



FINAL INTERNAL AUDIT REPORT
EDUCATION CARE & HEALTH SERVICES

REVIEW OF ST OLAVES SCHOOL AUDIT FOR 2018-19

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REVIEW OF ST OLAVES SCHOOL AUDIT FOR 2018-19

INTRODUCTION

1. This report sets out the results of our systems based audit of St Olaves School for 2018-19. The audit was carried out in quarter 3 as part of the programmed work specified in the 2018-19 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 20/11/18. The period covered by this report is from November 2017 to November 2018.

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 3rd and 4th 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 14 recommendations raised in the previous audit report finalised on the 8/02/18 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 8 recommendations have been implemented. These related to procedure notes for financial processes, FM access to financial commitments, voluntary fund, block grant payments, pecuniary interests for staff, income generated from the mock tests being compliant to DfE guidelines, benefits in kind and reporting and transparency of all income streams available to the school.

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Four recommendations are partially implemented; the completion of the online IR35 assessment, notation on the ICT invoices to cross reference to the asset register, completion of cash flow statements and the scheme of delegation. One outstanding recommendation relates to the IT contract, which as a priority 1 recommendation has been followed up and reported to Audit Sub Committee in November and will be reviewed again for the February 2019 committee meeting. The other outstanding recommendation relates to the contract register; originally assigned to the SBM role. Given the significant challenges faced when the SBM was appointed in April, this task has not yet been addressed. The SBM has tackled contract issues as they have arisen but the discrete piece of work to review and revise the contract register is outstanding. Similarly the SBM needs to develop the contract management and monitoring procedures within the school. Internal Audit has forwarded the control matrix of suggested controls and matrices for contract management and monitoring. It is acknowledged that the SBM had no handover with her predecessor and there was limited paperwork to support the role.

7. The school have made significant progress to implement the recommendations raised in the previous audit report. It is acknowledged that the school has been through a period of change; officers, governors, appointments to the Headteacher and SBM posts and an increase of project work and spend, which impacted on the workload of the Finance Team. It is also acknowledged that the school were tasked with implementing the recommendations raised in the independent investigation report and the additional workload generated by that report.
8. The previous audit report finalised in February had raised the issue of authorisation as a general comment in the management summary as follows:

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 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.

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9. Audit testing this time has identified a weakness in the expenditure process, specifically the separation of duties and authorisation controls. A recommendation has therefore been raised for the school to review and revise the expenditure process including a requirement to raise awareness of budget holders, SLT and Finance officers as to their role and responsibilities. The other issues requiring management attention are as follows:-
- The Scheme of Delegation does not accurately reflect the working practices and similarly the limits set out in the document are not adhered to.
 - The sample of expenditure identified several findings; no date on the order request form, no signature for the goods received box, unauthorised officers signing off an invoice and expenditure not supported by an order. For payments over £5K where quotes were required, the decision to award, extend the project or waive Financial Regulations was not supported by an adequate audit trail. The contract payment to Contractor A was made in advance but the contract states quarterly in arrears.
 - 2/16 payments to individuals had not been checked to the HMRC online assessment.
 - Claim forms processed through the system as a cheque request, petty cash and credit card transactions were not authorised.
 - There is no central log to account for the individual asset sheets returned from the departments. The stocktake is scheduled to be completed at the end of the summer term but the certification of the asset register by the Headteacher is still outstanding.
 - The pecuniary interest forms signed by the Governors are held by the Clerk to Governors and were not available on site.
 - The FM does not have sight of the draft minutes of the Finance Committee and only receives the final version of the minutes as part of the agenda for the next meeting. This does not allow scrutiny by the FM to ensure reports taken to committee and discussed are accurately represented in the minutes.
10. During the course of the audit the previous recommendations were followed up. As discussed in paragraph 6 above the recommendations relating to the IT contract and the contract register have been re-recommended. Three of the four partially implemented recommendations were followed up as part of the audit testing this year. The outstanding element has been re-recommended and highlighted with a “*” against the priority rating. For cash flow statements the training has now been received and once the first month’s statement is reviewed by Internal Audit this re recommendation may be removed.

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SIGNIFICANT FINDINGS (PRIORITY 1)

11. No new priority 1 findings were reported this time.
12. The outstanding priority 1 recommendation relating to the IT contract was followed up again in January to be reported to the Audit Sub Committee in February 2019. The work done to date on the IT retendering and the schools approach to procurement since April 2018 supported the satisfactory implementation of this priority 1 recommendation.

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

13. 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

14. 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. However, as discussed in paragraph 7 above, Internal Audit acknowledge the significant progress to implement recommendations raised in the previous audit report, the changes in the management structure and the impact this has had on the Finance function and the resources required to consider the independent report.

ACKNOWLEDGEMENT

15. 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>Authorisation</p> <p>The previous audit identified that with a new Head, Chair and SBM it was timely to review the financial procedures, roles and responsibilities. A new stamp has been introduced to authorise the invoice for payment. The stamp requires the budget holder to authorise payment but also for the appropriate officer to sign that goods/services have been satisfactorily received. The new procedure was issued to all staff via e-mail on 6/7/18.</p> <p>Audit testing showed that for 4 payments where the goods received box should have been signed, this authorisation had been omitted. Sample 1 £1,800, Sample 2 £2,375, Sample 17 £32,142 and Sample 20 £13,400</p> <p>The current expenditure process is reliant on the budget holder; this officer authorises the request for order, receives the goods/services and authorises the invoice. Separation of duties is offered by the Finance Officer, who is not an authorised signatory and the two cheque signatories. Without seeing the returned cheques audit cannot verify that three officers were involved in the expenditure process.</p>	<p>Unauthorised expenditure may be processed through the school accounts.</p> <p>Payment may be made for goods not received in full or a service that is not as ordered.</p>	<p>All officers involved in the authorisation process to be aware of what their signature represents to ensure that their authorisation is meaningful.</p> <p>The goods received part of the process should be evidenced to give the authorising officer assurance to proceed to payment. Although this has been rolled out in an e-mail supplementary training or instruction from SLT should support compliance to this procedure.</p>

Project Code: ECHS/15/2018/AU

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	<p>The key control is at the start of the process so it is preferable that the budget holder (officer 1), with delegated authority, signs the order/requisition. The most appropriate officer should sign the goods/service received box usually the budget holder if the invoice relates to faculty expenditure.</p> <p>A different officer (officer 2) should then authorise the invoice having checked the prices to the order, the VAT and that the goods/service received box has been signed. Two authorised signatories nominated on the bank mandate form should then sign the cheque and initial the invoice. The school have suggested that the Finance Manager authorises the invoice and staff from the SLT sign the cheques.</p>		<p>The school must review and revise their authorisation procedure for expenditure payments. The officers allocated to each task must be the most appropriate and be aware of their role and responsibility. At all times three officers must be authorising each payment to achieve separation of duties and comply with Financial Regulations.</p> <p>Priority 2</p>

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2	<p>Scheme of Delegation</p> <p>The Scheme of Delegation was taken to the Finance Committee in May 2018 and Governors agreed that this policy should be updated. The SBM included new sections for spending thresholds, authorisations, Terms of Reference for the Finance Committee, payroll authorisation and signatories list.</p> <p>The bank mandate refers to one of the listed signatories to sign cheques up to £1,000 and then 2 signatures for all cheques more that £1,000. The FM confirmed this is the adopted practice but was not stated in the Scheme of Delegation. Internal Audit would advise that good practice would require 2 signatures for all payments.</p> <p>Under the “authorisation of expenditure” section of the current Scheme of Delegation the HT and SBM are required to authorise all expenditure up to £15K but in practice budget holders are authorising requisitions and invoices. It is the responsibility of the school to set financial limits (within those imposed by Financial Regulations) but it is suggested that the</p>	<p>Delegated duties and financial limits agreed by Governors may not be adhered to</p>	<p>The school should ensure that the working practices are accurately reflected in the Scheme of Delegation and similarly that the limits set out in the Scheme of Delegation are adhered to. (Priority 2*)</p> <p>Two specific areas for review are the authorisation limits and the cheque signatories.</p> <p>Once the amendments have been completed the revised Scheme of Delegation will need to go back to Governors for minuted approval.</p>

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	<p>current limits are too inflexible and need to be revised.</p> <p>As previously recommended the Scheme of Delegation needed to be reviewed, although this has been progressed there are still revisions to be made before the document can be submitted to Governors for final approval.</p>		<p>The Scheme of Delegation should detail the owner, revised date and next review date embedded in the document footer.</p> <p>Priority 2</p>
3	<p>Expenditure Process</p> <p>A sample of 20 payments was selected from the bank history. The main issues arising were that:-</p> <ul style="list-style-type: none"> • The purchase order request form is authorised by the budget holder but was not dated to evidence that the order was raised when the expenditure was committed. • The financial limits set out in the Scheme of Delegation currently state that expenditure up to £15K is to be authorised by the Head master and SBM, £15k to £25K Finance Committee and >£25K Full Governing Body; these limits had not been adhered to. 	<p>Unauthorised expenditure may be processed through the school accounts.</p> <p>Payments may not be made in compliance with Financial Regulations and the School's own procedures</p>	<p>The authorising officer should date the purchase order request form.</p> <p>The finance staff should ensure that before payment the agreed procedure and authorisation has been evidenced; the goods</p>

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	<ul style="list-style-type: none"> The requirement to sign that goods and services have been received was issued to all staff in July 2018. For samples 1, 2, 17 and 20 this section had not been authorised and Finance had not followed up to ensure that the procedure is completed before payment. Expenditure >£5K was supported by 3 competitive quotes but the decision to award from those quotes was not clear and although explained by the premises manager, should be documented (sample 8 - £10,272, Sample 12 – £16,858.80, Sample 20 – £13,400). <p>The SBM evidenced a “Site Management Project Checklist” that has been devised and will be used by officers moving forward to ensure an adequate audit trail is available for all projects.</p>		<p>received box has been completed and authorisation is within the Scheme of Delegation limits.</p> <p>The school should formally adopt the Project checklist to capture relevant information and authorisations to provide an adequate audit trail to support decisions for projects >£5K.</p>

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	<p>The expenditure testing identified specific findings as follows:-</p> <ul style="list-style-type: none"> • Sample 9 – £11,289.60 – the invoice was authorised by an officer not on the authorised signatory list. The invoice on the stamp evidences that one officer signed the cheque although the value exceeds the £1K limit set by the school. Only one signature was on the cheque for sample 3- £2,394. • Sample 11 – £14,292.24 – There is no order and the only supporting documentation is an e-mail from the previous SBM to the Finance Manager. • Sample 15 – £23,709.56 – only 1 quote received, 2 suppliers declined to quote (1 contractor was already committed and couldn't resource the project the other would only quote on a job referred by a qualified architect/surveyor). In this instance the school should have sought other quotes or the H/T and Chair sign a waiver to accept the one quote. 		<p>Only officers nominated as authorised signatories should sign off orders or invoices.</p> <p>All expenditure should be supported by an authorised order or contract.</p> <p>If three competitive quotes cannot be sourced or the lowest quote is not accepted the Headteacher and Chair of Governors should sign a waiver to that effect.</p>

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	<ul style="list-style-type: none"> Sample 16 – £ 29,338.25. This payment relates to the quarterly contract for technical support. The invoice is paid in advance for September, October and December but the contract specifies that payment is quarterly in arrears. This invoice has applied a 2.3% CPI but no uplift letter was received to notify the school of the increase. The school have now sourced a copy of the contract but it is only signed by the contractor. The SBM confirmed that she has had several meetings with the provider to monitor performance and delivery of the contract. Sample 17 – £32,142. This work related to emergency lighting required around the school. Three quotes were sourced but the format of the winning quote was in a summary format rather than the detailed specification returned by the other two contractors. The authorised purchase order was for £25,560 (net of VAT) but an additional £1,005 (4%) work was commissioned and charged on the invoice. An adequate audit trail should be available to authorise the additional work. 		<p>Contract payments to this provider should be quarterly in arrears as specified in the contract.</p> <p>The school should ensure that any uplifts are evidenced in writing at the start of the financial period to allow adequate provision and budget setting.</p> <p>Additional work should be authorised by the officer who commissioned the work. Before the invoice is paid the authorising officer should ensure that an adequate trail is evidenced to support the</p>

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	<ul style="list-style-type: none"> Sample 18 – £139,560 and sample 19 - £170,799.59. Both contracts were tendered by Contractor B and a report was available to support the award of contract. In both cases, contractor B “strongly recommends that the Employer carry out its own financial investigation into the company selected”. The SBM confirmed that in neither case has she completed a financial investigation and was assured that contractor B had completed any checks required. Sample 20 – £13,400. There is no invoice number on the invoice to conform to accounting conventions. There were three quotes evidenced but these spanned nearly three months the earliest being the 19/1/18 the latest 16/3/18. The quotes were not measured against a standard specification, one company quoting for the whole job (which gave a lower unit cost), and the other two by room. The final order did not match the quotes and therefore may have impacted on the quotes submitted. Although the Premises Manager explained the rationale of the decision to award this should have been recorded and available as supporting 		<p>additional payment.</p> <p>The school should verify the terms of engagement for Contractor B to ensure the company delivered the service in full as commissioned.</p> <p>Financial investigations should be undertaken before the engagement of a major contract to confirm the financial viability of the contractor.</p> <p>All invoices paid must conform to accounting standards.</p> <p>Quotes should be compared to a standard</p>

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	<p>documentation.</p> <p>It is acknowledged that when the Headmaster was appointed there was an expectation that the planned refurbishment of classrooms and school areas needed to be completed as soon as feasible and this may have impacted on the procedure and record keeping for obtaining quotes and awarding work.</p>		<p>specification and the evaluation of these bids recorded to support the decision.</p> <p>Priority 2</p>

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4	<p>HMRC From the bank history payments to named individuals was identified and checked to the HMRC online assessments.</p> <p>The main issues arising were:-</p> <ul style="list-style-type: none"> • The school have retained the online assessments but there is no date or signature of the officer undertaking the assessment evidenced on the printout. • Of the 16 payments identified 11 were assessed to be self-employed and correctly paid through the creditors system. 1 payment was assessed to be payroll and was duly transferred to this method of payment. • Two of the payments were not supported by an online assessment • Two payments made to individuals could have been avoided. For one the company name was available and the other was a reimbursement on behalf of a parent. <p>The previous audit raised a recommendation to complete online assessments, this has been partially implemented.</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 FM should date and sign the printout to evidence when the online assessment was completed.</p> <p>Online assessments should be completed in all instances where a payment to an individual is planned. (Priority 2*)</p> <p>Payment to a named individual should only be processed if appropriate and there is no other option.</p> <p>Priority 2</p>

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5	<p>Authorisation of claim forms – GL/petty cash/credit card A sample of 10 GL transactions was selected from the bank history. The payment and supporting documentation was verified against the expenditure procedures. Two issues arising:-</p> <ul style="list-style-type: none"> • Officer A - £11.30 – cheque requisition authorised by an officer not on the approved list. • Officer B - £100 - cheque requisition not authorised. <p>The credit card statement dated 18 November 2018 was selected for audit examination. A sample of 20 purchases made between 16 October 2018 and 14 November 2018 was tested. One issue arising:-</p> <ul style="list-style-type: none"> • two orders submitted by Officer C had not been authorised by the relevant line manager (black cast round drain gate on 1/11/18 totalling £23.89 and order for a parking post and accessories totalling £186.71). At the end of audit meeting the school confirmed that the claimant and the approving officer were married. This should have been declared on the pecuniary interest 	<p>Unauthorised expenditure may be processed through the schools accounts</p>	<p>All expenditure whether paid as a cheque request, petty cash or credit card transaction should be supported by authorised documentation prior to payment.</p> <p>For petty cash claims the supporting documentation should be retained intact.</p> <p>Finance staff to be reminded that the checks preformed on claim forms and request for payment forms are a control in the expenditure process.</p> <p>Priority 2</p>

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	<p>form and a compensating control considered</p> <p>The October 2018 petty cash claim was examined. The two issues arising were that:-</p> <ul style="list-style-type: none"> • one claim, submitted by Officer D on 17/9/18 for £16.62 for postage had not been authorised by the budget holder. • two claims submitted by Officer E on 18/9/18 for £9.60 and on 1/10/18 for £5.20, both for parking) where the parking receipts were not available and appeared to have been detached from the claim forms. <p>Audit testing across the expenditure process has identified that the authorisation control needs to be reviewed, revised and reissued to all staff. This finding is specific to examples identified in audit testing but should be considered with finding 1 above which addresses authorisation at a strategic level.</p>		

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6	<p>Asset Register The current asset register was evidenced as two folders with a sheet for each asset. 226 sheets were printed on the 15/6/18 and distributed to responsible officers in each department. The signed pages are then dated and returned but there is no central control to account for all pages. The annual certification of assets by the Headteacher has not yet been completed as the FM is waiting for all pages to be returned.</p> <p>The previous audit had recommended that for ICT equipment the serial number of the item should be noted on the invoice to be able to cross reference to the asset register. Feedback was that this had not been actioned. A check on a recent invoice for 22 IT units confirmed that the serial numbers had not been added.</p>	<p>Assets lost or stolen may not be easily identified.</p> <p>A register of assets is not maintained and up to date.</p> <p>The Financial Regulations requirement for the Headteacher to certify the asset register annually may not be achieved</p>	<p>The school should consider maintaining a central log of stock sheets to control the return.</p> <p>Ensure that the Headteacher certifies the summary record of all assets held in the school to comply with Financial Regulations.</p> <p>Priority 3</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. Priority 2*</p>

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7	<p>Pecuniary Interest Declaration of interest forms for the Governors are held by the Clerk to the Governing Body. A copy of the completed forms is not held by the school.</p>	<p>Governors 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>The school should ensure that a copy of the pecuniary interest forms, completed by Governors is held at the school. This will ensure that any conflicts of interest, where Governors are asked to authorise payments or make procurement decisions, can be avoided.</p> <p>Priority 3</p>

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8	<p>Finance Committee Minutes</p> <p>The I&E report for 2018 to date was reviewed. Two expenditure heads, E19 (Learning Resources –not ICT equipment) and E20 (ICT learning Resources) showed a revised budget. The Finance Manager explained that the Governors had given “blanket approval” to increase the budget for expenditure when proposed projects are moved from the “wish list” to become an adopted project.</p> <p>The Finance Manager confirms that this was discussed at the Finance Committee 16/5/18 but the minutes for this meeting do not reflect this discussion.</p> <p>The timing of the minutes should also be considered; the Finance Manager has access to the final version as part of the agenda papers sent out for the next meeting.</p>	<p>The Committee minutes do not accurately reflect Governors debate.</p> <p>Key issues discussed and approved at Committee may not be recorded to support actions taken by the Finance Officers.</p>	<p>The Clerk to the Governors should ensure that the Finance Manager is included on the distribution of the draft minutes of the Finance Committee. This would ensure that matters discussed and agreed and required for audit purposes are recorded.</p> <p>The finalised minutes should be issued to the SBM and FM at the earliest opportunity to ensure all actions points are addressed.</p> <p>Priority 2</p>

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9	<p>Follow up Previous Recommendations – IT Contract – Outstanding</p> <p>As a priority 1 recommendation the progress to implement is reported to the Audit Sub Committee. Members were informed at the last meeting on the 14th November that:-</p> <p><i>“The SBM had met with Bromley officers from the Information Services Division and Procurement to discuss the priority 1 recommendation and consider how the Authority could support the school going forward with the IT contract and procurement generally.</i></p> <p><i>At the initial meeting it was agreed that the SBM would present an options paper to the Governing Body to determine the level of support to be commissioned from the Authority for procurement and Bromley’s contracted IT provider (contractor C) with regard to the IT contract. It was agreed at this meeting that given the current contract expired in August 2019 and not withstanding termination penalties, to complete the term with the incumbent provider and schedule the re tendering exercise to start in October.</i></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 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.</p> <p>Priority 1*</p>

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	<p><i>At the end of June the school confirmed their intention to commission Contractor C to scope the ICT System/Service support requirements to assist with the planned tender exercise. Contractor C has now completed the first site visit to document current provision. Contractor C will now draw up the technical specification for the school to use for the tender exercise.</i></p> <p><i>The SBM confirmed by e-mail that as at October 2018 the school had conducted an options appraisal to determine ICT management going forward. The decision is still outstanding as the school want to compare costs with an option to bring the service in house.</i></p> <p><i>Given that the decision on how to proceed is still under discussion the priority 1 will remain outstanding until the tender process or alternative is underway.”</i></p> <p>At the time of the site visit on the 3rd and 4th December the school were still waiting to receive the report from Contractor C and this was delaying their progress to implement the recommendation.</p>		

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No.	Findings	Risk	Recommendation
10	<p>Follow up Previous Recommendations – Contract Register – Outstanding</p> <p>When the SBM took up post in April 2018 there was no hand over with the previous post holder and limited documentation to support contractual arrangements.</p> <p>The recommendation raised in the previous audit report relating to the contract register has not yet been addressed as the SBM has had to prioritise remedial work. The SBM has tackled contract issues as they have arisen but the discreet piece of work to review and revise the contracts register is outstanding and will therefore be re recommended.</p> <p>The SBM will be developing contract management and monitoring procedures for all contracts held by the school. This will include performance management, compliance to agreed terms and the reporting to Governors to allow informed decisions regarding contracts that have been rolled over each year without challenge.</p>	<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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DETAILED FINDINGS

No.	Findings	Risk	Recommendation
			<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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DETAILED FINDINGS

No.	Findings	Risk	Recommendation
11	<p>Follow up Previous Recommendations - Cash Flow Statements – Partially Implemented</p> <p>For cash flow statements the school requested training for the FM to be provided by Bromley’s Exchequer contractor. The elapsed time was due to this contractor resourcing the training and has therefore only been delivered recently. The first cash flow statement is due this month and once evidenced by Internal Audit this recommendation may be moved from partial to implemented.</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>

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MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1	<p>Authorisation All officers involved in the authorisation process to be aware of what their signature represents to ensure that their authorisation is meaningful.</p> <p>The goods received part of the process should be evidenced to give the authorising officer assurance to proceed to payment. Although this has been rolled out in an e-mail supplementary training or instruction from SLT should support compliance to this procedure.</p> <p>The school must review and revise their authorisation procedure for expenditure payments. The officers allocated to each task must be the most appropriate and be aware of their role and responsibility. At all</p>	2	<p>3 officers to be clearly defined in the expenditure process:</p> <p>1) Officer 1: Budget Holder to sign order 2) "most appropriate" officer (Budget holder or suitable alternative) to sign Goods received 3) Officer 2 (Finance Manager/SBM/SLT) to authorise invoice (having checked invoice/goods received/VAT) 4) Officers 3 and 4: 2 x cheque signatures DIFFERENT from all above.</p> <p>New stamp to be designed and purchased to include fields to ensure all the above.</p> <p>Training to be offered to all authorising officers to ensure that the</p>	<p>SBM/FM</p> <p>SBM/FM</p> <p>SBM</p>	<p>February 2019</p> <p>February 2019</p> <p>February 2019</p>

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Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
	times three officers must be authorising each payment to achieve separation of duties and comply with Financial Regulations.		authorisation is fully understood and meaningful. Finance staff have implemented system whereby they check each other's authorisation process prior to final payment.	JR/TC	In place and ongoing
2	<p>Scheme of Delegation The school should ensure that the working practices are accurately reflected in the Scheme of Delegation and similarly that the limits set out in the Scheme of Delegation are adhered to. (Priority 2*)</p> <p>Two specific areas for review are the authorisation limits and the cheque signatories.</p> <p>Once the amendments have been completed the revised Scheme of Delegation will need to go back to</p>	2	<p>Scheme of Delegation to be re-drafted and taken to FGB for ratification.</p> <p>2 signatures will be required for all cheques.</p> <p>Authorisation limits to be reconsidered.</p> <p>Scheme of Delegation to have footer embedded in document to include owner, revised date and revision due date. It will also be added to the school's policy schedule.</p>	SBM	March 2019

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	Governors for minuted approval. The Scheme of Delegation should detail the owner, revised date and next review date embedded in the document footer.				
3	<p>Expenditure Process The authorising officer should date the purchase order request form.</p> <p>The finance staff should ensure that before payment the agreed procedure and authorisation has been evidenced; the goods received box has been completed and authorisation is within the Scheme of Delegation limits.</p> <p>The school should formally adopt the Project checklist to capture relevant</p>	2	<p>Field added to PO form to include date</p> <p>'Cheat sheet' provided to all Finance Staff to show a) limits and b) checks needed prior to process.</p> <p>Project Checklist already in place, and will continue to be used for projects to ensure a suitable audit trail on projects exceeding £5,000. For goods over £5,000, three competitive quotes will be sought and submitted with PO.</p>	<p>SBM/FM</p> <p>SBM/FM</p> <p>SBM/Site Manager</p>	<p>Feb 2019</p> <p>Feb 2019</p> <p>In place and ongoing</p>

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Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
3 Cont.	<p>information and authorisations to provide an adequate audit trail to support decisions for projects >£5K.</p> <p>Only officers nominated as authorised signatories should sign off orders or invoices.</p> <p>All expenditure should be supported by an authorised order or contract.</p> <p>If three competitive quotes cannot be sourced or the lowest quote is not accepted the Headteacher and Chair of Governors should sign a waiver to that effect.</p> <p>Contract payments to this provider should be quarterly in arrears as specified in the contract.</p> <p>The school should ensure that any</p>		<p>As part of the Finance Office checklist, order and invoices must be checked for signatures of nominated authorisers.</p> <p>HT or CoG to sign waiver form (as designed by SBM) in the event 3 quotes not available on projects over £5,000.</p> <p>Contracts to be checked, with payment frequency included on contracts register. Schedule of payments to be shared with finance Office.</p>	<p>SBM/FM</p> <p>SBM</p> <p>SBM</p>	<p>Feb 2019</p> <p>Feb 2019</p> <p>By Summer 2019</p>

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Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
3 Cont.	<p>uplifts are evidenced in writing at the start of the financial period to allow adequate provision and budget setting.</p> <p>Additional work should be authorised by the officer who commissioned the work. Before the invoice is paid the authorising officer should ensure that an adequate trail is evidenced to support the additional payment.</p> <p>The school should verify the terms of engagement for Contractor B to ensure the company delivered the service in full as commissioned.</p> <p>Financial investigations should be undertaken before the engagement of a major contract to confirm the financial viability of the contractor.</p>		<p>If projects evolve, resulting in uplift, at the point that increase cost is sought/agreed, the finance office will be informed to allow commitment to be included in accounts. This additional work will be authorised by the SBM, HT or CoG. Suitable audit paperwork will be sought and included in communication with finance office.</p> <p>Clarity has been sought, and the terms of engagement with Contractor B now accepted.</p> <p>Financial assurance sought from companies engaged in major capital projects.</p>	<p>SBM</p> <p>SBM</p> <p>SBM</p>	<p>In place and ongoing</p> <p>Complete</p> <p>Feb 2019</p>

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Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
3 Cont.	<p>All invoices paid must conform to accounting standards.</p> <p>Quotes should be compared to a standard specification and the evaluation of these bids recorded to support the decision.</p>		<p>Invoices to include invoice numbers, date and information pertinent to accounting standards</p> <p>Quotes to be sought for a standard specification where appropriate, with the evaluation of these quotes submitted as supporting evidence on 'Project Checklist Form'.</p>	<p>FM</p> <p>SBM/Site Manager</p>	<p>Feb 2019</p> <p>In place and ongoing</p>

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4	<p>HMRC The FM should date and sign the printout to evidence when the online assessment was completed.</p> <p>Online assessments should be completed in all instances where a payment to an individual is planned.</p> <p>Payment to a named individual should only be processed if appropriate and there is no other option.</p>	<p>2</p> <p>2*</p>	<p>The FM will date and sign the printout to evidence when the online assessment was completed.</p> <p>Online assessments will be completed in all instances where a payment to an individual is planned.</p> <p>Payment to a named individual will only be processed if appropriate and there is no other option.</p>	<p>FM</p> <p>FM</p> <p>FM</p>	<p>From present and ongoing</p>

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5	<p>Authorisation of claim forms – GL/petty cash/credit card All expenditure whether paid as a cheque request, petty cash or credit card transaction should be supported by authorised documentation prior to payment.</p> <p>For petty cash claims the supporting documentation should be retained intact.</p> <p>Finance staff to be reminded that the checks preformed on claim forms and request for payment forms are a control in the expenditure process.</p>	2	<p>As part of finance office checklist, expenditure from claim forms to be checked for full authorisation prior to payment.</p> <p>Supporting documentation will be retained intact.</p> <p>Checklist to be created, and reminder given that the checks are part of controls.</p>	SBM/FM	Feb 2019

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6	Asset Register The school should consider maintaining a central log of stock sheets to control the return.	3	Log of asset register stock sheets to be kept in finance office.	SBM/FM	Aug 2019
	Ensure that the Headteacher certifies the summary record of all assets held in the school to comply with Financial Regulations.		HT to sign current asset register.	SBM/FM	Feb 2019
	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.	2*	ICT manager to be tasked with including serial numbers by requesting that suppliers include on invoices. Where this fails, he is to manually note serial number on invoices prior to authorisation for payment.	ICT Manager	From present and ongoing

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7	<p>Pecuniary Interest The school should ensure that a copy of the pecuniary interest forms, completed by Governors is held at the school. This will ensure that any conflicts of interest, where Governors are asked to authorise payments or make procurement decisions, can be avoided.</p>	3	Clerk to be asked to provide copies of governor PI forms, which will be held on Governor HR files.	SBM/Clerk to Govs	Feb 2019

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Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
8	<p>Finance Committee Minutes The Clerk to the Governors should ensure that the Finance Manager is included on the distribution of the draft minutes of the Finance Committee. This would ensure that matters discussed and agreed and required for audit purposes are recorded.</p> <p>The finalised minutes should be issued to the SBM and FM at the earliest opportunity to ensure all actions points are addressed.</p>	3	<p>SBM and FM included in minutes of FC.</p> <p>Request that draft minutes are circulated to both SBM and FM as soon as available has been made.</p>	Clerk to Govs	From present and ongoing

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9	<p>Follow up Previous Recommendations – IT Contract 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.</p>	1*	School has received Specification Report from independent company. Next step is for school to complete an options appraisal and make decision to go to full EU Tender (if decision is made to engage an external contractor with total value above relevant thresholds), or seek other suitable alternative provision (ensuring compliance with financial regs).	SBM	July 2019

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MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
10	<p>Follow up Previous Recommendations – Contract Register</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> <p>The contract register is a “live” document that should be owned and updated regularly. The document</p>	2*	<p>Contracts register to be updated and developed, with consideration to all the internal audit recommendations. This will be kept as a ‘live’ document. The auditors’ ‘control matrix of suggested controls and matrices for contract management and monitoring’.</p> <p>Signed copies of all contracts held on file by SBM.</p>	SBM	Summer 2019

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Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
10 Cont.	should be used as a planning document and evidence action taken for each contract and the current status.				
11	<p>Follow up Previous Recommendations - Cash Flow Statements – Partially Implemented</p> <p>Ensure that cash flow statements are produced periodically and any variances to the projected cash flow are investigated and actioned.</p>	2*	Cash flow statement currently in process	FM	February 2019

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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.