

Internal Audit Report

ALL SAINTS' SCHOOL (NW2)

4 October 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 All Saints' School NW2 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
	-	2	3	2	-

Background and Scope

The audit of All Saints' School was carried out as part of the planned School audits for 2018-19. The audit review covered the period December 2016 to June 2018.

All Saints' School is a Voluntary Aided school with 190 pupils on role aged between 4 and 11 years of age. The School budgeted expenditure for 2018/19 is £1,173,874 with employee costs of £893,000 (76% of budgeted expenditure).

The School was assessed as 'Requires Improvement' by OFSTED in January 2017.

A review of the four recommendations reported in the previous audit report dated 12 July 2016 found that three recommendations had been partially repeated (Governance, Income and Assets).

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 two high, three medium and two low priority issues as part of the audit:

- Contracts– An up to date contract could not be found in school for the photocopier contract and there was no evidence of a value for money exercise having been undertaken. (High rated);
- Assets– The inventory was not found to be complete. Annual review was not completed. No formal Governor approval of disposals. (High rated);
- Budget Monitoring– There was no evidence that Forecasts prepared at the end of September and December 2017 were submitted to governors as part of the school's budget monitoring process. Where the Forecast was used as the documentation of virements in school, there was no evidence that the Chair of Governors had signed virements in excess of £15,000. (Medium rated);
- Purchasing– Procedures when using the school debit cards should be reviewed, documented and agreed by Governors to ensure a complete audit trail, separation of duties and proof of receipt of goods. A Governor should sign to authorise payments made by the Headteacher. (Medium rated);
- Income–There was no clear way of reconciling money received from sale of ties, book bags, water bottles and swim hats to the money paid into the bank. Donations received from parents for school trips should be countersigned by the Headteacher. (Medium rated);
- Governance– The financial management policy and procedures document should be updated and approved by Governors to reflect use of Natwest 'Bankline' software to make payments from the school bank account. The Notice of Authorised signatories should be updated for Bankline payments and to allow for absences (at least two signatories for each area of authorisation). (Low 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', 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 some members of staff.

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 (Governance, Income 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 Findings (Purchasing/Income/Assets), which should be addressed to ensure procedures are as robust as possible.

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>Contracts</u></p> <p>Objective – To ensure that the School’s purchasing, tendering and contracting arrangements achieve value for money</p> <p>Finding – The school has photocopier and printer lease contracts with Apogee. Although the school advised that a value for money exercise had been undertaken, due to recent changes in finance staff, paperwork was not available at the audit visit to confirm this. Current contracts for the leased photocopiers and printers in school were not found in the contracts file.</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>-The school may be unable to prove that systems are in place to manage and monitor contracts, where a comprehensive current contract is not available in school.</p>	High	<p>Actions:</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, to ensure that there is clear and visible evidence of a fair and transparent selection process.</p> <p>Signed contracts for services procured will be held by schools for referral where necessary.</p> <p>Responsible officer:</p> <p>Headteacher/ Finance Support Officer</p> <p>Target date:</p> <p>Autumn term 2018</p>
2.	<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 inventory found that where items were purchased prior to July 2017, insufficient details were recorded to comply with the Financial Guide for schools (no note of supplier or date of purchase). There was no evidence of annual review. The school had recently recorded disposal of school assets for approval by the Governing Body, but insufficient detail was presented for each item to comply with the financial guide for schools (no note of asset description, or approximate value).</p>	<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.</p>	High	<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>Secretary/Headteacher/Governors</p> <p>Target date:</p> <p>Spring term 2019</p>

Ref	Finding	Risks	Risk category	Agreed action(s)
	<p>We reconciled IT purchases included in an invoice of £35,203.07 relating to the purchase of IT equipment during 2017-18 to the Fixed Asset Register/Inventory. We were able to reconcile 86% of IT purchases. The inventory therefore needs to be updated to include the remaining items.</p>			
3.	<p><u>Budget Monitoring</u></p> <p>Objective – To ensure that the school carries out regular monitoring of income and expenditure against agreed budgets, providing effective financial management.</p> <p>Finding – The school prepared an annual budget for 2017/18 which was approved by the Governors in March 2017. Regular budget monitoring using the ‘Budget vs Actual vs Committed’ report was completed through the financial year 2017/18 and shared with Governors. A Year End forecast was provided to the London Borough of Barnet in September 2017 and December 2017, but it was not possible to confirm that these forecasts were shared with Governors. The Notice of Authorised Signatories states that the Chair of Governors must sign virements in excess of £15,000. Signed virements could not be found at the audit visit. Where the Forecast reports were used as the documentation of virements, there was no evidence that the Chair of Governors had signed virements in excess of £15,000.</p>	<p>The budget may not be adequately controlled and monitored resulting in budget overspends or fraud going undetected. The Governing Body may not be able to discharge its responsibility for effective budget monitoring and control, if accurate and timely information is not provided as required.</p>	<p>Medium</p>	<p>Actions:</p> <p>The school will refer to the Financial Guide for schools section 2.5 (Budget monitoring and control) and section 2.3 (Preparation and Submission of Year-End Forecasts) for guidance. Forecasts will be submitted to governors as part of the school’s budget monitoring process. Virements more than £15,000 will be signed by the Chair of Governors.</p> <p>Responsible officer:</p> <p>Headteacher/Governing Body/Finance Support officer</p> <p>Target date:</p> <p>Autumn term 2018</p>

Ref	Finding	Risks	Risk category	Agreed action(s)
4.	<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 The school has school debit cards issued to the Headteacher and Deputy Headteacher. The cards are used to purchase school supplies offsite and online. Purchase order forms were completed for purchases (purchase orders are completed after the purchase has taken place for the offsite purchases), however there was no control in place to prevent the Secretary authorising both purchase order and invoice. The purchase orders for the period May 2017 were not filed consistently with proof of delivery for internet purchases. Supplementary guidance issued by the Schools Finance Services Manager in November 2016 states that where the Headteacher is making the purchase using a debit card, approval for the purchase will be required from the Chair of Governors. This approval has not been included in the school’s debit card policy. All transactions made on the Headteacher’s card were authorised by the Secretary.</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>	<p>Medium</p>	<p>Actions:</p> <p>The School will review the debit card policy and use of the school debit cards to ensure that all purchases are reviewed and executed in accordance with requirements as approved within the School’s Financial Management Policy and Procedures document, ensuring at all times that a separation of duties exists, between purchase order request, purchase order approval and online payment by debit card, sufficient budget is available, a record is kept of delivery to the school and that approved purchase orders and debit card order authorisation forms are retained for each purchase for independent review and scrutiny where necessary.</p> <p>When the Headteacher’s debit card is used, purchases will be countersigned by the Chair of Governors.</p> <p>Responsible officer:</p> <p>Headteacher/Finance Support Officer/Secretary/Governing Body</p> <p>Target date:</p> <p>Autumn term 2018</p>

Ref	Finding	Risks	Risk category	Agreed action(s)
5.	<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 – Our review of school records showed that sale and stock records are kept for the small stock of school ties, book bags, water bottles and swim hats kept and sold in school, however it was not possible to reconcile these records to the amounts paid into the bank.</p> <p>The school keeps records for amounts of income received and banked for school trips. In September 2017, the school changed to a system where parents are asked to contribute a donation instead of a recommended contribution amount to the cost of educational visits. There is no documented procedure for reminding parents that sums are due, and at the audit visit for one trip for one year group 78% of payments had not been received.</p> <p>The same officer is responsible for collection, recording and banking of all income. Although the school had started to record a check by the Finance officer, as the Finance officer is not employed by the school, it is the opinion of audit that countersignature by the Headteacher would be more appropriate to evidence controls over income due to the school.</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>	<p>Medium</p>	<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: The Barnet Schools Financial Guide, section 7 (Income collection and administration)</p> <p>Responsible officer:</p> <p>Headteacher/Finance Support Officer/Secretary</p> <p>Target date:</p> <p>Autumn term 2018</p>

Ref	Finding	Risks	Risk category	Agreed action(s)
6.	<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 - A review of the current Financial Management Policy and Procedures document (FMP) found that it does not fully reflect the following:</p> <p>The use of the Natwest Bankline software to make payments from the school bank account.</p> <p>The Notice of Authorised Signatories was last updated in June 2018. The form states that all online bank payments above £2000 will be approved by two authorised persons. The school bank account is part of the contract held with the London Borough of Barnet, and the contract is set so that two authorisations are required for payments larger than £1000.</p> <p>The financial guide for schools also states that the Notice of authorised signatories should allow for absences – at least two signatories for each area of authorisation. The school bank mandate requires that all cheques will be signed by two authorised signatories. Only two authorised signatories are listed on the bank mandate – the Headteacher and the Deputy Headteacher, this could leave the school unable to make payments from the bank if either person is absent from school.</p> <p>The Notice of Authorised Signatories should be revised as soon as possible to reflect the Bank Mandate and allow for absences.</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> <p>There is a risk that the school will have to pay late payment fees, or have services to the school withdrawn if they are unable to pay invoices if one of the current two signatories is absent from school.</p>	<p>Low</p>	<p>Actions:</p> <p>The Financial Management Policy will be reviewed and updated with reference to the Barnet Schools Financial Guide.</p> <p>The school will update the Notice of Authorised Signatories and send to the Local authority.</p> <p>Responsible officer:</p> <p>Headteacher/Governing Body</p> <p>Target date:</p> <p>Autumn term 2018</p>

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			1		
Purchasing			1		
Contracts		1			
Income			1		
Lettings					
Banking & Petty Cash					
Payroll					
Tax					
Voluntary Funds					
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:
7 June 2018	9 July 2018	10 July 2018	12 September 2018	24 September 2018	4 October 2018

Appendix 3 – Review of Schools Financial Values Standard 17/8

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 – No Business Interests forms for some 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	Agreed
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/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?	Not Applicable	Agreed

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 was 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 All Saints’ 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.