

Report of the Chief Auditor

Audit Committee – 2 October 2014

ANNUAL REPORT OF SCHOOL AUDITS 2013/14

Purpose:	This report provides a summary of the school audits undertaken by the Internal Audit Section during 2013/14 and identifies some common issues found during the audits
Policy Framework:	None
Reason for Decision:	To allow the Audit Committee to discuss and review the school audits undertaken during 2013/14 and any common themes identified.
Consultation:	Legal, Finance and Access to Services
Recommendation(s):	It is recommended that Committee review and discuss the school audits undertaken during 2013/14
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Finance Officer:	Paul Beynon
Legal Officer:	Sharon Heys
Access to Services Officer:	Kirsty Roderick

1. Introduction

- 1.1 An audit of each primary, secondary and special school in Swansea is undertaken every 3 years. A standard audit programme exists for each school sector.
- 1.2 For a number of years, a report summarising the school audits undertaken each year has been prepared for the Chief Education Officer. The report also identifies the common themes which have been found during the audits.

2. School Audits Annual Report 2013/14

- 2.1 The School Audits Annual Report 2013/14 is attached in Appendix 1.

3. Equality and Engagement Implications

3.1 There are no equality and engagement implications associated with this report

4. Financial Implications

4.1 There are no financial implications associated with this report.

5. Legal Implications

5.1 There are no legal implications associated with this report.

Background Papers: Internal Audit Plan 2013/14

Appendices: Appendix 1 Annual Report of Schools Audits 2013/14

**City & County of Swansea
Internal Audit Report 2013/14
Education: Annual Report of School Audits**

1. INTRODUCTION

- 1.1 Each year a significant amount of audit resource is spent on school audits. The Internal Audit Section reviews all Primary, Secondary and Special Schools within the City and County of Swansea.
- 1.2 For routine audits, a risk assessment is carried out at individual school level. Based on this, a rolling programme of schools audits is undertaken. All schools are now planned to be audited every 3 years.
- 1.3 The audit scope for schools during 2013/14 included the following areas:
- ◆ Governance
 - ◆ Health and Safety / Fire / Premises Security Assessments
 - ◆ Management of Delegated Resources
 - ◆ Collection of Income and Bankings (including dinner money)
 - ◆ Authorisation of Free School Meals
 - ◆ Petty Cash
 - ◆ Budget Preparation and Monitoring
 - ◆ Purchasing of Goods and Services
 - ◆ Payment of Creditors
 - ◆ School Inventory
 - ◆ Verification of PLASC to Budget Share
 - ◆ Verification of Employees
 - ◆ School Fund (audit and presentation to Governing Body)
 - ◆ Computer Security and Data Protection
- 1.4 There are slight variations between the work undertaken at Primary cheque book, Primary non cheque book and Secondary Schools. However the scope of the audit remains more or less the same for all three sectors.
- 1.5 In addition to the Internal Audit review, schools are also subject to audit by Estyn within a six year cycle. A revised inspection framework was introduced from September 2010.
- 1.6 At the routine audit, a formal level of assurance is provided for the overall financial management and certain other areas within the school as defined above. The assurance levels vary across four categories, namely High, Substantial, Moderate and Limited assurance.

- 1.7 Recommendations arising from each audit are contained within a Management Action Plan and are prioritised according to perceived risk. Therefore, the Headteacher has an indication of Internal Audit's view of the level of risk that the school could be exposed to if the recommendations are not implemented.
- 1.8 Once the Action Plan has been finalised with the Headteacher, a copy of the final Audit Report and Action Plan is forwarded to the Chair of the School's Governing Body and the Chief Education Officer for information. Agreed actions are followed up in accordance with the Management Action Plan implementation timetable to ensure that they have been satisfactorily implemented.
- 1.9 As the operation of local bank accounts remains a key area for examination during audits, Primary cheque book schools audits take 4.5 days and non cheque book Schools 4 days. The budgeted time for Secondary School audits is 10 days.
- 1.10 The remainder of this report provides information on the various developments that have occurred during the year and the school audits undertaken during 2013/14.

2. DEVELOPMENTS / OTHER WORK UNDERTAKEN DURING THE YEAR

- 2.1 During the year, in addition to the school audits covered as part of our cyclical review, other work was also undertaken as noted below:-
- 2.2 Special investigations and other ad-hoc work where there are allegations or suspicions of malpractice or fraud, or where our advice is requested.
- 2.3 In addition, audit follow up procedures require a follow up visit for any audits where the overall level of assurance is less than 'Substantial'.
- 2.6 During 2013/14, 1 primary school was followed up to ensure that the recommendations previously raised had been implemented. It was noted that the school still had not fully implemented the recommendations made and this has been reported again to the Chair of the Governing Body. This school has also been subject to a great deal of debate at the Audit Committee.
- 2.7 With regards to other ad-hoc work, we have again been involved with the Procurement Section to address areas of non-compliance within schools in relation to purchasing.
- 2.8 As noted in last year's report, written guidance was circulated to all schools in 2011. In addition, in January and February 2012, a series of Procurement workshops were held which were jointly led by Procurement and Internal Audit. As shown in the table in point 3.6 later, procurement continues to account for the significant majority of recommendations

made as part of our school audits, representing 35% of all recommendations made in 2013/14 across the 11 recommendation categories shown in the table.

- 2.9 Further to this, it should be noted that Contract Procedure Rules were amended in April 2014. The amendments have seen changes to the required process for obtaining quotations and documentation retention, primarily for 'Band A' purchases (below £5k) and also for the 'Single Tender Application' process.
- 2.10 A dedicated Senior Procurement Officer for Education was appointed in July 2013 in order to deal solely with education procurement issues and to act as a point of contact for all schools for all procurement related queries, issuing procurement guidance to schools when necessary.
- 2.11 Procurement, in collaboration with Internal Audit, have undertaken a number of training sessions for Deputy Headteachers and School Admin Staff in order to ensure schools are aware of the impact of the above changes and to ensure they follow the correct procedures. It is envisaged that these will continue into 2014/15.
- 2.12 In addition, Internal Audit has revised the standard letters which accompany the final audit reports issued to both the Headteacher and the Chair of the Governing Body. The revised version reinforces the requirement for the final report to be presented and discussed at the next full Governing Body meeting, as instances have been noted during 2013/14 where audit reports had not been presented at such meetings.

3 PRIMARY SCHOOLS

- 3.1 16 primary schools were visited by Internal Audit during 2013/14, all of which operated their own bank account. The level of assurance for each school is shown in Appendix 1.
- 3.2 The level of assurance on the financial management and internal controls operating at the Schools are summarised as follows:

Level of Assurance	Schools 2012/13	Schools 2013/14
High	4	0
Substantial	20	14
Moderate	1	2
Limited	0	0
Total	25	16

- 3.3 The level of assurance awarded confirms the view that primary schools in Swansea are generally well run with sound internal controls and financial management in the majority of cases, although there are a minority of schools where this is not the case.

- 3.4 A total of 148 recommendations were made as a result of the audit process, representing an average of 9.25 recommendations per school. Some schools had more recommendations than the average – others less so. All of the audit reports have been finalised at the date of this report, with agreement reached with Headteachers to implement all of the recommendations made.
- 3.5 It should be noted that a direct correlation between the number of recommendations identified at each school and the overall level of assurance cannot always be made. This is due to differences in the significance of the individual recommendations made at each audit. Therefore, the number of recommendations made for each school has not been reported, solely reporting the overall level of assurance provided for each school.
- 3.6 However, an analysis of the areas where audit recommendations have been made is summarised below. As can be seen, the main areas identified during 2013/14 were in relation to Procurement, as was also the case in 2012/13. However, Procurement does cover a number of areas. School meals administration was the next highest. Appendix 3 details the main categories reported upon within each audit area.

Audit Area	Total Recommendations 2012/13 based on 25 Schools	Total Recommendations 2013/14 based on 16 Schools
Governance	6	0
Health and Safety/Fire/ Premises Security Assessments	8	14
Management of the School	10	14
Procurement	61	52
Bank	4	5
Income	22	10
School Meals inc banking	9	18
School Funds	12	8
Inventory	12	6
IT	16	15
Other	7	6
TOTAL	167	148

- 3.7 Procurement is again identified as the main issue in a number of schools. Headteachers are reminded of the requirement to comply with the Scheme for the Financing of Schools, Contract Procedure Rules (CPR's), Financial Regulations and Accounting Instructions. Also the Procurement Section and their Procurement Guide are available to assist schools with any procurement issues.
- 3.8 The main areas where problems have arisen regarding procurement are highlighted below:-

- Not obtaining the relevant number of quotations where expected. This was mainly noted where services were procured or accumulated annual spend for a particular 'item' exceeded £1k per year
- Not raising authorised purchase orders at the point of committal or at all. This was identified as more of an issue for the purchase of 'services' as opposed to 'goods'. This is also important as it allows for effective budget monitoring and proper certification procedures. It is also a record of what has been ordered, helps to minimise disputes and to facilitate matching to the invoice both in terms of price and quantity.
- Not obtaining the relevant dispensation, waiver etc where CPR's were not followed.

3.9 As noted in 2.7 to 2.9, schools have been made aware of all such issues and the need to comply as part of the Procurement workshops provided in the past. This is in addition to the findings contained within each schools audit report. These have been reported repeatedly over the years to both the Headteacher and the Chair of the Governing Body of the relevant school.

3.10 It is also noted that the average number of recommendations made per school has increased in year from 6.68 to 9.25. As may be seen in the table above, this increase is primarily due to an increase in the number of recommendations made in the following areas:-

- Health and Safety/Fire/Premises Security – primarily in relation to the lack of evidence of schools acting upon and implementing recommendations made in Health & Safety Inspections and/or Fire Risk Assessments.
- Procurement – failure to follow Contract Procedure Rules in relation to obtaining quotations or the relevant dispensation. Also the failure to undertake employment status checks for payments made to self-employed individuals.
- School Meals – lack of evidence of taking effective action to recover school meal arrears. In addition, issues were noted in relation to ineffective recording of meals prepared, served and paid for with a lack of adequate reconciliation of such figures.
- IT – in particular, significant issues have been encountered in year in relation to the increase in the roll out of mobile tablet devices such as iPads. Other IT issues encountered include failure to change passwords regularly and non-deletion of old system user access.

3.11 Whilst we report on non-compliance in these areas, what the above summary figures do not reflect is the number of instances of non-compliance noted per school i.e. we would include a recommendation regardless of the number of instances of non-compliance, with the extent and significance of the issue being highlighted in the School report.

4. SECONDARY SCHOOLS

4.1 4 secondary schools were visited by Internal Audit during 2013/14. The level of assurance at each school can be seen in Appendix 2.

4.2 The level of assurance on the financial management and internal controls operating at these Schools were as follows:

Level of Assurance	Schools 2012/13	Schools 2013/14
High	1	0
Substantial	2	4
Moderate	1	0
Limited	0	0
Total	4	4

4.3 A total of 41 recommendations were made, which represents an average of 10.25 recommendations per school. All of the audit reports have been finalised at the date of this report, with agreement reached with Headteachers to implement all recommendations made.

4.4 An analysis of findings to identify areas for improvement is shown below and has again highlighted Procurement as the main issue.

Audit Area	Total Recommendations 2012/13 based on 4 Schools	Total Recommendations 2012/13 based on 4 Schools
Governance	0	0
Health and Safety/Fire/ Premises Security Assessments	2	4
Management of the School	2	4
Procurement	9	16
Bank	1	2
Income	3	5
School Funds	1	2
Inventory	2	3
IT	0	4
Other	4	1
TOTAL	24	41

4.5 The figures show an increase in the number of recommendations made, but this may also be due to the mix of schools involved.

4.6 As with primary schools, procurement is identified as the main area for concern from an audit perspective. The same comments as noted in 3.7 to 3.9 apply here.

4.7 It is also noted that the average number of recommendations made per school has increased in year from 6 to 10.25. As may be seen in the table above, this increase is primarily due to an increase in the number of recommendations made in the following areas:-

- Procurement – failure to follow Contract Procedure Rules in relation to obtaining quotations or the relevant dispensation. Also the failure to undertake employment status checks for payments made to self-employed individuals.
- IT – in particular, significant issues have been encountered in year in relation to the increase in the roll out of mobile tablet devices such as iPads. Other IT issues encountered include failure to change passwords regularly and non-deletion of old system user access.

5. SPECIAL SCHOOLS

5.1 No special schools were audited in 2013/14.

6. QUALITY MEASURES

6.1 At the end of each audit, Headteachers are provided with a Quality Control Questionnaire (QCQ) which allows them to comment on the quality of the audit service provided. A copy of the questionnaire is attached at Appendix 4.

6.2 Each completed questionnaire is reviewed and where appropriate comments are taken into account in planning future audits.

6.3 QCQ results are fed into a Performance Indicator which shows the percentage of clients expressing 'at least satisfaction' with the conduct of audit assignments undertaken by Internal Audit. For this exercise, this relates to the QCQ's issued for audits finalised in 2013/14 as at the time of writing this report.

6.4 The target for schools at least satisfied with the quality of audit service for 2013/14 was 98%. The QCQ's returned to date for 2013/14 have exceed this threshold at 99%.

6.5 The response rate to our QCQ survey was as follows:

	QCQ's issued	Response No	Response %
Primary Schools	14	5	36%
Secondary Schools	3	3	100%
Overall	17	8	47%

NB: We continue to follow up QCQ's on an ongoing basis, so the above response rates may increase.

7. CONCLUSION

- 7.1 This annual report provides information on school audits undertaken during 2013/14 and identifies the main areas for improvement in relation to the financial management and other areas of schools.
- 7.2 A good working relationship exists between schools and the Internal Audit Section, with Headteachers generally responding positively to audit recommendations. However, the raising of orders and compliance with Contract Procedure Rules does remain a concern. In many instances these have been repeatedly reported over the years.
- 7.3 Procurement still remains the main issue as noted in the main body of the report and attention should be guided to this area. However, as noted earlier in the report, recent changes to the Contract Procedure Rules and subsequent refresher training that has been and will continue to be rolled out in this area will hopefully reinforce the message in relation to what processes schools are required to follow.
- 7.4 However, it is concerning that despite having raised issues in relation to procurement at schools repeatedly for a number of years and schools accepting audit recommendations in this area, the primary area of concern continues to be in relation to procurement. It seems little progress has been made by schools in terms of implementing recommendations in this area despite a significant amount of effort on the part of both Internal Audit and Procurement.
- 7.5 It is again the opinion of the Internal Audit Section that financial management systems established in schools continue to provide a generally high level of assurance, subject to the procurement compliance issues as noted above.

APPENDIX 1**PRIMARY SCHOOLS AUDITED 2013/14**

School	CB/NCB	Level of Assurance
Blaenymaes Primary	CB	Substantial
Casllwchwr Primary	CB	Substantial
Craigfelen Primary	CB	Substantial
Cwmrhydyceirw Primary	CB	Substantial
Morrleston Primary	CB	Substantial
Parklands Primary	CB	Substantial
Pentrechwyth Primary	CB	Substantial
Pentre'r Graig Primary	CB	Substantial
Tre Uchaf Primary	CB	Substantial
Whitestone Primary	CB	Substantial
Ynystawe Primary	CB	Substantial
Ysgol Cymraeg y Cwm	CB	Substantial
YGG. Llwynderw	CB	Substantial
YGG. Tan-y-Lan	CB	Substantial
Seaview Community Primary	CB	Moderate
YGG. Tirdeunaw	CB	Moderate

CB = Cheque Book ; NCB = Non Cheque Book.

APPENDIX 2**SECONDARY SCHOOLS AUDITED 2013/14**

School	Level of Assurance
Bishopston Comprehensive	Substantial
Morrison Comprehensive	Substantial
Pentrefafod Comprehensive	Substantial
Ysgol Gyfun Gwyr	Substantial

APPENDIX 3

**AREAS REVIEWED AT PRIMARY/SECONDARY SCHOOLS DURING
2013/14**

AUDIT AREA	MAIN CATEGORIES REVIEWED IN EACH AUDIT AREA
Governance	Role and responsibilities of Governors, Committees and staff
	Policies and Committees
	Governors involvement in setting the School Development Plan
	Finance, Administration and CRB
Health & Safety/ Fire/ Premises	Health and safety inspections
	Fire Risk assessments and Portable Appliance Testing
	Self review of security issues
Procurement	Ordering procedures (Non orders)
	Payment procedures
	Authorisation of orders / invoices
	Governing Body approval of payments more than £5k
	Compliance with Contract Procedure Rules
	Insurance arrangements for non Authority 'approved' suppliers.
	Cheque stock records
	Leases
School Funds	School fund signatories
	Audit and presentation of the School fund
	Distribution of School savings
	Other
Management of the School	Budget setting, approval and monitoring
	Authorised signatories
	Register of Business Interests
	Delegated powers
Inventory	Format and security of the School inventory
	Keeping the inventory up-to-date inc disposal procedures
	Physical checks
	Other
School Meals	Dinner money arrears
	Certification of CS3's by Headteacher
	CS3 meals served to PM2 meals reconciliations
	Weekly banking of Dinner monies (PM2 reconciliations)
	Entitlement to Free School Meals

Bank	Cheque signatories
	Bank reconciliations
Income	Banking and security of income held on site.
	C&D Senior Management review
	Letting applications
	Other income
	Raising and monitoring of invoices
IT	Computer-based records to be password-protected/ backed up/passwords to be changed regularly
	Users no longer employed to be deleted by the system manager
	Data Protection
Other	Self employment status
	Verification of employees and payment of travel expenses
PLASC	Verification PLASC return to Budget share

CITY AND COUNTY OF SWANSEA
DINAS A SIR ABERTAWE

QUALITY CONTROL QUESTIONNAIRE

INTERNAL AUDIT SECTION

We are keen to monitor and, where possible, improve the quality of our work. We have adopted a number of performance indicators that we report on monthly, quarterly or annually. One of these is your view of the overall quality etc. of our work.

For this reason please complete the questions below indicating your level of satisfaction with various aspects of our audit. Any additional comments you may have should also be included, particularly if you are less than satisfied* with any aspect of the audit.

AUDIT: _____ DATE OF ISSUE: _____

AUDIT FILE REF. NO: _____ AUDITOR(S): _____

ASPECT OF AUDIT	VERY SATISFIED	SATISFIED	DIS-SATISFIED	VERY DIS SATISFIED
AUDIT PLANNING Appropriateness of scope and objectives of audit				
Usefulness of initial discussions with auditor(s)				
Timing of audit				
CONDUCT OF AUDIT Duration of audit				
General helpfulness of auditors				
Consultation on findings				
AUDIT REPORT Fair presentation of findings				
Importance of findings				
Usefulness of recommendations				
Consultation on findings and recommendations				
OVERALL How would you rate the overall usefulness of the audit?				

OTHER COMMENTS:

SIGNED: _____ DATE: _____

DESIGNATION/POST TITLE: _____

Please return to the Chief Auditor, Room 3.3.12, Civic Centre or by email.