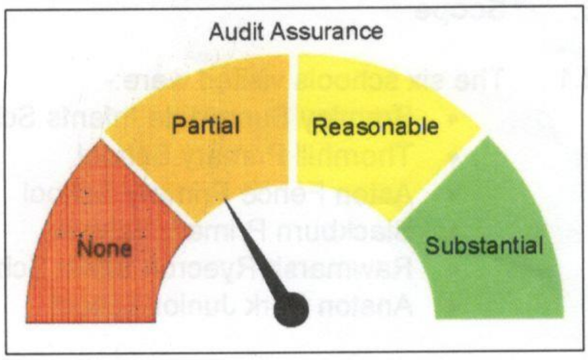
Rotherham Metropolitan Borough Council

Internal Audit Report

Maintained Schools - Themed Review

Children & Young People's Services

CYPS11 – June 2019



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1. Introduction

1.1 In early 2018 all maintained schools completed a Control and Risk Self-Assessment questionnaire and returned it to Internal Audit. An analysis of the results was completed and reported to schools in June 2018.

1.2 From the analysis of results five key areas were selected for further review by Internal Audit. These areas were reviewed in six schools in February and March 2019, to identify common areas of weakness and highlight good practice that could be used in all schools.

1.3 This report consolidates the findings of the review. Where required, audit summaries have been supplied to the schools visited at the time they were audited.

2. Objective

2.1 To report a level of assurance against five key areas of internal control at Council maintained schools, highlighted by the recent Control and Risk Self-Assessment (CRSA) performed by schools during 2018.

2.2 To identify common areas of weakness and recommend improvements to address them, and to highlight areas of good practice. The results can be communicated to all schools for them to apply as necessary.

3. Scope

3.1 The six schools visited were:-

- Bramley Sunnyside Infants School
- Thornhill Primary School
- Aston Fence Primary School
- Blackburn Primary School
- Rawmarsh Ryecroft Infant School
- Anston Park Junior School

The five areas reviewed and the risks that may arise in those areas were:-

<u>Petty Cash</u>
Procedures are not robust and allow for fraudulent transactions to be processed.

<u>Income</u>
There is no charging policy for the supply of goods or services. Procedures for handling cash received do not comply with Schools Financial Regulations.

<u>Assets</u>
There is no up to date inventory listing resulting in assets being at risk of theft.

<u>Data Security</u>
Schools computer systems are not protected and are vulnerable to cyber-attacks

CCTV
Cameras could be used in contravention of the Information Commissioner's Office requirements.

4. **Assurance Opinion**

4.1 Based upon the results of our audit we can provide **Partial Assurance** that the controls are operating effectively. Please refer to **Appendix B** for all assurance definitions.

4.2 This opinion contributes to Internal Audit's annual assessment of the Council's overall control environment, which in turn contributes to the production of the Council's Annual Governance Statement.

4.3 14 recommendations have been made which contributed to the overall assurance opinion. The service has agreed to implement all recommendations. Please refer to **Appendix A** for the full list and the actions that have been agreed to address the weakness highlighted by this audit.

5. **Audit Findings**

5.1 **Risk 1 - Petty Cash** - procedures are not robust and allow for fraudulent transactions to be processed.

Of the 6 schools visited 4 operated a petty cash imprest account. Both Blackburn Primary and Rawmash Ryecroft Infant School showed good cash handling and financial administration of the petty cash imprest.

5.2 Finding 1
Not all schools perform a periodic independent 'spot check' of their petty cash imprest. Periodic independent scrutiny is a key control in preventing misappropriation of imprest funds.
See Recommendation 1

5.3 Finding 2
Not all schools account for VAT for expenditure processed through the petty cash account. The number and value of transactions processed through the account are relatively low, however current procedures state that there is a requirement for VAT separation within petty cash.
See Recommendation 2

5.4 **Risk 2 - Income** - There is no charging policy for the supply of goods or services. Procedures for handling cash received do not comply with Schools Financial Regulations.

Both Blackburn Primary and Rawmarsh Ryecroft Infants had local financial procedural guidance documents in place. Whilst these did not include guidance on on-line payments or raising invoices they did provide more school based guidance to financial operations.

5.5 Finding 1
The Charges and Remissions Policy is a statutory document that details the expected charges an individual school can make together with details of what they cannot charge for. All 6 schools examined had an up to date charges and remissions policy in place.

5.6 Finding 2
In the absence of any local procedural guidance on financial controls, maintained schools rely on guidance within the 'Financial Regulations for Schools' document provided by the Council. This guidance was originally issued in 2013 and is currently being updated by the Schools Finance team. Some schools have their own financial procedures manual based on the Financial Regulations for Schools document. Both the local procedural guidance documents and the Financial Regulations for Schools do not include any reference to recently introduced on-line payment processes or any sufficient detail for payments by BACS.
See Recommendation 3

5.7 Finding 3
Expected controls for income collection were not in place at all schools. We found examples where income was neither receipted nor recorded; at one school money held in the safe could not be confirmed as correct. In such cases there is a clear opportunity for fraud and loss of funds.
See Recommendation 4

5.8 **Risk 3 - Assets** - There is no up to date inventory listing resulting in assets being at risk of theft.

Both Thornhill Primary and Aston Fence Schools had good security and control of assets in place.

5.9 Findings
Financial Regulations for Schools (Section L) provides guidance for the control of assets. Based on this guidance the following control weaknesses were found: -

- One school did not have a full inventory of assets. An inventory record was in place at the school however the record only consisted of items purchased by the school after September 2018.

- A lack of security markings for items listed on the asset register. The 2013 guidance document advises that items such as ICT equipment, video cameras and televisions should be identified as school property with a security marking.

- Annual inventory checks are not signed and dated and / or the paperwork used during the check is not kept. It is important to keep a complete set of documents to support the annual inventory check; such documents should show when the check was performed, by whom and remain available for future scrutiny if required.

- Some schools did not keep records of removed assets or have records showing the Governing Board had been consulted. Financial Regulations

for Schools advises that any removal of assets from the inventory is formerly brought to the Governing Board's attention for approval before being disposed of.
See Recommendations 5, 6, 7 & 8

5.10 **Risk 4 - Data Security** - Schools computer systems are not protected and are vulnerable to cyber-attacks.

5.11 Finding 1
Based on advice received from the Information Commissioner's Office (ICO), all schools visited had paid for tier 1 registration with the ICO. Our enquiries during the audit established that the tier 1 registration was incorrect. Maintained schools fall under the 'public authority' category and unless they have 10 members of staff or less they should be paying for tier 2 registration.
See Recommendation 9

Finding 2
A number of data security issues were identified including:-

- Anti-virus software was not installed on all computers
- Computer user access password changes were not enforced
- Some schools do not have an off-site back-up or any back-up of their data server(s).
- Computers within the school do not have 'volume encryption for removable storage devices' software installed which would prevent unauthorised copying / removal of data contained on any laptops and portable devices.

See Recommendations 10, 11, 12 & 13

5.12 **Risk 5 - CCTV** – cameras could be used in contravention of the Information Commissioner's Office requirements.

Three of the six schools visited operated CCTV equipment on-site. Other than the recommendations below all 3 schools had a CCTV policy and clear signage displayed.

5.13 Findings
Schools operating CCTV must complete a Data Protection Impact Assessment (DPIA). This is a requirement under the General Data Protection Regulations (GDPR) to help identify and minimise data protection risks.
See Recommendation 14

6. **Acknowledgements**

Internal Audit would like to thank all involved for their assistance during this review.

7. Limitations to the Scope

The matters raised in this report are limited to those that came to our attention, from the relevant samples selected, during the course of our audit and to the extent that every system is subject to inherent weaknesses such as human error or the deliberate circumvention of controls. Our assessment of the controls, which are developed and maintained by management, is also limited to the time of the audit and cannot take account of future changes in the control environment.

Action Plan

Ref	Title	Issue	Risk Rating	Recommendation	Responsible Officer	Agreed Action	Implementation Date
1	Petty Cash – Independent checking	Petty cash accounts are not subject to periodic independent scrutiny.	Green	Petty cash accounts should be periodically scrutinised by an officer independent of the petty cash operation. The scrutinising officer should sign and date the petty cash record to acknowledge that the check has been performed.	Dean Fenton	Share information with maintained school Headteachers and Chairs of Governors for information and appropriate action.	End of June 2019
2	Petty Cash – VAT analysis	VAT is not accounted for when petty cash is reimbursed.	Green	Where a VAT receipt is processed through the petty cash system, VAT should be itemised on the reimbursement to enable the Council to account for VAT accurately.	Dean Fenton	Share information with maintained school Headteachers and Chairs of Governors for information and appropriate action.	End of June 2019

3	Update of RMBC Financial Regulations for Schools	Financial Regulations for Schools have not been updated since 2013.	Red	Financial Regulations for Schools should be reviewed and updated where necessary as a matter of urgency and communicated to all maintained schools.	Neil Hardwick	Updated Financial Regulations updated and presented to Schools Forum in April – emailed to all maintained schools in May	May 2019
4	Income – Cash handling	Income is neither receipted nor recorded.	Red	The Financial Regulations for Schools document (supported by local procedures) should include procedures for all income (cash & online) and the need for appropriate records to be kept.	Neil Hardwick	Financial Regulations updated – as above. Local procedures to be shared if not detailed in Regs	End of June 2019
5	Asset Control – Inventory List	An inventory of assets is not in place.	Red	All schools should maintain a listing of all physical assets used and owned by the school.	Dean Fenton	Share information with maintained school Headteachers and Chairs of Governors for information and appropriate action. Information also shared with Insurance section.	End of June 2019

6	Asset Control – Security Markings	Security markings are not present on all portable /desirable ICT equipment.	Amber	All ICT equipment such as computers, cameras and televisions should contain security markings to identify the asset to the school.	Dean Fenton	Share information with maintained school Headteachers and Chairs of Governors for information and appropriate action. Information also shared with Insurance section.	End of June 2019
7	Asset Control – Annual Checks	Annual inventory checks are not documented.	Green	Annual inventory checks should be formally recorded to show the date the check was performed, the officers performing the check and the results of the check.	Dean Fenton	Share information with maintained school Headteachers and Chairs of Governors for information and appropriate action. Information also shared with Insurance section.	End of June 2019

8	Asset Control – Disposal of Assets	Items removed from the inventory are not recorded.	Amber	Any changes to the inventory should be documented to show the details of the change and approval given. This includes any assets taken off-site (temporarily or in the permanent custody of staff). Any disposal of assets should be formally approved by the Governing Board.	Dean Fenton	Share information with maintained school Headteachers and Chairs of Governors for information and appropriate action. Information also shared with Insurance section.	End of June 2019
9	Data Security – ICO registration	Schools are not paying the correct ICO registration fee.	Green	Schools should be advised that they need to pay the correct ICO registration fee (tier 2).	Dean Fenton	Share information with maintained school Headteachers and Chairs of Governors for information and appropriate action.	End of June 2019
10	Data Security – Anti-Virus Software	Anti-virus software is not installed on all computers.	Amber	Anti-virus software should be installed on all school computers.	Dean Fenton	Share information with maintained school Headteachers and Chairs of Governors for information and appropriate action.	End of June 2019

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11	Data Security – Password Changes	Computer user access passwords are not changed regularly.	Amber	User access passwords for all computers should be regularly changed.	Dean Fenton	Share information with maintained school Headteachers and Chairs of Governors for information and appropriate action.	End of June 2019
12	Data Security – Off-site Backups	Data servers are not backed up or the back-up is not held off-site.	Amber	School data should be backed up regularly and a copy of the back-up held off-site.	Dean Fenton	Share information with maintained school Headteachers and Chairs of Governors for information and appropriate action.	End of June 2019
13	Data Security – Bitlocker Enabled	Computers do not have volume encryption for removable storage devices.	Amber	All computers should have volume encryption for removable storage devices software installed i.e. Bitlocker or equivalent software.	Dean Fenton	Share information with maintained school Headteachers and Chairs of Governors for information and appropriate action.	End of June 2019

14	CCTV Documentation – Data Privacy Impact Assessments	Schools with CCTV cameras installed have not completed a Data Protection Impact Assessment (DPIA).	Amber	To comply with General Data Protection Regulations, all schools with CCTV cameras should complete a DPIA.	Dean Fenton	Share information with maintained school Headteachers and Chairs of Governors for information and appropriate action.	End of June 2019

Appendix B

Table of Assurance Opinion Definitions

Rating	Definition
Substantial Assurance	Substantial assurance that the system of internal control is designed to achieve the service's objectives and this minimises risk. The controls tested are being consistently and effectively applied.
Reasonable Assurance	Reasonable assurance that the system of internal control is designed to achieve the service's objectives and minimise risk. However, some weaknesses in the design or inconsistent application of controls put the achievement of some objectives at a **Low** risk.
Partial Assurance	Partial assurance where weaknesses in the design or application of controls put the achievement of the service's objectives at a **Medium** risk in a significant proportion of the areas reviewed.
No Assurance	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and this exposes service objectives to an unacceptable **High** level of risk.