

Internal Audit Report

ST MICHAEL'S CATHOLIC GRAMMAR SCHOOL

3 July 2019


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,
Internal audit

We would like to thank management and staff of St Michael's Catholic Grammar 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	6	3	-

Background and Scope

The audit of St Michael's Catholic Grammar School was carried out as part of the planned School audits for 2019-20. The audit review covered the period April 2018 to May 2019.

St Michael's Catholic Grammar School is a Voluntary Aided school with 709 pupils on role aged between 11 and 18 years of age. The School budgeted expenditure for 2019/20 is £4,460,352 with employee costs of £3,598,221 (81% of budgeted expenditure).

The School was assessed as 'Outstanding' by OFSTED in March 2008.

A review of the seven recommendations reported in the previous audit report dated May 2015 found that four recommendations had been partially repeated (Governance, Financial Planning, Voluntary funds, 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 one high, six medium and three low priority issues as part of the audit:

- Banking– The catering assistants were given sole responsibility for banking cash received from staff and pupils for school meals. (High rated);
- Governance– The financial procedures document has not been updated since March 2015. All finance roles have changed since that date. Two credit cards are in use in school. No credit card policy was available to confirm what paperwork should be available to support use of the school credit card. The financial procedures should include purchasing procedures for catering supplies, and agreed procedures for checking and banking catering receipts. Lettings procedures should be documented and roles and responsibilities for payments through the School Journeys account. The Notice of Authorised Signatories was last updated in March 2015. There was no up to date document available at the audit to confirm authorised signatories in school. (Medium rated);
- Financial Planning– The school has a licensed deficit of £500,000. The school must continue to supply all information required to the School Finance Manager at the London Borough of Barnet to support repayment of this sum. (Medium rated);
- Purchasing– The school should approve a credit card policy. 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 by the Headteacher using the school credit card should be authorised by the Chair of Governors. Procedures for controlling supplies purchased for use in the school canteen should be agreed and documented. (Medium rated);
- Payroll–Due to changes in staff, the school could not provide evidence that monthly checks were made on payroll reports prior to September 2018. Monthly monitoring of payroll against budget should be completed and reviewed. (Medium rated);
- Voluntary funds– The school has three voluntary funds. Due to changes in staff, monthly countersigned bank reconciliations could not be found for each account for the twelve months ended March 2019. The school could not provide evidence that audited accounts had been presented to Governors for the year ended March 2018. Terms of reference have not been agreed for these funds. (Medium rated);
- Assets–The IT listed on the inventory did not contain sufficient information to comply with the Financial Guide for schools. The inventory had not been reconciled to records held in school prior to September 2018. Annual review was not completed. Governors had not been asked to approve disposals. (Medium rated)
- Lettings– The school has budgeted letting income of £30,000 for the year. A spreadsheet should be maintained of all letting invoices issued, and a record kept of receipt. Insurance should be checked, and proof of check retained for review. Hirers should sign to confirm they agree to the conditions in the Hiring Policy. (Low rated);
- Governance– The website should be updated to comply with the requirement to publish Governor Details and the Register of interests. (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', or 'In part', 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):

A3: Is there a clear definition of the relative responsibilities of the governing body and the school staff in the financial field? - The school has answered 'Yes', but the Notice of Authorised Signatories was last updated in March 2015. Since that date, the Headteacher, Finance officer and assistant finance officer included on the Notice of Authorised Signatories have left the school. There was no document in school to confirm current responsibilities in school.

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.

B11: 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? – Paperwork is required to justify the level of Governor contributions required to balance the budget in the next three years.

B12: Does the school set a well-informed and balanced budget each year (with an agreed and timed plan for eliminating any deficit)? – The budget was set in 2018-19 with a £498,088 carried forward deficit. Governor contributions are required to repay the shortfall.

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 evidence was not available at the audit to confirm for all expenditure types that the school made comparisons with similar schools.

C15: Does the school have procedures for purchasing goods and services that both meet legal requirements and secure value for money? - The school has answered 'In part' as the financial procedures manual was not updated. There were no written procedures for purchases made by the catering manager.

C16: 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? - The school has a licensed deficit.

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 four findings from the previous audit has been repeated (Governance/Financial planning/Voluntary funds/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/Lettings/Banking/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 audited accounts for the voluntary funds for the year ended March 2018 were not presented to Governors

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 'in-Part'. The asset register was not found to be up to date.

2. Findings, Recommendations and Action Plan

Ref	Finding	Risks	Risk category	Agreed action(s)
1.	<p><u>Banking and Petty cash</u></p> <p>Objective – To ensure that the school has adequate control over its funds, with regular arrangements for reconciling bank and cash balances.</p> <p>Finding – The school catering is provided by an in-house team of a Catering Manager and three catering assistants. Meals are provided daily to pupils and staff. Pupils pay cash, and staff have the option of paying by cheque termly. The roles and responsibilities of staff working in the canteen have not been included in the school Financial Procedure Manual.</p> <p>We were not able to confirm that a daily reconciliation of till records to cash was carried out. If any differences were noted between the till record and cash banked, we were not able to see how this was noted and investigated.</p> <p>We were not able to review the system of credit given to teachers, and any write-offs to balances owed.</p> <p>The Manual dated March 2015 states that the Finance Officer performs twice termly checks on till takings. Due to changes in finance staff in September 2018 and February 2019, it was not possible to confirm whether these checks took place before September 2018. No checks had been made of the money banked by the catering assistants since September 2018.</p> <p>Meals sold to staff and visitors is standard rated for VAT. For the three months ended 31 March 2019, the school had not included VAT on money received on the monthly school VAT return. At the audit, we were unable to confirm that VAT had been correctly treated for April and May 2019 as accounting records were not up to date.</p> <p>Income from catering in the 2018/19 budget was £100,000. Actual 2018/19 receipts were recorded as £87,654. Cost of catering staff was £75,484 and catering provisions cost £36,173. The school were unable to provide monitoring reports for net costs to the budget for catering, or evidence</p>	<p>The school may not be able to demonstrate satisfactory stewardship over all the schools funding, which therefore may be a fraud risk.</p> <p>Management may not identify errors or omissions in the bank account or the finance system in a timely manner. These errors could go undetected resulting in a financial loss to the School, or an inaccuracy in financial monitoring and reporting.</p>	<p>High</p>	<p>Actions:</p> <p>The school will immediately define roles and responsibilities for recording, checking and banking income from catering. This will include review of income by staff independent of the Catering team to comply with the Financial Guide for schools.</p> <p>All staff with financial responsibility will sign a declaration of interest form, and job roles will be allocated according to disclosure.</p> <p>The system of credit for staff members will be documented and regular reports will be presented to the school business manager for authorisation and retention.</p> <p>Accounting records will be brought up to date and outstanding VAT will be paid to HMRC.</p> <p>The school will conduct a value for money exercise on Catering provided by the school. Any shortfall in Catering income which is a cost to the school budget will be reported to Governors at termly finance committee meetings.</p> <p>If the move to a cashless catering system is to go ahead in the next month – the school will immediately notify parents, pupils and staff, so that all users of the canteen are able to obtain a meal when the system is installed. Roles and responsibilities will include levels of debt which may be incurred before debt recovery procedures are brought into effect. Governor approval of the new system will be documented.</p>

Ref	Finding	Risks	Risk category	Agreed action(s)
	<p>that the shortfall in catering income had been reported to Governors.</p> <p>The school business manager said that a cashless catering system had been ordered which would be used from June 2019. No delegated roles and responsibilities were available for the new system, and it was not possible to confirm that parents of children in the school had been notified of the change at the date of the audit.</p>			<p>Responsible officer: School Business Manager/ Headteacher</p> <p>Target date: Immediately</p>
2.	<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 Financial Procedures manual was last updated in March 2015. In September 2018, the finance department was restructured and the following roles with finance responsibilities in the Procedures manual were deleted ‘Finance officer’ and ‘Assistant Finance Officer’. The document should be updated to include the following:</p> <p>a) Two credit cards are in use in school. The Governors must approve a credit card policy. This should be referenced and included as an Appendix to the Financial Management Policy.</p> <p>c) The document should include systems, procedures, duties and responsibilities relating to purchase of catering supplies in school.</p> <p>d) The document should include systems, procedures, duties and responsibilities relating to collection and banking of catering income in school.</p> <p>e) Lettings procedures should be documented, including the decision of Governors to pay all lettings income from the hire of Governor’s buildings to the main school budget.</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:</p> <p>i) That goods and services may be purchased which are not in line with School requirements;</p> <p>ii) Of errors, financial loss and possible fraud or misappropriation of income, in the absence of independent checks to confirm amount received.</p>	Medium	<p>Actions:</p> <p>The Financial Procedures manual will be reviewed and updated with reference to the Barnet Schools Financial Guide.</p> <p>The school will approve a credit card policy.</p> <p>The school will document rules and responsibilities for purchase of catering supplies, banking of catering income, receipts and transfers from the Lettings account, payments and transfers from the School Journeys account.</p> <p>The school will immediately complete a revised Notice of Authorised signatories form for approval by the Governing Body which will be sent to the Local authority.</p> <p>Responsible officer: School Business Manager/ Headteacher/Governing Body</p> <p>Target date: Autumn term 2019</p>

Ref	Finding	Risks	Risk category	Agreed action(s)
	<p>f) The document should include systems, procedures, duties and responsibilities relating to payments through the School Journeys account.</p> <p>The Notice of Authorised signatories was last approved in March 2015. There was no up to date paperwork in school to confirm authorised signatories.</p>			
3.	<p>Financial Planning</p> <p>Objective – To ensure that the school carries out adequate financial planning to reflect the School’s prioritised educational objectives.</p> <p>Finding – The school had a brought forward deficit in March 2018, and did not set a balanced budget in 2018/19. The school agreed a deficit with the Council. The amount of the shortfall at budget setting in 2018/19 was £498,088.</p> <p>The school has agreed a three-year budget plan showing repayment of all deficit balances in 2019/20 from Governor contributions.</p> <p>The school has confirmed that it has provided all required information to the School Finance Manager to support repayment of the deficit. The school said that Governor contributions were to be funded by a one-off sale of property. The sale of Governor owned property is outside the scope of internal audit.</p>	<p>There is a risk that the local authority will apply for a suspension of delegated powers if Scheme requirements for licensed deficits are not met.</p> <p>There is a risk that funds will not be available to meet obligations if the budgeted amount from Governors’ funds is not received.</p>	Medium	<p>Actions:</p> <p>The school should refer to the Financial Guide for schools section 2.1 (Strategic Financial Planning and Budget Process).</p> <p>The school will comply with the scheme for financing schools section 4.4 (Obligation to carry forward Deficit Balances and Submission of Recovery Plans).</p> <p>The school needs to assure that Council that all sources of income are reliable when balancing their budget.</p> <p>Responsible officer:</p> <p>School Business Manager/ Headteacher/Governing Body</p> <p>Target date:</p> <p>Autumn term 2019</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 two school credit cards issued to the Headteacher and School business manager that are used to purchase school supplies online. No approved credit card policy was available in school to confirm the procedures in place to control spending on the credit cards and prove separation of duties for each transaction. A review of school procedures found that some purchase orders were raised for credit card purchases, but these were not entered into the accounting system and confirmation of receipt of goods was not recorded. The Chair of Governors had not been asked to authorise credit card payments made by the Headteacher. It was not possible to identify from retained paperwork whether the card had been used by the Headteacher, or by a member of staff with the Headteacher’s authorisation.</p> <p>Our review of purchase orders showed that purchase requests made by the Head of Department in school were countersigned by the Headteacher prior to order.</p> <p>The school had filed purchase order forms for catering supply purchases made by the Catering Manager, but these were not countersigned by the Headteacher or entered into the accounting system as a committed expense. The school is therefore unable to provide a complete audit trail which allows an item to be traced from ordering through to payment of the invoice.</p> <p>There was no agreed procedure for approval and payment of catering invoices included in the Financial procedures manual. We were therefore unable to confirm that Governors were aware of this arrangement.</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>iii) Fraudulent invoices could be raised (either by a staff member or an external body) and paid, in the absence of a purchase order and any independent verification of goods having been received;</p>	<p>Medium</p>	<p>Actions:</p> <p>The School will approve a credit card policy and plan use of the school credit card 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 credit card, sufficient budget is available, a record is kept of delivery to the school.</p> <p>Chair of Governors approval will be recorded for purchases made by the Headteacher.</p> <p>The school will document rules and responsibilities for purchase of catering supplies. An audit trail will be available which allows an item to be traced through from ordering through to payment of the invoice. All catering purchases will be checked against a delivery note, for quality and quantity. The check will be recorded (signed for) on the delivery note.</p> <p>Responsible officer:</p> <p>School Business Manager/ Headteacher/Governing Body</p> <p>Target date:</p> <p>Autumn term 2019</p>

Ref	Finding	Risks	Risk category	Agreed action(s)
5.	<p><u>Payroll</u></p> <p>Objective – To ensure the school has adequate control over its payroll costs and personnel data.</p> <p>Finding –The school could not provide paperwork to confirm how checks had been made on the payroll prior to the appointment of the current office team leader and school business manager, who were both appointed in September 2018.</p> <p>Given that the payroll costs account for a large amount of the school’s budget, the financial guide for schools section 2.5 (Budget monitoring and control) states that it is essential that payroll costs are accurately calculated in preparing the budget and closely monitored thereafter. For each member of staff, the total cost should be compared to the school’s salary estimates. There was no evidence that monthly salary monitoring against budget was completed.</p>	<p>Payments to staff may be inappropriate or incorrect, resulting in financial loss to the school.</p> <p>There is a risk of error or fraud in the absence of independent checks over the monthly payroll reports.</p>	Medium	<p>Actions:</p> <p>Control will be exercised through the segregation of duties between payroll preparation, review and final approval of payments. The school will ensure through monthly reviews that all, and only bona fide staff are included and that all payroll changes are correct and appropriately authorised. Reference: Barnet Schools Financial Guide, section 4 (Internal Financial Control).</p> <p>The school will complete monthly salary monitoring to comply with the financial guide for schools.</p> <p>Responsible officer:</p> <p>School Business Manager/Office team leader/Headteacher</p> <p>Target date:</p> <p>Summer term 2019</p>
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 - The school has three voluntary funds.</p> <p>The Financial Guide for schools section 10 (Unofficial funds) states that accounting records should be kept by a nominated individual, who should periodically reconcile these to the Fund’s bank account. The Voluntary fund accounts and bank reconciliation should be checked and signed by someone other than the person who prepared it. Due to changes in staff, there was no evidence that this had been done, throughout the year, for each of the three funds for the year ended March 2019.</p>	<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.</p>	Medium	<p>Actions:</p> <p>The accounting records for the unofficial funds will be kept up to date. A monthly or quarterly reconciliation of accounting transactions to the Bank statement will be completed and signed by the School Business Manager or Headteacher.</p> <p>The audited accounts for the year ended 31 March 2018 will be presented to Governors.</p> <p>The Governing Body will set clear Terms of Reference which state the purpose of the fund and approve written guidance to those to whom the day to day operation of the fund is delegated. Reference: Barnet</p>

Ref	Finding	Risks	Risk category	Agreed action(s)
	<p>The school could not provide evidence that audited accounts had been presented to Governors for the year ended March 2018.</p> <p>Terms of reference have not been agreed for these funds. We were therefore unable to confirm that all payments and transfers from the accounts had been made and authorised in accordance with Governor's wishes.</p>			<p>Schools Financial Guide, section 10 (Unofficial Funds)</p> <p>Responsible officer:</p> <p>School Business manager/Headteacher/Governing Body</p> <p>Target date:</p> <p>Autumn term 2019</p>
7.	<p>Assets</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 IT listed on the school's inventory found that insufficient details were recorded to comply with the Financial Guide for schools (no note of date of purchase, supplier or cost.) The list had been prepared by the school business manager since September 2018. There was no evidence that this had been reconciled to any list of IT held at the school prior to his arrival.</p> <p>There was no evidence of annual review.</p> <p>Governors had not been asked to authorise disposal of old IT equipment.</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>	Medium	<p>Actions:</p> <p>The Inventory will be updated with reference to the Barnet Schools Financial Guide, section 4.8 (Control of Assets).</p> <p>Annual check will be completed and recorded on the spreadsheet.</p> <p>Sufficient information will be provided to Governors at the point of authorisation of disposal to separately identify each item and comply with the Financial Guide for schools.</p> <p>Responsible officer:</p> <p>School Business Manager /Headteacher/Governing Body</p> <p>Target date:</p> <p>Autumn term 2019</p>
8.	<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 after school and at the weekend. Budgeted income from lettings for 2019/20 is £30,000.</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>	Low	<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>Invoices will be raised for each letting. These will be listed on a spreadsheet which will be updated to include date and method of payment. The control schedule</p>

Ref	Finding	Risks	Risk category	Agreed action(s)
	<p>There was no control schedule to evidence control of lettings invoices raised. Where all lettings invoices have a sequential number, it is recommended that a control schedule is maintained to ensure all invoices have been recorded, and income requested has been received.</p> <p>At the audit, we could not confirm that the school held proof of current insurance for all parties using the school premises, where they had stated that they had their own insurance. Although the school stated that hirers had recently been asked to sign terms and conditions, we were not able to confirm that all hirers had signed to confirm that they agreed to the school Hiring Policy.</p> <p>The school business manager was in the process of setting up an online booking system for lettings, however we were unable to confirm when this system would replace the current manual system, and whether all the above points would be resolved with the new system.</p>	<p>The school may be unable to reclaim from hirers the cost of any damage to the school if they do not hold adequate insurance.</p> <p>There is a risk that without comprehensive agreements, disputes and misunderstandings may occur without any point of reference by which to resolve them.</p>		<p>will be signed as evidence of review on a regular (at least termly) basis.</p> <p>Insurance arrangements will be checked for those hirers stating that they hold their own insurance.</p> <p>Signed agreement to the Hiring Policy conditions will be held for all regular users of the school premises.</p> <p>Responsible officer: School Business Manager/Headteacher</p> <p>Target date: Autumn term 2019</p>
9.	<p><u>Governance</u></p> <p>Objective – To ensure the Governors have complied with statutory disclosure requirements.</p> <p>Finding – Governors have a statutory duty to publish on their website their register of interests. The register should set out the relevant business and pecuniary interests of governors and details of any other educational establishments they govern. The register should also set out any relationships between governors and members of the school staff including spouses, partners and relatives. Information on Governors on the website should also include the term of office and the body which appoints them. It should include information on Governors who have stepped down in the previous 12 months.</p> <p>Although Governors were listed on the website, insufficient information was included to comply with the statutory requirement. No business interests were noted. Details of Former Governors had been removed. The attendance record and term of office was not included.</p>	<p>If Governors do not publish their register of interests on their website in a transparent manner for wider scrutiny and challenge, where appropriate, then there is a risk that inaccuracies in registers, if applicable, may not be identified and corrected and Governors may incorrectly take part in decisions in which they have a personal interest.</p>	Low	<p>Actions:</p> <p>The Governor Details and Register of Interest will be updated on the school website.</p> <p>Responsible officer: Headteacher/Governors</p> <p>Target date: Summer term 2019</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	1	
Financial Planning			1		
Budget Monitoring					
Purchasing			1		
Contracts					
Income					
Lettings				1	
Banking & Petty Cash		1			
Payroll			1		
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:
5 March 2019	14 May 2019	16 May 2019	6 June 2019	1 July 2019	3 July 2019

Appendix 3 – Review of Schools Financial Values Standard 18/19

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	The Notice of Authorised signatories was not up to date
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	There is uncertainty regarding Governor contributions

12. Does the school set a well-informed and balanced budget each year (with an agreed and timed plan for eliminating any deficit)?	Yes	The budget in 2018/19 included a carried forward deficit
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	No information available for all expense areas
15. Does the school have procedures for purchasing goods and services that both meet legal requirements and secure value for money?	In part	Financial Procedures Manual not up to date
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	The school has a licensed deficit
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 – four 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/Lettings/Banking/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?	Yes	In Part – not presented to Governors

25. Does the school have an appropriate business continuity or disaster recovery plan, including an up-to-date asset register and adequate insurance?	In part	In Part – asset register was not up to date
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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 Michael's Catholic Grammar 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.