

Internal Audit Report

ST PAUL'S CE PRIMARY SCHOOL (N11)

19 March 2018

To: Chair of Governors
Headteacher

Copied to: Education and Skills Director
Strategic Director (Children and Young People)
School Finance Manager (Finance Service)
Local Authority Appointed Governor
Clerk to Governors

Contact: Internal audit

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

Executive Summary

Assurance level and Direction of Travel	Number of actions by risk category				
Limited 	Critical	High	Medium	Low	Advisory
	-	1	5	2	-

Background and Scope

The audit of St Paul's School was carried out as part of the planned School audits for 2017-18. The audit review covered the period April 2016 to January 2018.

St Paul's School is a Voluntary aided school with 221 pupils on role aged between 3 and 11 years of age. The School budgeted expenditure for 2017/18 is £1,333,696 with employee costs of £897,183 (67% of budgeted expenditure).

The School was assessed as 'Good' by OFSTED in March 2014.

A review of the five recommendations reported in the previous audit report dated 3 February 2014 found that three recommendations had been repeated (Income, After school club and Voluntary funds).

The aim of the audit is to provide assurance on key areas of financial management. The review covered all major systems within the school to ensure compliance with the Scheme for Financing Schools and the Barnet Financial Guide for Schools, including Barnet Contract Standing Orders for Schools.

The scope of the audit included assessment of the following:-

- adequacy of accounting, financial and other controls;
- compliance with established plans and procedures;
- the integrity and reliability of financial and other information;
- whether assets and other interests of the Council are properly safeguarded; and
- whether the use of resources achieves value for money.

In addition to the above, a review of the 'Schools Financial Values Standard' (SFVS) self-assessment was conducted to ensure that the self-assessment has been completed in line with requirements. The standard has been designed to assist schools in managing their finances and to give assurance that they have secure financial management in place.

Summary of findings

The table provided in Appendix 2 lists the areas audited and the number of recommendations in each area. Definitions of audit assurance levels and risk ratings for the issues identified are provided in Appendix 1.

As part of the audit we were able to give '**Limited**' Assurance to the school, noting one high, five medium and two low priority issues as part of the audit:

- Governance– The school does not have an up to date Financial Procedures Manual to accompany the recently approved Financial Scheme of Delegation. (Finding one, low rated);
- Purchasing– Procedures when using the school credit cards should be reviewed, documented and agreed by Governors to ensure a complete audit trail, separation of duties and proof of receipt of goods. Delivery notes should always be signed. (Finding two, medium rated);
- Contracts– A signed contract was not available in school for the cleaning contract. No evidence of review of the cleaning contract. Evidence was not retained to confirm compliance with Contract Standing orders for schools when entering into agreements for leased photocopiers. (Finding three, medium rated);
- Income– Record keeping for breakfast club income received into the school should be reviewed and updated to comply with the financial guide for schools. Adequate records should be maintained to provide a complete record of payments to date and outstanding debts. A system should be created where a regular review of income is undertaken by a senior member of staff. (Finding four, medium rated);
- Lettings– The school should have an up to date signed agreement with regular users of the school premises, stating that they agree to the terms and conditions of hire. Administration arrangements should be adequate and effective. (Finding five, medium rated);
- Voluntary funds– The accounting records for the voluntary fund were not available at the audit. It could not be confirmed that the account had been closed subsequent to the last internal audit visit and the balance transferred to the school's delegated budget. (Finding six, high rated);
- Assets– The IT inventory was not found to be complete. No evidence of annual review or Governor Authorisation of disposals. (Finding seven, medium rated).

Following our 'Schools Financial Values Standard' (SFVS) self – assessment review we were able to confirm that there were no major discrepancies in judgements noted, however, although the School has responded with 'Yes' or 'N/A', in the areas outlined below, it is the opinion of audit that this area has either not been met, or met 'In-Part' (refer also to Appendix 3 below):

A5: Are business interests of governing body members and staff properly registered and taken into account so as to avoid conflicts of interest? - The school has answered 'Yes', but there was no evidence of review of business interests of office staff.

C14: Does the school benchmark its income and expenditure annually against that of similar schools and investigate further where any category appears to be out of line? - The school has answered 'Yes', but there was no evidence in school that this was completed annually.

D20: Is the governing body sure that there are no outstanding matters from audit reports or from previous consideration of weaknesses by the governing body? - The school has answered 'Yes', but three findings from the previous audit have been repeated (Income, After school club and Assets)

D21: Are there adequate arrangements in place to guard against fraud and theft by staff, contractors and suppliers? - The school has answered 'Yes', but refer to Finding (Purchasing/Income/Voluntary funds/Assets), which should be addressed to ensure procedures are as robust as possible.

D24: Does the school have adequate arrangements for audit of voluntary funds?-The accounting records for the Amenities account were not available at the audit.

D25: Does the school have an appropriate business continuity or disaster recovery plan, including an up-to-date asset register and adequate insurance?
– The school has answered 'Yes', but the asset register was not found to be complete.

2. Findings, Recommendations and Action Plan

Ref	Finding	Risks	Risk category	Agreed action(s)
1.	<p><u>Governance</u></p> <p>Objective – To ensure the responsibilities of the governing body, its committees, the head teacher and staff are clearly defined and limits of delegated authority established; and that management, organisation and arrangements are adequate and effective leading to sound financial decisions.</p> <p>Finding – The school has recently approved a Financial Scheme of Delegation which includes reference to the schools' Financial Procedures Manual'. The school previously held a Financial Management Policy and Procedures document for internal use, but this has not been kept up to date. No other Financial Procedures Manual was available in school.</p>	<p>There is a risk to the effective financial management of the School if, in the absence of an up to date Financial Management and Procedures Policy, Governing Body members and key staff are not able to fulfil their responsibilities consistently.</p>	Low	<p>Actions:</p> <p>The school will approve a Financial Procedures Manual to accompany the Financial Scheme of Delegation.</p> <p>Responsible officer:</p> <p>Headteacher/Governors</p> <p>Target date:</p> <p>Summer term 2018</p>
2.	<p><u>Purchasing</u></p> <p>Objective – To ensure that the School's purchasing, tendering and contracting arrangements achieve value for money</p> <p>Finding –</p> <p>a) The school has school credit cards issued to the Headteacher and Deputy Headteacher that are used to purchase school supplies online. The school credit card policy could not be found during the audit visit. A review of school procedures found that a purchase log was prepared, but this did not allow for separation of duties between purchasing and authorising officer. Confirmation of receipt of goods was not always recorded for credit card purchases. Supplementary guidance issued by the Schools Finance Manager in November 2016 states that where the Headteacher is making the purchase using a credit card, approval for the purchase will be required from the Chair of Governors. This approval was not recorded for purchases made by the former Headteacher.</p>	<p>There is a risk:</p> <p>i) That goods and services may be purchased which are not in line with School requirements;</p> <p>ii) Payments could be made by the School without receiving the goods/services, in the absence of proper verification of receipt;</p>	Medium	<p>Actions:</p> <p>The School will approve a credit card policy and use of the school credit cards to ensure that all purchases are reviewed and executed in accordance with requirements as approved within the School's Financial Procedures Manual, ensuring at all times that a separation of duties exists between purchase order request, purchase order approval and online payment by credit card, sufficient budget is available, a record is kept of delivery to the school and that approved purchase orders and credit card authorisation forms are retained for each purchase for independent review and scrutiny where necessary. When the Headteacher's credit card is used, purchases will be countersigned by the Chair of Governors.</p> <p>Delivery notes will be signed to evidence checking of goods received. These will be</p>

Ref	Finding	Risks	Risk category	Agreed action(s)
	<p>b) During our review of paid invoices it was noted that delivery notes had not been signed to confirm quality and quantity of goods received.</p>			<p>filed with purchase orders and invoices in a systematic manner.</p> <p>Responsible officer: Headteacher/Governors/Office staff</p> <p>Target date: Summer term 2018</p>
3.	<p><u>Contracts</u></p> <p>Objective – To ensure that the School’s purchasing, tendering and contracting arrangements achieve value for money</p> <p>Finding – A signed contract could not be found in school for the cleaning contract. Annual contract value £16,500.</p> <p>There was no evidence that alternative quotes had been sought, or any documented review of performance for the cleaning contract.</p> <p>The school has a number of photocopier lease contracts. Although the school advised that a value for money exercise had been undertaken, paperwork was not retained, and there was no evidence of Governor approval where the contract entered into was in excess of £10,000.</p>	<p>There is a risk that the school may not be seen to be:</p> <ul style="list-style-type: none"> - Achieving ‘value for money’; - Demonstrating that it has acted in a fair and transparent manner when selecting contracts for works and services. <p>Without a formally signed contract confirming acceptance of terms and conditions by all parties, there is a risk that disputes may not be resolved correctly.</p>	Medium	<p>Actions:</p> <p>Signed contracts will be retained for referral where necessary.</p> <p>For procurement exercises, quotes will be obtained and evaluated in line with ‘Contract standing order for schools.’ Records of quotes and evaluations will be retained for referral and scrutiny. Minutes of meetings will include consideration by governors of quotations for the renewal/procurement of any relevant contract, in order to ensure that there is clear and visible evidence of a fair and transparent selection process.</p> <p>Responsible officer: Headteacher/Governors/Office staff</p> <p>Target date: Next Contract Renewal</p>
4.	<p><u>Income</u></p> <p>Objective – To ensure that all income due to the school is identified, collected, receipted, recorded and banked promptly and that, administration arrangements are adequate and effective.</p> <p>Finding –</p>	<p>There is a risk of errors, financial loss and possible fraud or misappropriation of income, in the absence of;</p> <ul style="list-style-type: none"> -Independent checks to confirm amounts banked agree to source records; 	Medium	<p>Actions:</p> <p>Strict income controls and procedures will be put in place to ensure effective financial management. Independent checks should be carried out to verify amounts banked agree to source records. These checks should be visibly evidenced. Reference:</p>

Ref	Finding	Risks	Risk category	Agreed action(s)
	<p>a) Our review of the income system found that attendance records are kept for the breakfast club run by members of staff. Although amounts were seen to be banked, we were unable to evidence reconciliations of the register/receipt record to the amounts that had been paid into the bank. The Financial Guide for schools requires that documentation retained is structured and formal – which will aid considerably in the absence of key staff. It is recommended that the school documents systems, procedures, duties and responsibilities for requesting and recording income from breakfast club. The school should maintain a complete record of payments to date and outstanding debts in a format which is easily updated and visibly reviewed by a senior member of staff on a regular basis.</p> <p>b) Detailed records are kept in school to record receipt of money received for school meals. The school advised that two members of staff were involved in checking money banked, but there was no evidence of this check retained for audit purposes. There was no regular documented review of outstanding debts on a regular basis by a senior member of staff. (2016/7 Pupil paying meal income was £23,320.)</p>	<p>-Clear audit trails and records for all income due/received.</p>		<p>The Barnet Schools Financial Guide, section 7 (Income collection and administration)</p> <p>Responsible officer: Headteacher/Office staff</p> <p>Target date: Summer term 2018</p>
5.	<p>Lettings</p> <p>Objective – To ensure that all income due from lettings to the school is identified, collected, receipted, recorded and banked promptly and that, administration arrangements are adequate and effective.</p> <p>Finding - The school premises are used by external providers. No letting policy was available at the audit. No invoices for lettings were seen to be raised although regular amounts were banked from one user of school premises. The school provided a service agreement document dated July 2017 for use of the premises by KidFit Coaching Services who run an afterschool activity club and Holiday club for ten weeks of the school holidays. The Service agreement provided income to the school £1,200, but the</p>	<p>There is a risk that without formal approval from the Governing Body and comprehensive agreements, disputes and misunderstandings may occur without any point of reference by which to resolve them.</p> <p>There is a risk of errors, financial loss and possible fraud or misappropriation of income, in the absence of;</p> <p>-Independent checks to confirm amounts banked agree to source records;</p> <p>-Clear audit trails and records for all income due/received.</p>	Medium	<p>Actions:</p> <p>The Lettings procedures will be reviewed with reference to the Barnet Schools Financial Guide, section 7.9 (Lettings Policy and Administration).</p> <p>Governors will agree a lettings policy, and formal invoicing procedures will be agreed.</p> <p>All outstanding money to the school will be collected from users of the school premises.</p> <p>Responsible officer: Headteacher/Governors/Office staff</p> <p>Target date: Summer term 2018</p>

Ref	Finding	Risks	Risk category	Agreed action(s)
	school were unable to confirm if this amount had been invoiced or received.			
6.	<p><u>Voluntary Funds</u></p> <p>Objective – The audit objective was to ensure that voluntary funds are administered as rigorously as public funds.</p> <p>Finding – At the date of the last audit in February 2014 it was noted that the school was operating an Amenities account. The audit report stated that the funds had not been audited on an annual basis, and the level of accountability and stewardship was not the same standard as for the School’s delegated budget. In February 2014 the school agreed to close the Amenities account. Due to staff changes in school, records after August 2010 could not be found during the audit visit.</p>	Failure to apply the same standards of financial accounting, which apply to income and expenditure for the school’s delegated budget, could lead to misuse of funds and loss of revenue to the School.	High	<p>Actions:</p> <p>The school will continue investigations with the support of the Schools Finance Support Service and Governors to locate missing paperwork. If the accounting records are located by the school, then the school will submit audited accounts to Governors in accordance with the Financial Guide for schools section 10. If the accounting records cannot be located by current staff, then the school will obtain records from the school bankers to establish that the Amenities account was closed, and the destination of the final balance. This information will be presented to Governors</p> <p>Responsible officer:</p> <p>Headteacher/Governors/Office staff</p> <p>Target date: Summer term 2018</p>
7.	<p><u>Assets</u></p> <p>Objective - To ensure that the school has adequate controls and records to safeguard its valuable/moveable assets and items of inventory.</p> <p>Finding - A review of the school’s IT inventory, found that insufficient details were recorded to comply with the Financial Guide for schools (no note for all assets of cost or date of purchase.) There was no evidence of annual review, or Governor approval of disposals</p>	Failure to maintain a complete and accurate inventory could result in the School failing to identify possible lost/missing equipment and having insufficient details to provide in the event of an insurance claim.	Medium	<p>Actions:</p> <p>The Inventory will be updated with reference to the Barnet Schools Financial Guide, section 4.8 (Control of Assets). Annual check will be completed and Governors will approve disposals.</p> <p>Responsible officer:</p> <p>Headteacher/Governors/Caretaker</p>

Ref	Finding	Risks	Risk category	Agreed action(s)
				Target date: Summer term 2018

Appendix 1: Definition of risk categories and assurance levels in the Executive Summary

Risk rating	
Critical 	Critical issue where action is considered imperative. Action to be effected immediately.
High 	Fundamental issue where action is considered imperative to ensure that the School is not exposed to high risks, also covers breaches of legislation and policies and procedures. Action to be effected within 1 to 3 months.
Medium 	Significant issue where action is considered necessary to avoid exposure to risk. Action to be effected within 3 to 6 months.
Low 	Issue that merits attention/where action is considered desirable. Action usually to be effected within 6 to 12 months.
Level of assurance	
Substantial 	The standard of controls operating in the systems audited at the school is robust and provides substantial confidence that the school is protected from loss, waste, fraud or error.
Reasonable 	The standard of controls operating gives reasonable assurance that the school is protected from loss, waste, fraud or error but there may be areas which need to be strengthened to provide robust confidence in the system of internal control.
Limited 	The standard of controls is insufficient to give confidence that the school is protected from loss, waste, fraud or error. Prompt attention needs to be given to strengthening one or more areas of the control system before sufficient confidence is provided.
No 	The standard of controls is poor and places the school in potential danger of loss from waste, loss, fraud or error. Urgent attention needs to be given by management to addressing weaknesses identified in the audit.

Appendix 2 – Areas audited and analysis of findings

Area	Summary of Findings				
	Critical	High	Medium	Low	Advisory
Governance				1	
Financial Planning					
Budget Monitoring					
Purchasing			1		
Contracts			1		
Income			1		
Lettings			1		
Banking & Petty Cash					
Payroll					
Tax					
Voluntary Funds		1			
Assets			1		
Insurance					
Data Security					
Pupil Premium					
Safeguarding*					
Schools Financial Values Standard				1	

*Scope limited to confirmation as to whether the school has completed a Safeguarding audit tool and whether any issues were noted over its Single Central Record

Timetable					
Audit agreed:	Fieldwork commenced:	Fieldwork completed:	Draft report issued:	Management comments received:	Final report issued:
13 November 2017	19 February 2018	20 February 2018	05 March 2018	19 March 2018	19 March 2018

Appendix 3 – Review of Schools Financial Values Standard 17/18

LIST OF QUESTIONS	SCHOOL RESPONSE	AUDIT CONCLUSION FOLLOWING REVIEW OF COMMENTS AND EVIDENCE
A: The Governing Body and School Staff		
1. In the view of the governing body itself and of senior staff, does the governing body have adequate financial skills among its members to fulfil its role of challenge and support in the field of budget management and value for money?	Yes	Agreed
2. Does the governing body have a finance committee (or equivalent) with clear terms of reference and a knowledgeable and experienced chair?	Yes	Agreed
3. Is there a clear definition of the relative responsibilities of the governing body and the school staff in the financial field?	Yes	Agreed
4. Does the governing body receive clear and concise monitoring reports of the school's budget position at least three times a year?	Yes	Agreed
5. Are business interests of governing body members and staff properly registered and taken into account so as to avoid conflicts of interest?	Yes	In Part – Business Interests forms were not signed by office staff
6. Does the school have access to an adequate level of financial expertise, including when specialist finance staff are absent, eg on sick leave?	Yes	Agreed
7. Does the school review its staffing structure regularly?	Yes	Agreed
8. Have your pay decisions been reached in accordance with a pay policy reflecting clear performance criteria?	Yes	Agreed
9. Has the use of professional independent advice informed part of the pay decision process in relation to the headteacher?	Yes	Agreed
B: Setting the Budget		
10. Is there a clear and demonstrable link between the school's budgeting and its plan for raising standards and attainment?	Yes	Agreed
11. Does the school make a forward projection of budget, including both revenue and capital funds, for at least three years, using the best available information?	Yes	Agreed

12. Does the school set a well-informed and balanced budget each year (with an agreed and timed plan for eliminating any deficit)?	Yes	Agreed
13. Is end year outturn in line with budget projections, or if not, is the governing body alerted to significant variations in a timely manner, and do they result from explicitly planned changes or from genuinely unforeseeable circumstances?	Yes	Agreed
C: Value for Money		
14. Does the school benchmark its income and expenditure annually against that of similar schools and investigate further where any category appears to be out of line?	Yes	In Part – no evidence of annual review
15. Does the school have procedures for purchasing goods and services that both meet legal requirements and secure value for money?	Yes	Agreed
16. Are balances at a reasonable level and does the school have a clear plan for using the money it plans to hold in balances at the end of each year?	Yes	Agreed
17. Does the school maintain its premises and other assets to an adequate standard to avoid future urgent need for replacement?	Yes	Agreed
18. Does the school consider collaboration with others, eg on sharing staff or joint purchasing, where that would improve value for money?	Yes	Agreed
19. Can the school give examples of where it has improved the use of resources during the past year?	Yes	Agreed
D: Protecting Public Money		
20. Is the governing body sure that there are no outstanding matters from audit reports or from previous consideration of weaknesses by the governing body?	Yes	In Part – three findings have been repeated
21. Are there adequate arrangements in place to guard against fraud and theft by staff, contractors and suppliers (please note any instance of fraud or theft detected in the last 12 months)?	Yes	Refer to Findings/Recommendations Purchasing/Income/Voluntary funds/Assets
22. Are all staff aware of the school's whistleblowing policy and to whom they should report concerns?	Yes	Agreed
23. Does the school have an accounting system that is adequate and properly run and delivers accurate reports, including the annual Consistent Financial Reporting return?	Yes	Agreed
24. Does the school have adequate arrangements for audit of voluntary funds?	N/A	Records were not available at audit

25. Does the school have an appropriate business continuity or disaster recovery plan, including an up-to-date asset register and adequate insurance?	Yes	In Part – Asset register is not complete
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Appendix 4 – Internal Audit roles and responsibilities

Limitations inherent to the internal auditor's work

We have undertaken the review of St Paul's School, subject to the limitations outlined below.

Internal control

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Future periods

Our assessment of controls is for the period specified only. Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

- the design of controls may become inadequate because of changes in operating environment, law, regulation or other; or
- the degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.