

Final Internal Audit Report 2012/13

London Borough of Hammersmith and Fulham


Greenside Primary 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 Greenside Primary 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	0	1
Financial Management			0	1	0
Asset Management and Business Continuity			1	1	0
Procurement			0	1	2
School Meals Income			1	0	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 its Subcommittees 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 'Greenside Primary School: Summary of Budget Holders' document, which acts as part of the School's Scheme of Delegation, identified that thresholds where quotes and tenders are required and authorisation limits were not clearly described. • Examination of the School's Register of Business and Pecuniary Interests found that the Deputy Headteacher had not completed a declaration. • Complete and regular bank reconciliations were not being performed, at the time of the audit. • 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; ○ Three transactions were identified where payment was not made within 30 days, with delays ranging from one to two months; ○ One case was found where a VAT invoice was not held on file; and ○ One instance was noted where appropriate approval and the required number of quotes were not obtained. • Backups were not performed on the School's IT systems at the time of the audit. 	<ul style="list-style-type: none"> • Greenside Primary School is a Community School located near Ravenscourt Park. • There are currently 223 students on roll as per the 2012 School Census. • The School achieved an overall grade of "3" (equates to satisfactory performance) in the OFSTED inspection undertaken in December 2009. • The allocated budget for the 2012/13 financial year is approximately £1.1m.

- A formal building maintenance plan that outlines the maintenance requirements of the School was not maintained;
- School Meals arrears totalling £3,972.30 were identified at the time of the audit (May 2010). There was no evidence of action being taken to recover debts and reduce the level of arrears.
- Although records of income collected from pupils were maintained on the SIMS system, there was no clear audit trail in place between School meals income collected and cash banked.
- The School's photocopier lease expired on 31 March 2012; however the School has continued to make payments. Furthermore, we were informed that the School did not seek approval from the Council before entering into the lease for the provision of the School's telephone system.

Acknowledgement

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

1. Declarations of interests

Priority	Issue	Risk	Recommendation	
3	Examination of the School's Register of Business and Pecuniary Interests found that the Deputy Headteacher had not 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 the Deputy Headteacher.	
Management Response			Responsible Officer	Deadline
Agreed			Headteacher	31/07/2012

2. Bank reconciliations and unreconciled items

Priority	Issue	Risk	Recommendation	
2	Discussions with the Business Manager identified that bank reconciliations were not being performed regularly at the time of the audit due to resource constraints. In addition, the unreconciled items listing from SIMS showed one transaction over six months old.	Where bank reconciliations are not completed regularly, there is a risk that any errors or anomalies may not be detected, investigated and resolved promptly. Where unreconciled items are not investigated and cleared in a timely manner, there is a risk that the School's financial records may be inaccurate.	Formal bank reconciliations should be completed on a monthly basis (as a minimum) and evidenced as such. Unreconciled items should be investigated and cleared in a timely manner.	
Management Response			Responsible Officer	Deadline
Bank reconciliations to the LA are now being completed on a monthly basis and reconciliations are generally undertaken on a weekly basis. I do agree that the unreconciled items need to be cleared in a timely manner and will be addressed.			School Business Manager	31/07/2012

3. IT systems back up

Priority	Issue	Risk	Recommendation	
1	We were informed by the Business Manager that backups are not performed on the School's IT systems.	Where regular backups of School data are not undertaken, there is a risk of loss of data due to data corruption or system failures.	Regular backups of the School's IT systems should be undertaken. These backups should be tested periodically to confirm that data can be recovered.	
Management Response			Responsible Officer	Deadline
The school has experienced a period with no back-up due to the change over to LGFL2, however, this is now up and running. Examples of back-ups can be provided upon request.			School Business Manager	31/07/2012

4. 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 Premises Committee.</p>	
Management Response			Responsible Officer	Deadline
Agreed			Headteacher / Site Manager	31/07/2012

5. Delegated authority and seeking best value

Priority	Issue	Risk	Recommendation	
2	<p>Examination of the 'Greenside Primary School: Summary of Budget Holders' document, which acts as part of the School's Scheme of Delegation, identified that thresholds where quotes and tenders are required and authorisation limits were not clearly described.</p> <p>From a sample of ten purchases tested, we noted one instance (cheque number 103198) where appropriate approval and authorisation was not obtained in line with the Summary of Budget Holders' document. The Headteacher should have approved the purchase order and authorised the payment of the invoice as the individual member of staff concerned had exceeded their authorised financial threshold by £99.95. In addition, the required three quotes had not been obtained.</p>	<p>Where the 'Greenside Primary School: Summary of Budget Holders' document is does not clearly define thresholds where quotes and tenders are required and authorisation limits, there is a risk that staff may be unaware of the limits of their authority, resulting in value for money not being achieved.</p> <p>Where purchase orders and invoices are not approved and authorised in line with the financial procedures of the School and the required number of quotes are not obtained, this may lead to inappropriate purchases being made and value for money not being achieved.</p>	<p>The 'Greenside Primary School: Summary of Budget Holders' document should be updated to clearly define thresholds where quotes and tenders are required and authorisation limits of staff. This document should then be subject to Governing Body / Finance Committee approval.</p> <p>Staff should be reminded of the requirement to obtain quotes and tenders where required in order to achieve, and be able to demonstrate, value for money.</p>	
Management Response			Responsible Officer	Deadline
Agreed.			Headteacher / School Business Manager	31/07/2012

6. VAT invoices

Priority	Issue	Risk	Recommendation	
3	For the sample of ten purchases tested we found one instance where a valid VAT invoice was not held on file, although VAT had been claimed.	Where VAT invoices are not obtained and held on file, this may lead to instances where input VAT is not claimed resulting in an increased cost to the School. Alternatively, where VAT is claimed without a valid VAT invoice, this may result in VAT being claimed where it should not be.	Management should ensure that valid VAT invoices or receipts are obtained in all relevant instances where VAT is claimed.	
Management Response			Responsible Officer	Deadline
Agreed.			School Business Manager	31/07/2012

7. Payment of invoices and supporting documentation

Priority	Issue	Risk	Recommendation	
3	From a sample of three purchases tested, three cases were found where payment was not made within 30 days, with delays ranging from one to two months.	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	31/07/2012

8. School meals debt recovery and banking of income

Priority	Issue	Risk	Recommendation	
1	<p>During our audit visit we identified a total of £3,972.30 School meals income arrears. At the time of the audit there was no evidence of action being taken to recover income due and reduce the level of arrears.</p> <p>Furthermore, although records of income collected from pupils were maintained on the SIMS system, there was no clear audit trail in place between School meals income collected and cash banked.</p>	<p>Where adequate recovery action is not taken to collect debts owed to the School, this may lead to debts becoming irrecoverable and having to be written off.</p> <p>Where a clear audit trail is not in place between income received and income banked, the School may be unable to demonstrate that income has been banked completely and in a timely manner. Furthermore, a weak audit trail reduces the likelihood that fraud or misuse of cash will be detected.</p>	<p>The School should take action to reduce the School meals income arrears. A debt recovery procedure should be developed and followed.</p> <p>Furthermore, the School should ensure that a clear documented audit trail exists between School meals income received and cash banked. Reconciliations between income collected and cash banked should be undertaken by an officer independent of the cash collection process. Where this is not possible, additional supervisory checks should be undertaken to confirm that these reconciliations are being undertaken and that an adequate audit trail is maintained.</p>	
Management Response			Responsible Officer	Deadline
<p>Letters are sent to parents chasing payment, however I do agree that a more robust debt recovery system needs to be implemented.</p> <p>There were some initial problems with the timing of the printing of the bank returns on SIMS. This has now been addressed and the last 3 returns have agreed and been authorised by the head teacher.</p>			Headteacher/School Business Manager	31/07/2012

9. Lease renewal and approval

Priority	Issue	Risk	Recommendation	
2	<p>The School's photocopier lease expired on the 31 March 2012; however, the School has continued to pay the same lease payments at the time of the audit (May 2012). Discussions with the Head and Business Manager identified that no action has been taken to renew the lease or seek an alternative arrangement.</p> <p>In addition, we were informed that the School did not seek approval from the Council before entering into the lease for the provision of the School's telephone system.</p>	<p>Where lease agreements expire and are not reviewed, this may result in the School not continuing to obtain value for money. Furthermore, the School may not be able to enforce the terms of conditions of the agreement.</p> <p>Where advice and approval 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>	<p>Management should seek advice and approval of the Council and Governing Body 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 telephone system lease agreement is appropriate.</p> <p>The School should also review the leasing arrangement for the provision of the photocopier in liaison with the Council. Should the lease be extended or a new lease agreement entered into, this should be subject to Council and Governing Body / Finance Committee approval as 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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