

# Internal Audit Report

**TUDOR SCHOOL**

**27 June 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 Tudor 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				
<b>Limited</b> 	<b>Critical</b>	<b>High</b>	<b>Medium</b>	<b>Low</b>	<b>Advisory</b>
	-	1	3	3	-

### Background and Scope

The audit of Tudor School was carried out as part of the planned School audits for 2018-19. The audit review covered the period October 2016 to May 2018.

Tudor School is a Community school with 259 pupils on role aged between 3 and 11 years of age. The School budgeted expenditure for 2018/19 is £1,473,015 with employee costs of £1,162,679 (79% of budgeted expenditure).

The School was assessed as 'Good' by OFSTED in June 2016.

A review of the three recommendations reported in the previous audit report dated 17 October 2014 found that one recommendation had been partially repeated (Lettings).

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

- **Governance**– The financial management policy and procedures document should be updated and approved by Governors to reflect use of 'School Money', receipt of childcare vouchers and the school credit card. The notice of Authorised Signatories was last updated in September 2015. The form should be updated to reflect the current position in school. The register of Business Interests was not found to be up to date. (Finding one, medium rated);
- **Budget Monitoring**– Monitoring and control should be a continuous process throughout the financial year. Monitoring reports should be accurate so that early detection of significant deviation from the financial plan is possible. Due to changes in school staff, budget monitoring reports were not available at the audit. The school had applied for a licensed Deficit Budget in 2018/19. (Finding two, high rated);
- **Purchasing**– Procedures when using the school credit card should be reviewed, documented and agreed by Governors to ensure a complete audit trail, separation of duties and proof of receipt of goods. Purchases made on the Headteacher's card will be authorised by the Chair of Governors. (Finding three, low rated);
- **Income**– Evidence of review of school meals arrears by a senior member of staff was not available at the audit. Reconciliation of money received for a school trip, including confirmation of amount of voluntary contributions not received was not reviewed by a senior member of staff. (Finding four, low 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. (Finding five, low rated);
- **Assets**– The inventory was not found to be complete. Annual review was not documented. No Governor approval of disposals. (Finding six, 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', 'In Part', or 'No', 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):

**A4:** Does the governing body receive clear and concise monitoring reports of the school's budget position at least three times a year? - The school has answered 'Yes', but Finance Committee Minutes were not available at the audit visit.

**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 Business interest forms were not signed annually.

**B10:** Is there a clear and demonstrable link between the school's budgeting and its plan for raising standards and attainment? - The school has answered 'Yes', but the School Development Plan available at the audit did not include costings.

**B13:** 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? - The school has answered 'Yes, but Finance Committee Minutes and signed forecast reports were not available at the audit visit.

**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 'No', the benchmarking report was not available at the audit.

**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 one finding from the previous audit has been repeated (Lettings)

**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 (Governance/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><b>Governance</b></p> <p><b>Objective</b> – 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><b>Finding</b> - A review of the current draft Financial Management Policy and Procedures document (FMP) found that it does not fully reflect the following:</p> <p>The use of ‘School Money’ to record income from parents, and allow parents to pay for school meals and trips by credit/debit card;</p> <p>The approval of Governors to accept Childcare vouchers in payment for extended nursery provision, and after school care;</p> <p>Reference to the school credit card policy, and the procedures in place to prevent loss through fraud or mis-use.</p> <p>The Notice of Authorised Signatories was last updated in September 2015. The form was completed incorrectly, and the areas for authorisation were not completed.</p> <p>The Notice of Authorised Signatories should be revised as soon as possible to reflect the Bank Mandate and current school procedures.</p> <p>An up to date signed Register of Business Interest form was not available in school for all Governors and members of staff who are authorised to enter into a contract on behalf of the 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> <p>If Governors and staff do not publish their register of interests in a transparent manner for wider scrutiny and challenge and update, where appropriate, then there is a risk that they may incorrectly take part in decisions in which they have a personal interest leading to decisions that are not in the best interests of the school.</p>	<p><b>Medium</b></p>	<p><b>Actions:</b></p> <p>The Financial Management Policy and credit card 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>Business Interest forms will be completed by all Governors and members of staff authorised to enter into a contract on behalf of the school.</p> <p><b>Responsible officer:</b></p> <p>Head of School/Governing Body</p> <p><b>Target date:</b></p> <p>Autumn term 2018</p>









Ref	Finding	Risks	Risk category	Agreed action(s)
2.	<p><b><u>Budget Monitoring</u></b></p> <p><b>Objective</b> – To ensure that the school carries out regular monitoring of income and expenditure against agreed budgets, providing effective financial management.</p> <p><b>Finding</b> – The school prepared an annual budget for 2017/18 which was approved by the Governors in March 2017. Due to changes in finance and senior members of staff, it was not possible to confirm whether regular budget monitoring 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 and December, but without access to finance committee meeting minutes, it was not possible to confirm that these forecasts were accurate and shared with Governors. The Notice of Authorised Signatories states that Governors must sign virements in excess of £5,000. Signed virements could not be found at the audit visit. The Outturn Position for 2017/18 shows a Revenue Deficit of £87,919 which includes an overspend brought forward from 2016/17 £47,225. The Financial Guide for schools requires that monitoring and control should be a continuous process throughout the financial year. It would appear that monitoring reports did not promptly highlight variances from the budget so that investigations could be made and action taken.</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>	<b>High</b>	<p><b>Actions:</b></p> <p>The school will refer to the Financial Guide for schools section 2.5 (Budget monitoring and control) for guidance. Monthly monitoring reports will be completed and evidence retained of Head of School and Governor review and approval. Finance committee minutes will be retained. Where a lack of financial skills is identified in the governing body, action will be taken to recruit or obtain skills to fulfil its role of challenge and support in the field of budget management and value for money.</p> <p><b>Responsible officer:</b></p> <p>Head of School/Governing Body/School Support officer (School Accountant)</p> <p><b>Target date:</b></p> <p>Autumn term 2018</p>
3.	<p><b><u>Purchasing</u></b></p> <p><b>Objective</b> – To ensure that the School's purchasing, tendering and contracting arrangements achieve value for money</p> <p><b>Finding</b> –The school has school credit cards issued to the Head of school and school business manager. The school business manager's card is used to purchase school supplies online. The credit card policy states that a purchase order form will be completed for all transactions.</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>	<b>Low</b>	<p><b>Actions:</b></p> <p>The School will review the 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 Management Policy and Procedures document, ensuring at all times that a separation of duties exists, between</p>

Ref	Finding	Risks	Risk category	Agreed action(s)
	<p>No purchase order forms had been completed for recent transactions, and proof of receipt of goods was not filed with credit card paperwork. Supplementary guidance issued by the Schools Finance Services 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 has not been included in the school's credit card policy.</p>			<p>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 order authorisation forms are retained for each purchase for independent review and scrutiny where necessary.</p> <p><b>Responsible officer:</b> Head of School/Governing Body</p> <p><b>Target date:</b> Autumn term 2018</p>
4.	<p><b>Income</b></p> <p><b>Objective</b> – 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><b>Finding</b> – Our review of school records kept on the Online Payments system ‘School Money’ showed that records are kept up to date, and there are procedures in place to chase arrears of money requested for school trips, and meals. However, there is no evidence of review of school meals arrears by a senior member of staff. Reconciliation of money received for a school trip, including confirmation of amount of voluntary contributions not received was not reviewed by a senior member of staff before the record was archived on the database</p>	<p>There is a risk of errors, financial loss and possible fraud or misappropriation of income, in the absence of independent checks to confirm amounts received.</p> <p>There is a risk of financial loss in the absence of a clear policy with allocated responsibilities about termination of service and collection of bad debt.</p>	Low	<p><b>Actions:</b></p> <p>Strict income controls and procedures will be put in place to ensure effective financial management. Levels of authorisation and supervision of transactions will be specified within the School Money system. Reference: The Barnet Schools Financial Guide, section 7 (Income collection and administration) and section 4 (Internal Financial Control)</p> <p><b>Responsible officer:</b> Office staff/Head of school</p> <p><b>Target date:</b> Summer term 2018</p>

Ref	Finding	Risks	Risk category	Agreed action(s)
5.	<p><b><u>Lettings/After school clubs</u></b></p> <p><b>Objective</b> – 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><b>Finding</b> - Arrangements with the independently run after-school clubs should be formalised. A signed agreement confirming compliance with the school’s term and conditions of use should be held in school to comply with the school Lettings Policy.</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><b>Low</b></p>	<p><b>Actions:</b></p> <p>The Lettings procedures will be reviewed with reference to the Barnet Schools Financial Guide, section 7.9 (Lettings Policy and Administration). Insurance arrangements will be checked for those after-school clubs not held on file.</p> <p><b>Responsible officer:</b></p> <p>Office staff/Head of school</p> <p><b>Target date:</b></p> <p>Autumn term 2018</p>
6.	<p><b><u>Assets</u></b></p> <p><b>Objective</b> - To ensure that the school has adequate controls and records to safeguard its valuable/moveable assets and items of inventory.</p> <p><b>Finding</b> - A review of the school’s IT inventory found that insufficient details were recorded to comply with the Financial Guide for schools (no note of cost or date of purchase for some older assets.) Where a review of assets had been undertaken in the current year – this was not recorded on the IT inventory. No disposal forms signed by Governors were available in school. Recent purchases of IT equipment had not been marked with the school name and postcode as required in the school Finance Policy.</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>	<p><b>Medium</b></p>	<p><b>Actions:</b></p> <p>The Inventory will be updated with reference to the Barnet Schools Financial Guide, section 4.8 (Control of Assets)</p> <p>An annual check will be completed, and equipment will be marked to identify it as school property.</p> <p><b>Responsible officer:</b></p> <p>ICT Lead/Head of school/Office staff</p> <p><b>Target date:</b></p> <p>Autumn term 2018</p>



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

Risk rating	
<b>Critical</b> 	Critical issue where action is considered imperative. Action to be effected immediately.
<b>High</b> 	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.
<b>Medium</b> 	Significant issue where action is considered necessary to avoid exposure to risk. Action to be effected within 3 to 6 months.
<b>Low</b> 	Issue that merits attention/where action is considered desirable. Action usually to be effected within 6 to 12 months.
Level of assurance	
<b>Substantial</b> 	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.
<b>Reasonable</b> 	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.
<b>Limited</b> 	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.
<b>No</b> 	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					
Income				1	
Lettings				1	
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					
<b>Audit agreed:</b>	<b>Fieldwork commenced:</b>	<b>Fieldwork completed:</b>	<b>Draft report issued:</b>	<b>Management comments received:</b>	<b>Final report issued:</b>
8 March 2018	15 May 2018	16 May 2018	5 June 2018	27 June 2018	27 June 2018

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

LIST OF QUESTIONS	SCHOOL RESPONSE	AUDIT CONCLUSION FOLLOWING REVIEW OF COMMENTS AND EVIDENCE
<b>A: The Governing Body and School Staff</b>		
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	Finance committee minutes were not available
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 annually
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?	In part	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>B: Setting the Budget</b>		
10. Is there a clear and demonstrable link between the school's budgeting and its plan for raising standards and attainment?	Yes	In Part – School Development Plan did not include costings
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?	In part	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	Finance committee minutes and signed Forecasts were not available
<b>C: Value for Money</b>		
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?	No	Agreed – Benchmarking report was not available at the audit
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
<b>D: Protecting Public Money</b>		
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 – one finding has 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 Governance/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?	Yes	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 Tudor 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.