

Final Internal Audit Report 2012/13

London Borough of Hammersmith and Fulham


Cambridge School

December 2012

This report has been prepared on the basis of the limitations set out on page 13.

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| Introduction | <p>As part of the 2012/13 Internal Audit Plan agreed by the Audit Committee on 15 March 2012, we have undertaken an internal audit of Cambridge School.</p> <p>This report sets out our findings from the internal audit and raises recommendations to address areas of control weakness and / or potential areas of improvement.</p> <p>The agreed objective and scope of our work is set out in the audit notification issued on 17 April 2012.</p> |
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| Audit Opinion & Direction of Travel | None | Limited | Satisfactory | Substantial |
|-------------------------------------|------|------------------------------------------------------------------------------------|--------------|-------------|
| | |  | | |

| Area of Scope | Adequacy of Controls | Effectiveness of Controls | Recommendations Raised | | |
|------------------------------------------|----------------------|---------------------------|------------------------|------------|------------|
| | | | Priority 1 | Priority 2 | Priority 3 |
| Governance and Leadership | | | 0 | 3 | 0 |
| Financial Management | | | 2 | 0 | 0 |
| Asset Management and Business Continuity | | | 0 | 1 | 0 |
| Procurement | | | 0 | 0 | 1 |
| School Meals Income | | | 0 | 1 | 0 |
| Leasing | | | 0 | 1 | 0 |

Please refer to the attached documents for a definition of the audit opinions, direction of travel, adequacy and effectiveness assessments and recommendation priorities.

| Key Findings | Key Statistics |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> • A Scheme of Delegation, which includes the Committee Terms of Reference, has been approved by the Governing Body. The Governing Body and Resource Committee were meeting in accordance with the Scheme of Delegation. All minutes examined had been signed by the Chair as an accurate record of proceedings; • Examination of the School's Register of Business and Pecuniary Interests found that not all staff with financial decision making responsibility had signed the register, including the Head Teacher; • Complete and regular bank reconciliations were not being performed on a monthly basis, with the last complete bank reconciliation performed in March 2012; • We noted during our audit, and through discussions with the Business Manager, that an officer has not been appointed and trained to cover her duties in her absence; • From a sample of ten purchases selected for testing: <ul style="list-style-type: none"> ○ Goods and services received checks were undertaken in all cases; ○ All sampled transactions were authorised and approved in accordance with the Scheme of Delegation, with value for money being demonstrated; ○ Four transactions were identified where payment was not made within 30 days, with delays ranging from one to four months; ○ Two cases were found where a purchase order had not been raised; • Backups were being performed on the School's IT systems; • A formal building maintenance plan that outlines the maintenance requirements of the School was not maintained; and | <ul style="list-style-type: none"> • Cambridge School is a Special School located near White City; • There are currently 80 students on roll as per the 2012 School Census; • The School achieved an overall grade of "1" (equates to outstanding performance) in the OFSTED inspection undertaken in July 2010; and • The allocated budget for the 2012/13 financial year is approximately £2.09m. |

- The School did not seek approval from the Council before entering into the lease for the provision of the School's photocopiers and interactive boards.

Acknowledgement

We would like to thank the management and staff of Cambridge School for their time and co-operation during the course of the internal audit.

1. Approval of the key documents and committee meeting

| Priority | Issue | Risk | Recommendation | |
|---------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| 2 | <p>Discussions with the Business Manager noted that the School Development Plan has not been formally approved by the Governing Body since February 2010, although it is presented at each Governing Body meeting.</p> <p>In addition, we were informed by the School Business Manager that since September 2012, Curriculum Committee meetings have not been minuted as the School struggled to achieve quorum. However, we did note the matters discussed were reported in the next Governing Body meeting.</p> | <p>Where meeting minutes do not clearly evidence approval and reporting of key documents and events such as the School Development Plan, there is a risk that a clear audit trail is not available and accountability is reduced.</p> <p>Where minutes are not taken at committee meetings and signed as an accurate record at the following meeting, there is a risk that there is no agreed record of attendees, matters discussed and decisions made.</p> | <p>The School Development Plan should be approved on an annual basis by the Governing Body and evidenced as such.</p> <p>Where committee meetings are inquorate, minutes should still be documented and signed by the chair as an accurate record at the next meeting.</p> | |
| Management Response | | | Responsible Officer | Deadline |
| Agreed. | | | Headteacher | 30/09/2012 |

2. Continuity of the financial and administrative function

| Priority | Issue | Risk | Recommendation | |
|---------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| 2 | We noted during our audit, and through discussions with the Business Manager, that an officer has not been appointed and trained to cover her duties in her absence. | Where business continuity arrangements surrounding financial and administrative functions are not assessed, there is a risk that operations may be disrupted in the event of staff absence. | The continuity of the financial and administrative function should be assessed to determine whether additional officers should be trained to provide cover in the event of absence of key staff. | |
| Management Response | | | Responsible Officer | Deadline |
| Agreed. | | | Headteacher | 30/09/2012 |

3. Declarations of interests

| Priority | Issue | Risk | Recommendation | |
|---------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------|------------|
| 2 | Examination of the School's Register of Business and Pecuniary Interests found that not all staff with financial decision making responsibility had completed a declaration. | Where declarations of business interests are not completed by all staff members with financial responsibility, there is a risk that the School cannot demonstrate that all financial decisions have been made in the best interest of the School and have not benefited any individual. | The Register of Business and Pecuniary Interest should be updated to include all staff with financial decision making responsibility. | |
| Management Response | | | Responsible Officer | Deadline |
| Agreed. | | | Headteacher | 30/09/2012 |

4. Bank reconciliations

| Priority | Issue | Risk | Recommendation | |
|---------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------|------------|
| 1 | Discussions with the Business Manager identified that formal, complete bank reconciliations are not currently being performed on a monthly basis due to resource constraints, with the last bank reconciliation being completed in March 2012. | Where bank reconciliations are not completed regularly, there is a risk that any errors or anomalies may not be identified and addressed promptly. | Formal bank reconciliations should be completed on a monthly basis (as a minimum) and evidenced as such. | |
| Management Response | | | Responsible Officer | Deadline |
| Agreed. | | | School Business Manager | 30/09/2012 |

5. Budget monitoring

| Priority | Issue | Risk | Recommendation | |
|---------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| 1 | Through discussions with the Head Teacher and Business Manager, we noted that budget monitoring is not being performed on a monthly basis. Furthermore, budget holders do not receive regular budget monitoring reports. | Where budget monitoring is not performed on a formal monthly basis, and budget holders do not receive regular reports on their budgets, there is a risk that budget variances may not be identified in time for an effective course of corrective action to be taken. | Budget monitoring should be performed on a monthly basis by the Head Teacher and Business Manager. Action points to address any issues or concerns should be documented and budget monitoring reports should be signed and dated as evidence of review. Furthermore, budget holders should receive regular reports on their allocated budgets. | |
| Management Response | | | Responsible Officer | Deadline |
| Agreed. | | | Headteacher | 30/09/2012 |

6. Building maintenance

| Priority | Issue | Risk | Recommendation | |
|---------------------|-------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| 2 | We were informed that the School does not maintain a formal building maintenance plan that outlines the maintenance requirements of the School. | Where the School does not maintain a formal building maintenance plan, there is a risk that necessary maintenance may not be undertaken resulting in the condition of the School buildings deteriorating, increasing the cost of repairs. Furthermore, a planned approach to maintaining the School site will aid in the budget setting process. | <p>A formal building maintenance plan that outlines the maintenance requirements of the School, action required and timescales for completion should be developed and maintained by the site manager or another appropriate officer.</p> <p>The plan should be subject to approval by the Governing Body or Resources Committee.</p> | |
| Management Response | | | Responsible Officer | Deadline |
| Agreed. | | | Headteacher / Site Manager | 30/09/2012 |

7. Payment of invoices

| Priority | Issue | Risk | Recommendation | |
|---------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| 3 | From a sample of 10 purchases tested, four cases were identified where payment was not made within 30 days, with delays ranging from one to four months (cheque numbers 202917, 202867, 202716 and 202719). | Where invoices are not paid in a timely manner, there is a risk that relationships with suppliers will be damaged. The School may also be subject to late payment penalties. | <p>Payments should be made to suppliers within 30 days of invoice receipt.</p> <p>Where invoices are delayed for legitimate reasons, this should be recorded on the invoice to demonstrate why payment of the invoice may be delayed.</p> | |
| Management Response | | | Responsible Officer | Deadline |
| Agreed. | | | School Business Manager | 30/09/2012 |

8. Independent review of school meals income

| Priority | Issue | Risk | Recommendation | |
|---------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| 2 | We were informed by the School that reconciliations between school meals income collection records and cash banked are not reviewed by a second officer. | Where reconciliations between school meals income and cash banked are not subject to review by a second officer, there is a risk that fraud or error may occur. | The school meal income collection records should be subject to an independent review by a senior officer and signed / dated to evidence review. | |
| Management Response | | | Responsible Officer | Deadline |
| Agreed. | | | Headteacher | 30/09/2012 |

9. Lease approval

| Priority | Issue | Risk | Recommendation | |
|---------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| 2 | We were informed that the School did not seek advice from the Council before entering into a lease agreement for the provision of the School's photocopier and interactive whiteboards. | Where advice is not sought from the Council prior to entering into a leasing or financing agreement, there is a risk that inappropriate agreements may be entered into that do not provide value for money or are outside the statutory powers of the School. | <p>Management should seek advice and approval of the Council prior to the School entering into a leasing or financing agreement.</p> <p>The School should liaise with the Council to gain assurance that the photocopier and interactive whiteboard lease agreements are appropriate.</p> | |
| Management Response | | | Responsible Officer | Deadline |
| Agreed. | | | School Business Manager | 30/09/2012 |

**Statement of
Responsibility**

We take responsibility for this report which is prepared on the basis of the limitations set out below.

The matters raised in this report are only those which came to our attention during the course of our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of internal audit work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Auditors, in conducting their work, are required to have regards to the possibility of fraud or irregularities. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our audit work and to ensure the authenticity of these documents. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system. The assurance level awarded in our internal audit report is not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board.

Deloitte & Touche Public Sector Internal Audit Limited**London****December 2012**

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