

Internal Audit Report

ST JOSEPH'S CATHOLIC PRIMARY SCHOOL

1 March 2021

To: Chair of Governors
Headteacher

Copied to: Education and Skills Director
Executive Director (Children's Services)
Senior Finance Business Partner (Children's Services)
Local Authority Appointed Governor
Clerk to Governors

Contact: Schools Auditor, Internal Audit

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

Executive Summary

Assurance level and Direction of Travel	Number of actions by risk category				
Limited	Critical	High	Medium	Low	Advisory
	-	1	4	1	-

Background and Scope

The audit of St Joseph's Catholic Primary School was carried out as part of the planned School audits for 2020-21. The audit review covered the period April 2019 to December 2020

St Joseph's Catholic Primary School is a Voluntary Aided school with 510 pupils on role aged between 3 and 11 years of age. The School budgeted expenditure for 2020/21 is £2,792,619 with employee costs of £2,263,056 (81% of budgeted expenditure).

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

A review of the three recommendations reported in the previous audit report dated 26 May 2016 found that two recommendations have been partially repeated (Governance 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 one high, four medium and one low priority issue as part of the audit:

- Financial Planning– The school was unable to set a balanced budget for 2020/21. As at April 2020, the school has a brought forward deficit of £307,185 and the projected carried forward deficit at March 2021 at the date of the audit was £370,150. The school has been unable to produce a forecast that shows that the school is able to repay the school deficit and present a balanced budget in the next three years. (High rated);
- Governance The financial management policy and procedures document should be updated and approved by Governors to reflect use of the Online Payments system 'TUCASI', and roles and responsibilities of the external Finance officer and school secretaries. Reference to the Private School Fund should be updated and use of a petty cash float removed. Roles and responsibilities should be documented to confirm transactions on the school Amazon Corporate account have documented approval prior to order, and proof of receipt of goods recorded. (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 school closures due to COVID, budget monitoring reports reviewed through the year were not available in school at the audit. The school had identified an error in the 2020/21 budget in November 2020. In 2019/20, the school budgeted an in-year surplus of £42,368. In 2019/20 the school reported a £223,713 in year overspend. (Medium rated);
- Voluntary funds– The accounts for the St Joseph's Private School Fund were last audited for the year ended 31 March 2019. The Private School fund should be audited on an annual basis, presented to Governors, and submitted to the Local authority within six months of the end of each accounting period. The accounts for the year ended 31 March 2020 have not yet been audited. (Medium rated);
- Assets– The IT inventory maintained on 'School Audit' software did not contain a cost and date of purchase for all IT assets. Annual review was not consistently completed, and governors had not been asked to authorise recent disposal of whiteboards. (Medium rated)

Following our 'Schools Financial Values Standard' (SFVS) self – assessment review we were able to confirm that there were no major discrepancies in judgements noted, however, although the School has responded with 'Yes' or '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: Does the governing body board receive clear and concise monitoring reports of the school's budget position at least six times a year? - The school has answered 'Yes', but reports provided to Governors were not available for review at the audit and Finance committee meeting minutes were brief.

A4: 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 no forms were available for finance/admin staff.

B6: Does the school have a realistic, sustainable and flexible financial strategy in place for at least the next 3 years, based on realistic assumptions about future funding, pupil numbers and pressures? - The school has answered 'In part' as the school is reviewing options considering recent 3-year budget review.

B8: 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.

C9: Does the school set a well-informed and balanced budget each year (with an agreed and timed plan for eliminating any deficit)? - The school has answered 'Yes', but the 2019/20 actual costs did not match to budgeted expenditure.

E17 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 benchmarking information was not available for review at the audit.

F23: Is the governing body sure that there are no outstanding matters from audit reports, internal audit reports or from previous consideration of weaknesses by the governing body? - The school has answered 'Yes', but two findings from the previous audit have been repeated (Governance and Assets)

F25: 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 (Voluntary funds and Assets), which should be addressed to ensure procedures are as robust as possible.

F28: Does the school have adequate arrangements for audit of voluntary funds? - The school has answered 'Yes' but the Private Fund was not audited annually.

2. Findings, Recommendations and Action Plan









Ref	Finding	Risks	Risk category	Agreed action(s)
1.	<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 did not set a balanced budget in 2020/21. The amount of the shortfall brought forward in April 2020 was £307,185.</p> <p>The reports available at the audit show that the school have budgeted to make a further loss of £62,965 in the year, which could result in a carried forward deficit in March 2021 of £370,150.</p> <p>The school will require a loan from the local authority to enable all committed expenditure to be paid in the year. The school has been unable to produce a forecast that shows that the school is able to repay the school deficit and present a balanced budget in the next three years.</p> <p>The school has notified the local authority that the budget shortfall has arisen because of reduced pupil numbers which is outside the control of the Headteacher and Governors.</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 shortfall amount is not received from the local authority.</p>	<p>High</p>	<p>Actions:</p> <p>The school will comply with the scheme for financing schools section 4 (The treatment of surplus and deficit balances arising in relation to budget shares).</p> <p>The school will continue to work towards an agreed recovery plan and submit tracking evidence of recovery plans to the local authority as requested.</p> <p>Responsible officer:</p> <p>Executive Headteacher/Finance officer/Governors</p> <p>Target date:</p> <p>30 June 2021</p>

Ref	Finding	Risks	Risk category	Agreed action(s)
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 - A review of the current Financial Management Policy and Procedures document found that it does not fully reflect the following:</p> <p>a) The use of 'TUCASI' to record income from parents and allow parents to pay for trips and school meals by credit/debit card.</p> <p>b) The current responsibilities of the School financial secretary and the School Finance Support Officer.</p> <p>c) The correct reference to the School Voluntary fund.</p> <p>d) The reference to use of Petty cash should be removed as there is no Petty cash in school.</p> <p>e) The school should document a process for use when ordering using the Amazon business account in school. This should include documentation of the person authorising the purchase and evidence separation of duties from the person authorising the payment of the invoice. Proof that has a check has been made that goods ordered were received in school should be noted on the invoice prior to passing for payment.</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>Medium</p>	<p>Actions:</p> <p>The Financial Management Policy will be reviewed and updated with reference to the Barnet Schools Financial Guide.</p> <p>Responsible officer:</p> <p>Executive Headteacher/Finance officer/Governors</p> <p>Target date:</p> <p>30 June 2021</p>

Ref	Finding	Risks	Risk category	Agreed action(s)
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 provided reports at the audit which showed the following:</p> <p>The overspend on the budget brought forward into 2019/20 was £83,472. The 2019/20 report shows that the school budgeted to have an in-year surplus of £42,368 but had an actual overspend of £223,713 in the year resulting in a carried forward deficit in March 2020 £307,185.</p> <p>Reports available at the audit showed that the brought forward deficit of £307,185 could increase further by March 2021 to a deficit of £370,150.</p> <p>Due to school closures due to COVID, it was not possible to review paperwork in school to see regular budget monitoring reports were reviewed through the financial year 2020/21 and shared with Governors. The November finance committee minutes noted that an error was identified in the 20/21 budget that had not been reported until November 2020.</p> <p>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>	<p>Medium</p>	<p>Actions:</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 Executive Headteacher, Finance Officer and Governor review and approval. Finance committee minutes will include more detail of discussion and decisions made.</p> <p>Responsible officer:</p> <p>Executive Headteacher/Finance officer/ Governors</p> <p>Target date:</p> <p>30 June 2021</p>

Ref	Finding	Risks	Risk category	Agreed action(s)
4.	<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 St Joseph’s Private School Fund account was last audited for the year ended 31 March 2019. Voluntary funds should be audited on an annual basis, and a report presented to the Governing Body within six months of the end of the account’s financial year. The Headteacher should ensure that the audited accounts are copied to the local authority after the Governing Body has accepted them.</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>	<p>Medium</p>	<p>Actions:</p> <p>The accounts will be audited each year within six months of the end of the accounting year, presented to Governors and sent to the local authority.</p> <p>Responsible officer:</p> <p>Executive Headteacher/Secretary/Governors</p> <p>Target date:</p> <p>30 June 2021</p>
5.	<p><u>Assets</u></p> <p>Objective - To ensure that the school has adequate controls and records to safeguard its valuable/moveable assets and items of inventory.</p> <p>Finding - A review of the school’s IT inventory held ‘School Audit’ software, found that a cost and date of purchase was not recorded for each IT asset.</p> <p>All IT assets had been recorded on the software with a location in school. The school secretary had started to check the location of items in school, but, due to ‘stay at home’ advice due to COVID, this had not been completed at the date of the audit.</p> <p>The school had purchased five new interactive ‘whiteboard’ screens in November 2020. The Governors had not been asked to authorise the disposal of old replaced 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>	<p>Medium</p>	<p>Actions:</p> <p>The Inventory will be updated with cost and date of purchase for assets where this is easily available.</p> <p>Annual check will be completed and recorded every year.</p> <p>Governors will be asked to authorise disposal of assets.</p> <p>Responsible officer:</p> <p>Executive Headteacher/Secretary/ Governors</p> <p>Target date:</p> <p>30 September 2021</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		1			
Budget Monitoring			1		
Purchasing					
Contracts					
Income					
Lettings					
Banking & Petty Cash					
Payroll					
Tax					
Voluntary Funds			1		
Assets			1		
Insurance					
Data Security					
Pupil Premium					
Safeguarding*					
Schools Financial Values Standard				1	

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

Timetable					
Audit agreed:	Fieldwork commenced:	Fieldwork completed:	Draft report issued:	Management comments received:	Final report issued:
19 November 2020	19 January 2021	20 January 2021	5 February 2021	26 February 2021	1 March 2021

Appendix 3 – Review of Schools Financial Values Standard 19/20

LIST OF QUESTIONS	SCHOOL RESPONSE	AUDIT CONCLUSION FOLLOWING REVIEW OF COMMENTS AND EVIDENCE
A: Governance		
1. In the view of the governing body and 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. Does the governing body board receive clear and concise monitoring reports of the school's budget position at least six times a year?	Yes	No reports available at the audit
4. Are business interests of governing body members and staff properly registered and taken into account so as to avoid conflicts of interest?	Yes	No forms for finance/admin staff
5. 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
B: School strategy		
6. Does the school have a realistic, sustainable and flexible financial strategy in place for at least the next 3 years, based on realistic assumptions about future funding, pupil numbers and pressures?	In part	3-year plan to be revised
7. Is the financial strategy integrated with the school's strategy for raising standards and attainment?	Yes	Agreed
8. 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
C: Setting the annual budget		
9. Does the school set a well-informed and balanced budget each year (with an agreed and timed plan for eliminating any deficit)?	Yes	2019/20 Actual costs did not agree to budget
10. Does the budget setting process allow sufficient time for the governing body to scrutinise and challenge the information provided?	Yes	Agreed

11. Is the governing body realistic in its pupil number projections and can it move quickly to recast the budget if the projections and the reality are materially different?	Yes	Agreed
12. 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 such variations result from explicitly planned changes or from genuinely unforeseeable circumstances?	Yes	Agreed
13. Are balances at a reasonable level and does the school have a clear plan for using the money it plans to hold in balance at the end of each year?	No	Agreed
D: Staffing		
14. Does the school review and challenge its staffing structure regularly to ensure it is the best structure to meet the needs of the school whilst maintaining financial integrity?	Yes	Agreed
15. Has the use of professional independent advice informed part of the pay decision process in relation to the headteacher and is it tightly correlated to strong educational outcomes and sound financial management?	Yes	Agreed
16. Does the school benchmark the size of its senior leadership team annually against that of similar schools?	Yes	Agreed
E: Value for Money		
17. 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	Benchmarking reports were not available
18. Does the school have procedures for purchasing goods and services that both meet legal requirements and secure value for money?	Yes	Agreed
19. Is the governing body given the opportunity to challenge the school's plan for replacing contracts for goods and services that are due to expire shortly?	Yes	Agreed
20. Does the school consider collaboration with others, eg on sharing staff or joint purchasing, where that would improve value for money?	Yes	Agreed
21. Do you compare your non-staff expenditure against the DfE recommended national deals to ensure you are achieving best value?	Yes	Agreed
22. Does the school maintain its premises and other assets to an adequate standard and make best use of capital monies for this purpose?	Yes	Agreed

F: Protecting Public Money		
23. Is the governing body sure that there are no outstanding matters from audit reports, internal audit reports or from previous consideration of weaknesses by the governing body?	Yes	In Part – two findings have been repeated
24. Are there adequate arrangements in place to manage conflicts of interest or any related party transactions?	Yes	Agreed
25. 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 Voluntary funds and Assets
26. Are all staff aware of the school's whistleblowing arrangements and to whom they should report concerns?	Yes	Agreed
27. 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
28. Does the school have adequate arrangements for audit of voluntary funds?	Yes	In Part – no annual audit
G: SFVS dashboard		
29. Have the results of the dashboard been carefully considered and potential follow-up actions identified?	No	Agreed

Appendix 4 – Internal Audit roles and responsibilities

Limitations inherent to the internal auditor’s work

We have undertaken the review of St Joseph’s Catholic Primary 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.