being received.</p> <p>We recommend that a separate receptacle is used for each type of income, that these are held securely, and that the income is reconciled back to the records maintained prior to banking.</p>	Yes	<p>Implemented</p> <p>Headteacher has confirmed that all income is now recorded and kept securely, with all the appropriate income going through the school budget. Admin and Office Manager checks are now in place.</p>
34	<p>Significant</p> <p>Income in relation to the School Fund is not being banked regularly and the safe limit is being exceeded. The methods used to transport money to the bank are not considered secure.</p> <p>We recommend that banking to the School Fund is undertaken more frequently e.g. monthly or before the safe limit is exceeded. Use of the security company used by the school to collect and bank school dinner monies should be considered.</p>	Yes	<p>Implemented.</p> <p>Appropriate income is now being passed through the school budget.</p>

Rec No	Original Recommendation	Original Agreed Action Details	Current Status
35	<p>Significant</p> <p>There is no separation of duties between the members of staff collecting, recording, bagging and banking of income. There are no independent checks performed on the records maintained prior to banking.</p> <p>We recommend that separation of duties from collecting to banking School Fund income is introduced.</p>	Yes	Implemented
36	<p>Significant</p> <p>Only one person is signing School Fund cheques.</p> <p>We recommend that two of the three signatories sign all School Fund cheques.</p>	Yes	<p>Implemented</p> <p>Headteacher, Assistant Headteacher and Finance Officer are now all named signatories with a minimum of two to sign</p>

Rec No	Original Recommendation	Original Agreed Action Details	Current Status
37	<p>Significant</p> <p>Accounts have not been prepared for the School Fund for the last two financial years. An audit of these accounts has not been undertaken for the last six financial years. The school does not have an Auditor to audit the School Fund accounts.</p> <p>To satisfy LMS Financial Regulation M10 the school should appoint an auditor to the School Fund as soon as possible. The auditor should be appropriately qualified and have sufficient experience to carry out the audit. The auditor should be appropriately independent to the school so as not to create a conflict of interests. The school should ensure that audit arrangements are improved as soon as possible. The school should prepare the accounts for the last two years and submit these to their Auditor for the last six financial years. The audited accounts should then be presented to the Governing Body for their approval. This should be detailed in the official minutes of the Governing Body.</p>	Yes	<p>Being Implemented</p> <p>These should be ready for September 2006</p>
38	<p>Merits Attention</p> <p>The school pays tax on the interest earned on the School Fund account.</p> <p>We recommend that the school make enquiries with the bank to investigate the possibility of the school earning interest gross of tax.</p>	Yes	<p>Implemented</p> <p>Headteacher confirmed this has now been changed to the correct account</p>

Rec No	Original Recommendation	Original Agreed Action Details	Current Status
39	<p>Merits Attention</p> <p>The School Fund account is being used inappropriately.</p> <p>We recommend that income relating to staff salaries, required by the Council, should be paid into the Council's bank account promptly. The account should not be used to collect and pay out money for non-school related activities i.e. leaving gifts and staff Christmas meals.</p>	Yes	Implemented
40	<p>Merits Attention</p> <p>The Charges and Remissions Policy does not contain charging rates for lettings, private photocopying and telephone calls.</p> <p>We recommend that the Charging Policy refers to the Council's rates for lettings and also contains rates for private photocopying and telephone calls. The officer collecting the money should ensure that the appropriate rates are charged.</p>	Yes	<p>Being Implemented</p> <p>All policies are to be put on a review cycle from September 2006</p>
41	<p>Merits Attention</p> <p>There is no evidence that the imprest account has been reconciled or that the Form A has been completed for the financial year ended 31st March 2005.</p> <p>We recommend that the imprest account is reconciled at least as per the receipt of each bank statement and that the Form A is completed on an annual basis.</p>	Yes	<p>Implemented</p> <p>The imprest reconciliation has now been completed with the assistance of Council staff</p>

Rec No	Original Recommendation	Original Agreed Action Details	Current Status
42	<p>Merits Attention</p> <p>The security and use of cheque books at the school was considered inappropriate.</p> <p>We recommend that all cheque books are held securely, that cancelled cheques are retained/reattached to the cheque book stubs and books are used in sequential number order to assist the reconciliation process.</p>	Yes	<p>Implemented</p> <p>Chequebooks are held in the safe</p>