



FINAL INTERNAL AUDIT REPORT

EDUCATION CARE & HEALTH SERVICES

REVIEW OF ST OLAVES SCHOOL AUDIT FOR 2017-18

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Date of Issue: 8th February 2018
Report No.: ECH/20/2017/AU

REVIEW OF ST OLAVES SCHOOL AUDIT FOR 2017-18

INTRODUCTION

1. This report sets out the results of our systems based audit of St Olaves School for 2017-18. The audit was carried out in quarter 3 as part of the programmed work specified in the 2017-18 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee.
2. The controls we expect to see in place are designed to minimise the school's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.
3. The original scope of the audit was outlined in the Terms of Reference issued on 21/11/17. The period covered by this report is from November 2016 to November 2017.

AUDIT SCOPE

4. The scope of the audit is detailed in the Terms of Reference.

MANAGEMENT SUMMARY

5. Internal Audit visited the school on the 6th and 7th December to complete a programme of testing for expenditure, income, financial management, budget monitoring, payroll, contract monitoring, voluntary fund, safeguarding assets, pecuniary interests, procurement card and lettings. The 6 recommendations raised in the previous audit report finalised on the 21/04/17 were followed up and progress to implement noted.
6. Interviews with the Finance Manager (FM) and the School Business Manager (SBM) and testing on recent data confirmed that the two recommendations relating to the contract register and the scheme of delegation have been implemented; the three recommendations relating to pecuniary interests for staff, cash flow reports and the procurement of the IT support contract are outstanding; the recommendation relating to orders and HMRC is partially implemented as the school have issued reminders

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to all staff in various communications, staff meetings and the generic policy document signed by all staff at the start of the academic year; the FM has identified payments to individuals and started to complete the HMRC questionnaires. The outstanding and partially implemented recommendations have been re-recommended at Appendix A. Although the contract register and scheme of delegation have been completed and presented to Governors, there are suggestions for both documents. The suggested template shown at Appendix 1 of the Financial Regulations for Schools (2010) details the roles and responsibilities of key officers including the Head Teacher (HT), SBM and FM. The annual value and whole life contract value should be added to the contract register improving the information to Governors to support decisions with regard to procurement and rolled over contracts.

7. The Internal Audit review has identified issues in the following areas that should be considered by the school:-
- Although the IT support contract had been discussed at the Finance Committee, Governors had not acknowledged the potential breach of EU tendering regulations with spend exceeding the threshold of £164,176. The cumulative spend with this company since November 2015 is now £277,967.
 - Business continuity / practice notes for financial procedures were not available
 - FM was not aware when a contract had been awarded to raise the expenditure as a commitment on the FMS system
 - Certified audited accounts for the Voluntary Fund were not presented to Governors. The 2016/17 accounts did not note "Related third party transactions" whereas 2015/16 did and stated that the outstanding balances from the Foundation were nil.
 - Block grant expenses paid from the School Funds and reimbursed from the Voluntary Fund or Foundation coded to I13
 - Goods received could not be reconciled to the ICT asset register as the serial number is not recorded on the invoice. The school do not operate a loans book to record asset items that are temporarily removed off site
 - The contract register does show a list of contractual arrangements but the value of the contract is not completed in all instances and the number of rollover years is not shown
 - HMRC questionnaires had not been completed for all individuals receiving payment.
 - Cash flow statements are not prepared as required by section 2.1.2 Scheme for Financing Schools (2015) and the annual circular issued by the Schools Finance Team. (*"Submission of Budget Plans & Supporting Documents & Request for Budget Monitoring & Final CFR Reports"*)
 - Pecuniary interest forms for staff have been drafted but have not yet been distributed and completed.

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- The Scheme of Delegation does not specify the roles and responsibilities of key officers. The FM had not seen the Scheme of Delegation and was not aware of the financial limits imposed by the scheme
 - The sale of sample test papers to prospective parents/students' needs to be shown as compliant to DfE regulations
 - Confirmation that the school have completed the necessary documentation for any "benefit in kind" payments.
 - The Governor minutes do refer to the three funding streams available to the school in isolation but the information is not shown in one document to give Governors an overview of total funds available.
8. It is acknowledged that the audit visit was undertaken during a period of change for the school following the resignations of the Head Teacher and Chair of Governors. At the start of the audit visit the SBM confirmed that he would be leaving the school at the end of the autumn term. With these changes of key personnel it is timely for the school to review the financial procedures, roles and responsibilities. Paragraph 7 above sets out the main findings of the audit that are shown in detail at Appendix A with a recommendation for the school to consider and implement. The audit review has identified two areas that should be considered by the school to improve financial management and governance as discussed below:-

Budget setting – the SBM was responsible for setting the budget and reporting to Governors. There was no collaboration with the FM prior to the budget being presented and the late timing of the Governor approval delayed the upload to FMS. The budget was also set at a strategic level whereas the FM requires the detail to be at ledger code. It was noted that in previous years the budget was balanced by a contribution from the voluntary fund but at year end the actual draw down was a significantly lower value. There was no apparent revision to the original budget during the year to reflect in year changes despite the recommendation to do so from the Schools Finance Team. Audit examination of the Income and Expenditure report 2017, identified 3 cost centres with a variance spend over 100%. Both the FM and SBM satisfactorily explained the variances but suggested that an in year adjustment could have been made.

Authorisation – The Scheme of Delegation sets out the financial limits for authorisation, setting thresholds for SBM, Head Teacher, Finance Committee and Governing Body. The scheme states that "invoices must be authorised for settlement by the budget holder responsible". With the change of personnel it is timely to remind all authorising officers of their responsibility to comply with section 7 of the Financial Regulations for Schools. Section 7.4.1 of the Regulations state that "*the overriding principle to be adhered to is that the authorisation and certification checks should be meaningful. To this end, they should be carried out and evidenced by those members of staff who are in a position to judge whether goods and services have actually*

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been received or whether invoice prices are correct. The evidence should also be unambiguous, an isolated signature on an invoice does not make it clear what has been checked or what is being authorised or certified and is therefore unacceptable”
The signature template used for the invoice does not clarify that the authorisation officer has completed the required checks.

SIGNIFICANT FINDINGS (PRIORITY 1)

9. There was one priority one finding relating to the procurement of the IT support.
10. The previous audit finalised in May 2017 identified that the 3 year contract awarded to Contractor A for IT support in September 2016 had not been subject to competitive tendering. The school were advised that with an annual cost of £93K the contract exceeded the UK public contract regulations threshold of £164,176.
11. During the school visit on the 6th and 7th December the SBM confirmed the arrangements for IT support have not changed since the previous audit.
12. The Clerk of Governors confirmed that the Internal Audit report had been included in the Governors pack for the Finance Committee in May 2017 but Governors had not discussed the specific issue relating to compliance to EU tendering. The minutes of this meeting record “the expertise of the current holders of the contract, pricing had been benchmarked with other schools and the quality of the resource provided was very good. The SBM did not propose to make any changes with which the Governors concurred.”
13. From the bank history provided for the audit this year it was shown that £198,787 has been paid to the IT supplier from November 2015 to November 2017 in respect of contract payments; £23,586.29 in respect of non contract expenditure. Combining expenditure from previous bank history records available to Internal Audit, the total net spend with Contractor A is £369,785 since August 2014.
14. At the previous audit the SBM stated that he received calls from other IT suppliers and the incumbent provider was cost effective. The management response to the previous audit disputed that choice should be determined by cost alone and reiterated the need for a quality IT support service dependent on the knowledge and commitment of individuals. The school

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should consider the following issues arising:-

- Included in the final report as an Internal Audit note – the agreement commencing September 2016 with a 90 day termination clause does not avoid EU tendering.
- The cumulative spend with this contractor exceeds the EU threshold of £164,176 and should be subject to the appropriate competitive tendering.
- Section 6 of the Financial Regulations for Schools sets out the procedures that must be complied with for contracts. The Invitation to Tender document would include the award criteria, the cost/quality weighting and other relevant factors.
- IT procurement is a critical area and includes consideration of ownership of data and processes and intellectual property rights of any software developed by the contractor for the school's use. The school must be able to demonstrate that appropriate controls have been put in place to mitigate these risks.

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

15. The findings of this report, together with an assessment of the risk associated with any control weaknesses identified, are detailed in Appendix A. Any recommendations to management are raised and prioritised at Appendix B.

AUDIT OPINION

16. Overall, the conclusion of this audit was that limited assurance can be placed on the effectiveness of the overall controls. Opinion definitions are given in Appendix C.

ACKNOWLEDGEMENT

17. We would like to thank all staff contacted during this review for their help and co-operation.

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
1	<p>Procurement of IT Support Contract</p> <p>The SBM confirmed that the arrangements for IT support have not changed since the previous audit.</p> <p>The Clerk of Governors confirmed that the Internal Audit report had been included in the Governors pack for the Finance Committee in May 2017 but Governors had not discussed the specific issue relating to compliance to EU tendering. The minutes of this meeting record <i>“the expertise of the current holders of the contract, pricing had been benchmarked with other schools and the quality of the resource provided was very good The SBM did not propose to make any changes with which the Governors concurred.”</i></p> <p>From the bank history provided for the audit this year it was shown that £198,787 has been paid to the IT supplier from November 2015 to November 2017 in respect of contract payments; £23,586.29 in respect of non contract expenditure.</p> <p>Combining expenditure from previous bank history records available to Internal Audit, the total net spend with Contractor A is £369,785 since August 2014.</p>	<p>There is a risk of damages and costs awarded against the school due to contracts let in breach of UK public contract regulations and the schools own financial regulations. Value for money may not be obtained when procuring goods and services.</p>	<p>The school must ensure that tenders are sought or a procurement framework process is undertaken now for the schools IT support, acknowledging that compliance with EU rules cannot be disregarded.</p> <p>[Priority 1]</p>

Priority 1
Required to address major weaknesses and should be implemented as soon as possible

Priority 2
Required to address issues which do not represent good practice

Priority 3
Identification of suggested areas for improvement

DETAILED FINDINGS

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	<p>At the previous audit the SBM stated that he received calls from other IT suppliers and the incumbent provider was cost effective. The management response to the previous audit disputed that choice should be determined by cost alone and reiterated the need for a quality IT support service dependent on the knowledge and commitment of individuals. The school should consider the following issues arising:-</p> <ul style="list-style-type: none"> • Included in the final report as an Internal Audit note – the agreement commencing September 2016 with a 90 day termination clause does not avoid EU tendering. • The cumulative spend with this contractor exceeds the EU threshold of £164,176 and should be subject to the appropriate competitive tendering. • Section 6 of the Financial Regulations for Schools sets out the procedures that must be complied with for contracts. The Invitation to Tender document would include the award 		

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	<p>criteria, the cost/quality weighting and other relevant factors.</p> <ul style="list-style-type: none"> IT procurement is a critical area and includes consideration of ownership of data and processes and intellectual property rights of any software developed by the contractor for the school's use. The school must be able to demonstrate that appropriate controls have been put in place to mitigate these risks. 		

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2	<p>Procedure Notes/Business Continuity</p> <p>At the start of the audit visit the SBM confirmed that he would be leaving at the end of the Autumn Term. During the fieldwork it was evident that there was limited collaboration between the SBM and the FM and they worked independently.</p> <p>There were no procedures notes available to document the strategic and operational procedures in the school. Similarly new processes such as on line payments were not supported by guidance notes. The FM had requested Finance staff to consider their daily routines and create brief practice notes.</p>	<p>Key financial procedures may not be sustained during periods of absence.</p> <p>Business continuity may be compromised when key officers leave the school.</p>	<p>The Finance Officers should complete the task of writing procedure notes for the financial processes to support business continuity.</p> <p>The school should review the strategic and operational procedures to ensure that the vacant SBM post does not impact on financial management and information to Governors.</p> <p>[Priority 2]</p>

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3	<p>Purchase Orders</p> <p>We saw email evidence that the FM and SBM had reminded all staff to raise Purchase Orders (PO) in advance of expenditure being committed.</p> <p>Our testing showed 5 instances where PO's had not been raised. These were :-</p> <ol style="list-style-type: none"> 1) Contractor B, paid 19/10/17, inv no IN2936, £21,084.62 2) Contractor C, paid 8/11/17, inv no 6687, £30,599.99 3) Contractor D, paid 2/11/16, inv no 524/16, £39,876.06 4) Contractor E, 3/5/17, paid 3/5/17, inv no ADVANTAGE, £40,229.43 5) Contractor F, paid 28/7/17, inv no 29420.4306.33, £13,988.20 <p>It transpired that these related to contracts being awarded following a tender process or approval of an annual service arrangement. In each instance the FM had not been made aware of the contract award and amount. Therefore no funds had been committed on the school's financial system.</p>	<p>Payments may not be made in compliance with Financial Regulations and the School's own procedures.</p> <p>The school is not aware of future payments, leading to a risk that the financial position of the school at any given time is not accurate.</p>	<p>The FM should be made aware of the full financial details when contracts are awarded and annual service arrangements are approved; this could be via the relevant Governor's minutes, e-mail, award documentation or PO.</p> <p>[Priority 2]</p>

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4	<p>Voluntary Fund</p> <p>The FM presents the voluntary fund accounts at each Finance Committee. The minutes of the 1st November meeting evidence that the total value of unrestricted funds was discussed by Governors and that the Clerk to Governors had confirmed the value of unrestricted funding held by the Foundation.</p> <p>The Schools Finance Team requests a copy of the certified audited accounts annually. As at October 2017, 2015/16 and 2016/17 were outstanding but were received in November prior to the Internal Audit visit. The certified accounts had been signed by the Chair of Governors and Head teacher but had not been reported to either the Finance Committee or Full Governing Body.</p> <p>It should be drawn to the attention of the Governing Body that the 2015/16 accounts detailed Section 13 “Related Party Transactions” stated that “no balances were outstanding to or from the Foundation at 31 March 2016” whereas the Foundation confirmed that the balances owing to the school had not been drawn down and were rolled over each year.</p>	<p>Governors are not informed of the financial position of the school.</p> <p>The accounts have not been independently verified and do not reflect the actual activity through the accounts.</p>	<p>The certified audited accounts for the Voluntary Fund should be presented to Governors.</p> <p>The school should confirm the inclusion of the statement for “Related Party Transactions” and clarify the statement relating to outstanding balances.</p> <p>[Priority 2]</p>

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	<p>There are no notes to the accounts for Related Party Transactions in the 2016/17 accounts.</p>		
5	<p>Block Grant Expenditure</p> <p>Examination of the bank history and payments to individuals identified expenditure that would be met by the Voluntary Fund or Foundation grant. The expenditure is shown separately on the “Block grant” ledger code, the reimbursement or transfer of funds is shown against the Income code I13 – “donations and/or voluntary funds”. This effectively overstates the expenditure and income codes for transactions that should not be met by the school fund.</p> <p>The processing of invoices and coding to “Block Grant” was based on historic knowledge and previous experience; the collection of income was not formalised during the year. There were no procedure notes to support the payment of block grant invoices or the recovery of income.</p>	<p>Inappropriate expenditure may be met by the school fund.</p> <p>Revenue budgets, income and expenditure are overstated and do not reflect school finances.</p>	<p>The FM should review all payments allocated to “block grant” and consider payment to be made from the voluntary fund or passing the invoices directly to the Foundation.</p> <p>[Priority 3]</p>

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6	<p>Asset Register and Loans Book</p> <p>The asset registers were a comprehensive list of stock that is maintained by the faculty heads with a separate sheet for each item, signed by the responsible officer. The IT provider maintains a register for IT equipment.</p> <p>A sample of 3 invoices was selected from the bank history to test that the items had been updated on the asset registers. The iPads were traced to the faculty asset record but the lap top did not have sufficient details to identify the entry on the IT list.</p> <p>The school do not operate a loans book to record assets that are temporarily removed from site.</p>	<p>Assets lost or stolen may not be easily identified.</p> <p>A register of assets is not maintained and up to date. Assets are not kept secure.</p>	<p>For ICT equipment the receiving officer/budget holder should record the serial number of the item on the invoice to be able to cross reference to the asset register.</p> <p>The school should introduce a loans book to record items that are temporarily taken off site. It may be more appropriate to retain the loans books in the departments where this is likely to occur.</p> <p>[Priority 2]</p>

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7	<p>Contracts register and contracts status</p> <p>We noted that the contracts register had been presented to the Finance Committee for approval at the meeting held on 1 February 2017.</p> <p>From our analysis of the register and the information it contained, the main issues arising were that:-</p> <ul style="list-style-type: none"> • The SBM was responsible for the contracts register and as previously discussed had not been in consultation with the FM nor was this a document that the FM had access to. • The contracts register showed a record of past and current contractors, end dates, indicative costs and rolling contracts. The information recorded could be more comprehensive, for example the number of times that a contractor has been extended without competitive tendering. • The contracts register did not show any contracts due for renewal in the next 3 months. 	<p>Contracts may be let without following proper procedures and/or rolled over without proper approval.</p>	<p>The contracts register should be developed to incorporate the issues identified in this audit review; number of years that competitive tendering has been waived or a contract rolled over, indicative costs based on previous years expenditure, updated costs where the contract has been varied.</p> <p>The school should hold a signed copy of all contracts, available for inspection and any officer responsible for payment or monitoring.</p>

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	<ul style="list-style-type: none"> The contracts register was reported to the Finance Committee on the 1/2/17. The minutes record that the SBM <i>“highlighted the range of contractual arrangements.....Governors noted the list of contractual arrangements”</i> The annual cost of the contract with the school’s insurance broker is shown as £5,000 per annum. A total of £53,324 for insurance has however been paid to the broker for the period 1 April 2017 to 31 March 2018. The cost of the contract for the SIMS licences is shown on the contracts register as £6,577.50 per annum. The annual contract agreement provided to us by the School Business Manager shows however a total of £18,475.00. A total of £8,341.20 has been paid so far during this financial year. We were unable to evidence a copy of a formal contract for the catering service and the cleaning service. The contracts register shows that the catering service has been rolled over each year since January 2013 with no 		<p>The contract register is a “live” document that should be owned and updated regularly. The document should be used as a planning document and evidence action taken for each contract and the current status.</p> <p>[Priority 2]</p>

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	<p>formal tender. It also shows an 'Expiry date/or last renewed' date of August 2015 for the cleaning contract although without evidence of a formal contract it is unclear if the contract was formally renewed.</p> <ul style="list-style-type: none"> The contract register also shows five other contracts which are 'subject to review' although it is unclear whether or not progress has been made reviewing these. 		

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8	<p>HMRC – IR35</p> <p>From the bank history report (November 2016 to November 2017) there were 18 named individuals that had received payments. The FM had started to process the information held for certain payees and access the HMRC questionnaire, but at the time of our audit visit this was a work in progress. There was a range of tasks undertaken by these providers; one-off visits and regular service delivery but the school should be advised that the assessment should be carried out for all instances.</p>	<p>Non-compliance with HMRC regulations resulting in a financial penalty. As a voluntary aided school the Governors are the engaging Authority and the penalty would therefore have to be met by the school.</p>	<p>The school must complete an online questionnaire for all individuals providing services to the school or via an intermediary such as a Public Service Company or partnership. The completed questionnaire will need to be kept with the orders and invoice to support the payment.</p> <p>[Priority 2]</p>

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9	<p>Cash flow statements</p> <p>The FM confirmed that the cash flow statements had not been produced and the realistic target date would now be April 2018.</p> <p>The FM accepted that the need for a cash flow statement which is a requirement of “Scheme for Financing Schools December 2015” section 2.1.2 and the annual circular sent by the Bromley Schools Finance Team requesting “a cash flow analysis forecast for the financial year”</p>	<p>The school may not be aware of their ability to meet all liabilities</p>	<p>Ensure that cash flow statements are produced periodically and any variances to the projected cash flow are investigated and actioned.</p> <p>[Priority 2*]</p>
10	<p>Pecuniary Interests</p> <p>The FM confirmed that although a pecuniary interest template had been created for staff, the recommendation was still outstanding as the forms had not been distributed.</p> <p>The Clerk to the Governing Body provided a list of Governors as at the start of term in September 2017. Pecuniary interest forms had been completed for all.</p>	<p>Staff with financial responsibilities may be involved in making financial and/or business decisions relating to organisations which they have a pecuniary interest without the school knowing.</p>	<p>A form declaring pecuniary interests should be completed by each member of staff with financial and procurement responsibilities for the school.</p> <p>[Priority 2*]</p>

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11	<p>Scheme of Delegation</p> <p>The previous Internal Audit report was discussed at the May 2017 Finance Committee. The minutes show that the SBM would produce a Scheme of Delegation and that he was trying to source a template.</p> <p>At this audit visit the FM did not have a copy of the Scheme of Delegation and was not aware that the SBM had taken a draft copy to the Governing Body meeting in June 2017. The FM should have access to the Scheme of Delegation as this document stipulates the financial limits for authorisation in the expenditure process.</p> <p>The Scheme of Delegation, agreed by Governors in June 2017, is ‘basic’ and does not include all the elements suggested in the template shown at Appendix 1 of the Schools’ Financial Regulations. There is no explanation of responsibilities or task specific roles; delegation is discussed in general terms, for example the Head and SBM having authority to “pursue additional opportunities to generate revenue for the school.”</p>	<p>Delegated duties and financial limits agreed by Governors may not be adhered to</p>	<p>The school should review the agreed Scheme of Delegation to reflect the changes in personnel.</p> <p>The scheme should be extended in line with the template shown at Appendix 1 of the Financial Regulations for Schools.</p> <p>The financial limits and the application of the authorisation controls should be revised in line with accepted practice.</p> <p>[Priority 2]</p>

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	<p>There were 4 invoice payments in the expenditure sample which were over £15,000. The invoices had not been authorised by the Finance Committee or Governing Body as set out in the school's Scheme of Delegation. The SBM opined that, as approval had already been given for these services (building refurbishments, extensions and annual insurance) at a previous meeting of the Finance Committee or Governing Body, they did not need to be referred for appropriate authorisation. The scheme should therefore be revised accordingly.</p>		

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12	<p>Mock Tests</p> <p>The previous audit had raised the issue of the school receiving income from mock tests which seemed to conflict with the DfE guidelines regarding the admissions process. Last year, the SBM commented that the mock tests were organised by the PTA, including collection of income. The school received a donation from the PTA as with other fund raising activities. Audit examination of the income received by the school this year has shown that sample test papers are sold from the school reception on the open day and the income banked directly to the school account.</p> <p>Internal Audit has sought legal advice from the Borough solicitors to ensure that the school is acting within statutory guidelines and will update the school accordingly.</p>	<p>Failure to comply with DfE regulations</p>	<p>The school should confirm that the sale of sample test papers is within DfE guidelines.</p> <p>Priority 2</p>

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13	<p>Benefits in Kind</p> <p>It was noted that there are members of staff who receive private medical cover paid directly by the Foundation and that the Head Teacher resides in the Headmaster’s house on the school site with all costs met by the Foundation. The Chief Executive of the Foundation has advised Internal Audit that he writes to all recipients each April informing them of the amount they need to declare. However it is the responsibility of the employer to complete a P11D for each employee receiving a “benefit in kind”.</p>	<p>The school may incur financial penalties for non-disclosure of benefits in kind</p>	<p>The school are advised to consult with HR to ensure that all declarations have been made to HMRC in the correct format and in a timely manner as failure to comply will result in financial penalties.</p> <p>Priority2</p>

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DETAILED FINDINGS

No.	Findings	Risk	Recommendation
14	<p>Income Streams</p> <p>The school receives funding from three sources; the school budget share, voluntary fund and an annual grant from the Foundation. Given the recent focus on the school and concerns raised about spending it is important to clarify these income streams and the scope of this review. Internal Audit is concerned with the financial management and probity of the Government funds paid to the school, monthly, from Bromley. This funding is shown in the school accounts and the budget share is monitored by the Schools Finance Team at the Council.</p> <p>The voluntary fund receives income from parent’s monthly contributions and other donations to the school, the school visits are processed through this fund. In accordance with the DfE “Schemes for Financing Schools” statutory guidance “Audit of voluntary and private funds” (section 2.8) which states “<i>Authorities must not seek to impose through the scheme a right to audit such funds themselves or otherwise access the accounts of private funds</i>” Internal Audit does not check the operational management of the voluntary fund but do verify that the account is independently audited annually. It</p>	<p>The Governing Body may not be fully aware of the total financial resources, commitments and liabilities when making decisions.</p> <p>There may be a lack of transparency</p>	<p>For effective governance and decision making purposes the Governors should be aware of all funding available to the school; the source of that income should be clearly defined and any restrictions on spend or commitments presented.</p> <p>Priority 2</p>

Priority 1
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Priority 3
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DETAILED FINDINGS

No.	Findings	Risk	Recommendation
	<p>is also verified that a copy of the certified accounts has been sent to the Schools Finance Team.</p> <p>The Foundation grant allocated to the school and any commitments from this grant is outside of the scope of Internal Audit.</p> <p>The Finance Committee and Governing Body minutes refer to all income streams in isolation but there is no summary document to inform Governors of the total funds available. For effective governance and decision making purposes the Governors should be aware of all funding available to the school; the source of that income should be clearly defined and any restrictions on spend or commitments presented.</p>		

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MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1	The school should ensure that tenders are sought or a procurement framework process is undertaken now for the schools IT support, acknowledging that compliance with EU rules cannot be disregarded.	1	Initial discussions have already taken place with Contractor A and a meeting is being arranged between their CEO and the Acting Headmaster informing them that we intend to go to tender. The process of tendering will begin as soon as a SBM is appointed.	School Business Manager	When Appointed – April 2018
2	The Finance Officers should complete the task of writing procedure notes for the financial processes to support business continuity. The school should review the strategic and operational procedures to ensure that the vacant SBM post does not impact on financial management and information to Governors.	2	Underway Finance manager produced all the routine reports to the Finance Committee. Deputy Head has responsibility for LCVAP funding, contracts, Data Protection	Finance Manager Senior Leadership Team	Summer/ Autumn Immediate

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MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
			Legislation. School has purchased support from Bromley's Exchequer Contractor for Human Resources and Finance to include software for budgeting and training for cash flow		
3	The FM should be made aware of the full financial details when contracts are awarded and annual service arrangements are approved; this could be via the relevant Governor's minutes, e-mail, award documentation or PO.	2	Procedures to be put in place to ensure information is passed to the Finance Manager in an appropriate and timely fashion.	School Business Manager	When appointed
4	The certified audited accounts for the Voluntary Fund should be presented to Governors.	2	These have been put before the Finance Committee on 31/1/18	School Business Manager	Ongoing

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MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
	<p>The school should confirm the inclusion of the statement for “Related Party Transactions” and clarify the statement relating to outstanding balances</p>		<p>The school have been advised that the note regarding 3rd party transactions first appeared in the 2014/15 accounts when the Foundation paid the School, £250000 towards the new science laboratories. The note remained in the 2015/16 accounts as it related to the 2014/15 figures but it was removed from the 2016/17 report as no related transactions between the Foundation and the School had been made in either year’s figures per the Schools accounts. As the school is not a charity the sorp rules relating to the declaration of money held for the school by the Foundation do not apply. The accountants will make this clear in the Management letter to the 2017/18 accounts.</p>		

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Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
5	The FM should review all payments allocated to “block grant” and consider payment to be made from the voluntary fund or passing the invoices directly to the Foundation.	3	All payments made in Block Grant codes to be reviewed. All payments that are not curriculum related to be put through the Voluntary Fund	Finance Manager	From April 2018
6	For ICT equipment the receiving officer/budget holder should record the serial number of the item on the invoice to be able to cross reference to the asset register. The school should introduce a loans book to record items that are temporarily taken off site. It may be more appropriate to retain the loans books in the departments where this is likely to occur.	2	The IT Manager will put serial numbers on all ICT equipment invoices to enable cross reference to the ICT asset register. Departments to set up a system of loan books as and when items are taken off site.	IT Manager/ Finance Manager Acting Assistant Headteacher	Immediate and ongoing Immediate

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Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
7	<p>The contracts register should be developed to incorporate the issues identified in this audit review; number of years that competitive tendering has been waived or a contract rolled over, indicative costs based on previous years expenditure, updated costs where the contract has been varied.</p> <p>The school should hold a signed copy of all contracts, available for inspection and any officer responsible for payment or monitoring.</p> <p>The contract register is a “live” document that should be owned and updated regularly. The document should be used as a</p>	2	This will be part of the remit for the new School Business Manager	School Business Manager	When Appointed

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MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
	planning document and evidence action taken for each contract and the current status.				
8	The school must complete an online questionnaire for all individuals providing services to the school or via an intermediary such as a Public Service Company or partnership. The completed questionnaire will need to be kept with the orders and invoice to support the payment.	2	Completed questionnaires will be held on file and can easily be cross referenced with the invoices relating to the individual or Public Service company.	Finance Manager	Immediate and ongoing
9	Ensure that cash flow statements are produced periodically and any variances to the projected cash flow are investigated and actioned.	2*	Bromley's Exchequer Contractor has been asked and has agreed to provide support and training	Finance Manager	Summer 2018

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10	A form declaring pecuniary interests should be completed by each member of staff with financial and procurement responsibilities for the school.	2*	This has been done	Finance Manager	Immediate and then annually in September
11	<p>The school should review the agreed Scheme of Delegation to reflect the changes in personnel.</p> <p>The scheme should be extended in line with the template shown at Appendix 1 of the Financial Regulations for Schools.</p> <p>The financial limits and the application of the authorisation controls should be revised in line with accepted practice.</p>	2	This will be revised and resubmitted to the Finance Committee.	School Business Manager	When appointed

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12	The school should confirm that the sale of sample test papers is within DfE guidelines.	2	The sale of the sample test papers will be taken over by the PA and become independent of the school. Also the school is waiting for further LA advice.	Deputy Headmaster	June 2018
13	The school are advised to consult with HR to ensure that all declarations have been made to HMRC in the correct format and in a timely manner as failure to comply will result in financial penalties.	2	The Foundation gives the private medical benefit to staff employed before a cut-off date and not the school. It is outside the scope of the School as an employer. The Foundation pays class 1A National Insurance contributions on the this benefit and writes to the staff annually to let them know the value of the benefit. It is the responsibility of the member of staff to declare the benefit in kind to HMRC. The Headmaster's House is not a benefit in kind it is a requirement		

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			for work as per his contract. The Foundation have taken advice on this and will revisit this on the appointment of a new Headmaster.		
14	For effective governance and decision making purposes the Governors should be aware of all funding available to the school; the source of that income should be clearly defined and any restrictions on spend or commitments presented.	2	The Finance Manager produced a summary for the Finance Committee 31/1/18 showing the Schools available funding from all sources after restrictions and commitments had been accounted for. This will be further developed in discussion with Governors.	School Business Manager	When appointed

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SCHOOLS OPINION DEFINITIONS

As a result of their audit work auditors should form an overall opinion on the extent that actual controls within the school provide reasonable assurance that significant risks are being managed. They grade the control system accordingly. Absolute assurance cannot be given as internal control systems, no matter how sophisticated, cannot prevent or detect all errors or irregularities.

Assurance Level

Definition

Full Assurance

There is a sound system of control designed to achieve all the system and school procedures objectives tested.

Substantial Assurance

While there is a basically sound system and procedures in place, there are weaknesses, which put some of these objectives at risk. It is possible to give substantial assurance even in circumstances where there may be a priority one recommendation that is not considered to be a fundamental control system weakness. Fundamental control systems are considered to be crucial to the overall integrity of the schools finances. Examples would include no regular bank reconciliation, non-compliance with legislation, substantial lack of documentation to support expenditure, inaccurate and untimely reporting to Governors, material income losses.

Limited Assurance

Weaknesses in the system of controls and procedures are such as to put the objectives at risk. This opinion is given in circumstances where there are priority one recommendations considered to be fundamental control system weaknesses and/or several priority two recommendations relating to control and procedural weaknesses.

No Assurance

Control is generally weak leaving the systems and procedures open to significant error or abuse.