AMBER ASSURANCE

FINAL REPORT

**Petty Cash
Vaughan Primary School**

DATE:	2 April 2012
CLIENT:	Vaughan Primary School
AUDITOR:	Lucy Lonergan - Assistant Auditor
MANAGER:	Susan Dixson – Service Manager Internal Audit
FINAL REPORT DISTRIBUTION:	Andrew Griffin - Headteacher Kay Rundle – Chair of Governors Catherine Doran - Corporate Director – Children's Services Adrian Parker – Head of Education Strategy and School Organisation Emma Stabler – Finance Business Partner – Children's External Audit GARM committee

Internal Audit

CONFIDENTIAL - NOT FOR PUBLICATION

Individual School Summary

1. The review forms part of the 2011/12 Internal Audit annual plan which has been developed from a risk assessment and consultation process. This review provides an independent and objective opinion on the system under review by evaluating its effectiveness in achieving the organisations objectives.

2. The objective of the review is to assess the adequacy, application and effectiveness of controls in place relating to petty cash and petty cash cheque expenditure.

3. The scope of the review is:
    - Use/ Recording of petty cash
    - Authorisation of petty cash
    - General controls for petty cash

4. The review of internal controls has been informed through inspection of documentation at the school and interviews. An overview of controls and the level to which they are operational, or not, is provided in Appendix A. The main body of this report addresses the exceptions to this by describing the weaknesses and the recommendations. An overall summary report will be produced and the findings communicated to all of Harrow's maintained schools.

5. Recommendations have been made to address the identified control weaknesses and action will be agreed with the Headteacher. Recommendations have been rated according to risk: High Risk (i.e. major issues that require action because the key objectives will not be met or there may be a serious threat of fraud), Medium Risk (i.e. issues that require action because they are a serious threat to the achievement of objectives or there is a potential threat of fraud) and Low Risk (i.e. which represent best practice). The aim is to ensure that any residual risk is a low rating.

6. All internal audit reports are given an assurance rating.

    Red reports will indicate systems/functions/establishments that represent a high risk to the authority needing immediate attention to improve the control environment;

    Red/Amber reports will indicate systems/functions/establishments that represent a high to medium risk to the authority needing immediate attention to improve the control environment;

    Amber reports will indicate medium risk in need of attention to prevent them becoming high risk;

    Amber/Green reports will indicate medium to low risk in need of attention to prevent them becoming high risk and

    Green reports will indicate low risk areas.

    The individual school reports and the summary report will be given an assurance rating which will be reported using the normal protocol (i.e. if the summary report is a **Red** or **Red/Amber** rating it will automatically be referred to CSB and to the GARM Committee).

Audit Opinion

7.   This is an Amber report. Overall 65% of the expected controls were found to be in place and operating effectively 12% was substantially operating with a further 23% partially operating. Although percentages indicate an assurance ranking of Amber/Green, due to 2 high recommendations this has been brought down to Amber. 6 recommendations have been made to address the weaknesses identified, 2 were rated as high risk, 2 was rated as medium risk and 2 were rated as low risk. The most significant risks relate to the expenditure exceeding the petty cash limits and a couple of payments that were not appropriate transactions to have been made from the official funds by petty cash. In both these cases payment should have been made from a different source of funds and method of payment.

Agreed Actions

8.   All recommendations have been agreed for implementation.