



FINAL INTERNAL AUDIT REPORT

PEOPLE DEPARTMENT

REVIEW OF ST OLAVES GRAMMAR SCHOOL

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REVIEW OF ST OLAVES GRAMMAR SCHOOL

INTRODUCTION

1. This report sets out the results of our audit of St Olaves Grammar School. The audit was carried out as part of the work specified in the 2019-20 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee. The controls we expect to see in place are designed to minimise the Council's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be addressed by management.
2. The planned audit of St Olaves was undertaken during a two day visit to the school on the 2nd and 3rd of December. Unfortunately the Finance Manager (FM) was not available due to ill health however the School Business Manager (SBM) and Finance Team were able to supply most of the information required for the audit. The outstanding testing that required input from the Finance Manager was completed on the 18th December and the 9th January. Unfortunately the SBM was absent on both these dates due to ill health.
3. We would like to thank all staff contacted during this review for their help and co-operation.

AUDIT SCOPE

4. The original scope of the audit was outlined in the Terms of Reference issued on 15/11/19.
5. The key risk areas were identified as:-
 - **Financial management information** including budget monitoring, financial reports and returns to London Borough of Bromley
 - **Primary accounting documentation** including payments, income, contracts, voluntary funds, bank reconciliations and payroll.
 - **Asset control**
 - **Governance arrangements** including financial delegation, governor minutes, budget approval and business interests

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6. The audit reviewed relevant documentation, interviews were carried out with key staff and testing of related procedures and processes. Testing was based on transactions processed during the period November 2018 to November 2019. The school utilise funding from the Voluntary Fund, Parent Teachers Association donations and a specified annual amount from the Foundation. Internal Audit do not review these other funding streams and are only concerned with the school account. However procurement and project management to be funded from one of the alternative income sources is scrutinised if the expenditure is shown as a transaction through the school account. The process to procure, order and payment is then measured against the School’s Financial Regulations.
7. The recommendations raised in previous audit reports were reviewed to evidence progress to implement.

AUDIT OPINION

8. Our overall audit opinion, number and rating of recommendations are as follows.

AUDIT OPINION	
Limited Assurance	(Definitions of the audit assurance level and recommendation ratings can be found in Appendix B)

Number of recommendations by risk rating		
Priority 1	Priority 2	Priority 3
2	7	3

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9. Prior to the audit the SBM submitted a file of evidence to demonstrate the steps taken by the school to address the recommendations from the previous audit. This was extremely useful and supported the follow up work to be completed this time. We found that of the 11 previous audit recommendations 6 had been fully implemented (authorisation, scheme of delegation, the expenditure process, Finance Committee minutes, contract register and the IT contract); 2 of the recommendations relating to the authorisation of claim forms and pecuniary interest had been partially implemented. We confirmed that there were issues with the ICT asset register, IR35 and cash flow so these recommendations would remain open.
10. The SBM also evidenced the Finance Strategy Development Plan (FSDP) which had been reported to the Finance Committee on the 16 October 2019. This is a comprehensive document setting out the aims, notes, action required, timeline and responsibility. The minutes, however, did not reflect discussion or approval of the Strategy. It was noted that the FSDP did not include contract management or contract monitoring; this may be an area to develop.
11. The audit reviewed the documentation to support the tender exercise to procure the IT provision for the school given this had previously been identified as a Priority 1 recommendation. The procurement evidenced compliance to Contract Procedure Rules with the contract award approved by the Governing Body at its meeting on 6 November 2019. It was noted that the IT expertise available from a Governor offered knowledge, scrutiny and challenge. The new contract commenced on the 1 January 2020 and it is estimated to deliver savings of some £70K over the three year period. The SBM evidenced a good understanding and an exit programme to complete handover procedures from the existing contractor to the new provider. No testing was carried out on the IT contract and provision; this will be considered at the next audit when the new contract has been embedded.
12. The SBM had previously informed Internal Audit at the time that the school bank account had been overdrawn by £24,754 for a few hours on the 25th October. An internal investigation report into the circumstances of the overdrawn incident, issued by the SBM, was discussed and agreed that the school had put additional measures in place to ensure that the account should not become overdrawn again. These included training for the FM, limiting cheque runs and documented scrutiny and approval between the FM and SBM. However when the cash flow reports were reviewed on the 18 December, it was evidenced that these steps had not yet been implemented. The incident also raised concerns around the school's business

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continuity plan given the FM was unable to contact the SBM, Governor or authorising officer to confirm the action she took to move funds remotely from the Voluntary Fund.

13. This audit review acknowledges that the SBM and Finance staff have made significant improvements with regard to the authorisation and expenditure procedures. This includes changing the invoice stamp, clarifying roles and responsibilities, issuing advice to all staff and delivering training. For the contract register it is acknowledged that the SBM did not inherit any “paperwork” or supporting documentation from the previous postholder and therefore had no starting point to create this record. It is also acknowledged that the school have undertaken a number of projects that have necessitated quotations, tendering and management. The SBM and Premises Manager have developed a Project Checklist to support projects now undertaken by the school and a central folder to collate supporting documentation. Although there is a finding around the tendering arrangements for projects it is acknowledged that the Project Checklist and supporting documentation is a significant improvement but there is a need to develop this.
14. The audit work undertaken has identified issues arising in the following areas:
 - Compliance to Financial Regulations specifically competitive quotes and tendering; authorisation; adequate documentation to support payment, timely alert and informing the FM to ensure committed expenditure is known prior to the receipt of the invoice and VAT duplication. The detailed findings are reported separately at Appendix C.
 - For payments made in line with IR35 regulations it was noted that that for one payment to an individual, a company invoice had been submitted and payment should have been made against that instead.
 - The asset register for IT equipment was kept by the IT contractor. The school do not have access to this record and the Head teacher has not signed off the complete register as per Financial Regulations. There is no process to reconcile asset versions, check movement off the registers or to give any assurance that the register is complete. Given the IT contractor was to be out of contract on the 31 December 2019 this was an increased risk to the safeguarding of assets. The school were advised at the end of audit meeting on the 18th December that the asset register and associated risks must be considered as part of the exit plan. The school will need to evidence what arrangements have been agreed with the new IT contractor or what processes have been developed for the school to comply with the Financial Regulations relating to safeguarding assets.

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- The previous two audits have recommended that the school need to produce monthly cash flow reports. This has now been implemented for 2019/20. The cash flow reports from April 2019 had been prepared and signed by the FM but only April and May had been authorised by the SBM. The FM had added notation to explain variations, the authorisation by the certifying officer is the control that, independent to the FM, the notated explanation is acceptable.
- The 19/20 budget summary document presented to Governors at the Finance meeting in June 2019 had not been signed by the Chair of Governors; the I&E report printed for the Internal Audit visit on the 3rd December showed a deficit of £23K and having set a balanced budget for 2019/20 the budget monitoring and financial management will be critical this year. The overdrawn bank account incident in October is evidence of this. The annual funding available to the school from the Foundation is drawn down as needed and has effectively been used to ease cash flow pressures and meet one off planned projects. It was previously recommended that all income streams, school fund, voluntary fund and Foundation funds be reported to Governors to achieve full transparency and allow Governors and the Senior Leadership Team to make informed decisions regarding financial planning and budget setting, this recommendation was implemented. It is acknowledged that the school have prepared a three year forecast that was presented to Governors at the May 2019 Finance Committee. However the full value of Foundation funds available for the financial year is not included in the original budget declared to Governors and approved as part of the annual budget setting process. The budget set for 2019/20 was discussed with the Director of Education and Head of Finance (Children, Education and Families) at a meeting in June 2019 when it was agreed that £250K would be transferred from the Foundation to the school account with immediate effect. This transfer was not actioned. The school have now evidenced that £350K was drawn down from the Foundation at the end of December.
- The roles and responsibilities within the Finance function need clarification. The FM now reports on both the school and voluntary fund and liaises with the Foundation regarding the drawdown of funds resulting in a lack of separation of duties.
- The Income and Expenditure report dated 3 December 2019 was checked to identify overspent expenditure heads. Two were selected as an example to evidence awareness of the overspend, remedial action if any and then the reporting to Governors. In both cases the FM was able to explain the spend but neither had been detailed on the Management Account reported to the October 2019 Finance Committee. It is acknowledged that the Chair of Finance had requested briefer management reports but this does allow this officer discretion over what is reported to Governors; agreed tolerance levels would be more transparent and exercise tighter control.

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- The two control accounts, aged creditors and aged debtors were requested on the first day of the audit. Two invoices over 91 days were identified but given that the FM is responsible for the debtors the reason and explanation had to wait until she returned from sick leave. The outstanding payment for £117 was identified as an input error and was corrected. The control accounts are retained as part of the month end reporting but it is suggested they be signed by the responsible officer to evidence that the report has been run and cleared.
- The bank reconciliation is completed monthly, signed by the responsible officer and authorised by the line manager. It was noted that for the September 2019 bank reconciliation the Finance Officer had not signed the report but it had still been authorised by the SBM. Since the issue with cash flow and the school funds being overdrawn the FM now completes the bank reconciliation and the SBM should authorise this.
- The credit card statement for October 2019 was selected for audit testing of procurement card transactions. There was an issue regarding a credit and debit transaction not supported by an adequate audit trail.
- Income testing identified that there was insufficient information shown on the manual invoices to cross reference to the income being received. Although all the income in the sample was accounted for it relied on input from the FM to confirm this. It is also noted that the FM is responsible for debtors and invoices and in her absence the finance team were unable to resolve audit queries, again raising issues around roles, responsibilities and resilience.
- The petty cash claim for October 2019 was checked and identified that for 1 out of 16 transactions, the claim had not been authorised.
- It had been previously recommended that the pecuniary interest signed forms for Governors be held on the school site. The forms were satisfactorily checked for all but 3 governors. It was accepted that these were new governors from September 2019 but all had attended meetings in the Autumn Term and therefore any pecuniary interests should have been identified prior to them attending those meetings.
- Although cyber security is not specifically tested as part of the audit work plan a self-assessment questionnaire had been left with the SBM at the end of the previous audit in January 2019. We were unable to confirm that this questionnaire had been completed and what action if any had been taken to mitigate any risks identified.

To conclude the audit has identified several areas for improvement and recommended remedial action as discussed above and detailed at Appendix A. Of these there are two significant areas of concern:-

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- Processes around project management and spend as evidenced by the sample payment to Contractor A demonstrate non-compliance to Financial Regulations and poor financial control. The school have completed and are committed to, other large schemes and projects that will need the financial controls that were lacking in the audited example. The school must therefore address these issues as a priority.
- For financial management and governance the primary concern is that with a balanced budget the school must evidence timely financial reporting, financial planning and a financial strategy to meet budget pressures in this year and forthcoming years. Although the school have access to Foundation reserves there has been an increased draw on this fund and evidence that it is being used to solve cash flow issues in the school accounts. Similarly the school must evidence that they have completed due diligence and affordability checks before any expenditure is considered, ensuring that the source of income is confirmed and received prior to that spend. The school will need to evidence that they have a long term cash flow analysis.

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, together with management's responses and timescales for implementation. Appendix B details the definition of the audit assurance and priority ratings.

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APPENDIX A

No	Finding	Risk	Recommendation and Priority *Raised in previous Audit	Management Response	Agreed timescale and responsible manager
1	<p>Expenditure</p> <p>A sample of 21 payments was selected from the bank history report for the period November 2018 to November 2019. The main issues arising were:-</p> <ul style="list-style-type: none"> • Noncompliance to Financial Regulations with regard to obtaining quotes and tendering arrangements and use of the waiver process • Inadequate audit trail to support payment and poor communication with the Finance Manager to allow timely alert of committed expenditure • An unauthorised signatory approved a payment • VAT added twice to a payment 	<p>Payments may not be made in compliance with Financial Regulations and the School's own procedures</p> <p>Unauthorised expenditure may be processed through the school accounts.</p>	<p>All expenditure must comply to Financial Regulations; tendering should be undertaken for projects >£50K.</p> <p>Any exemption to Financial Regulations must be supported by a waiver signed by both the Head Teacher and the Chair of Governors.</p> <p>The project checklist and folder evidences a significant improvement however this is work in progress and the information, completeness and accuracy needs to be improved.</p> <p>All payments should be supported by an adequate audit trail, including agreed quotes, variations, evidence of eligibility and commitment of purchase.</p> <p>The FM to be made aware of financial commitment at the first opportunity and be kept up to</p>	<p>Going forward all contracts over £50,000 will require written tenders using either, open procedure, two stage process procedure or negotiated procedure.</p> <p>For any contract or purchase over £5,000, competitive quotes will be sought or a waiver signed by the Headteacher and the Chair of Governors will be produced.</p> <p>Procedures for checking invoices against purchase orders will be tightened and contractors to be challenged when they fail to produce detailed invoices.</p> <p>The raising of purchase orders for any changes in a project should alert FM of increases in</p>	<p>HT/ Premises Manager Immediate</p> <p>HT/FM/Premises Manager Immediate</p> <p>HT/Premises manager</p>

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	<p>The detailed findings and sample numbers are shown at Appendix C.</p> <p>The recommendations relate to the general issues identified during the expenditure testing. The school may need to consider specific remedial action for each example highlighted.</p>		<p>date or have access to any changes and variations prior to payment.</p> <p>Authorised signatories only should approve orders/invoices.</p> <p>Priority 1</p>	<p>commitment along with being cc'd into email trails on Capital projects</p> <p>Training to be sought for key personnel on procurement.</p> <p>Only authorised signatories are supposed to authorise purchase orders/invoices. Staff have been reinstructed and procedures rewritten to emphasise this.</p>	<p>Finance Office Staff</p> <p>Immediate</p>

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2	<p>HMRC</p> <p>From the bank history a list of 20 named individuals receiving payment were checked to the online HMRC assessment showing that the individual was self-employed.</p> <p>The printed report now shows the date of the online questionnaire.</p> <p>All 20 were supported by an assessment however one individual had submitted a company invoice but requested payment to himself. Payment to a named individual should be the last resort if there is no alternative.</p>	<p>Non-compliance with HMRC regulations resulting in a financial penalty</p>	<p>Where possible payments should always be made to a company rather than a named individual.</p> <p>Priority 2</p>	<p>Procedures for checking invoices subject to IR35 legislation have been revised to clarify that payment must be to company rather than an individual if a company name is shown on the invoice, even if the supplier requests payment in their name.</p>	<p>FM Immediately</p>

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3	<p>Asset Register</p> <p>The asset register for IT equipment was kept by the IT contractor. The school do not have access to this record and the Head Teacher has not signed off the complete register as per Financial Regulations. The FM confirmed that she had been sent a copy last year but there is no process to reconcile asset versions, check movement off the registers or to give any assurance that the register is complete. Given the IT contractor will be out of contract on the 31/12/19 this is an increased risk to the safeguarding of assets. The school were advised at the end of audit meeting on the 18th December that the asset register and associated risks be considered as part of the exit plan.</p>	<p>The Financial Regulations requirement for the Head teacher to certify the asset register annually may not be achieved</p> <p>Assets lost or stolen may not be easily identified.</p>	<p>The arrangements to maintain the IT asset register should be confirmed with the new IT provider. The handover and exit arrangements with the outgoing IT provider should be evidenced.</p> <p>The school should ensure that the purchase of any new IT equipment is uploaded to the asset register and any write off or disposal duly certified by the school.</p> <p>A sample stock take should be undertaken, independent of the IT provider and a copy of the IT asset register should be printed off annually for the Head Teacher to certify that all assets are accounted for.</p> <p style="text-align: center;">Priority 2</p>	<p>The new ICT contractor has been asked to complete a review of the IT asset register. The ICT contractor will be instructed to get approval during the year for any disposals, highlight missing items and to update the register with any new items purchased through the year.</p> <p>The School will incorporate the ICT asset register into the annual asset register update. As part of the annual asset check spot checks will be carried out by the School. The complete asset register including IT equipment will be signed off by the Headteacher.</p>	<p>HT Immediate</p> <p>HT/FM Summer 2020</p>

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4	<p>Cash Flow</p> <p>The budget cash flow for 19/20 was checked to the actual cash flow reports. Entries for cash book balance and budget share were sample checked to the bank reconciliation and SFT notification. The main issues arising were that the monthly cash flow report had been signed by the FM but at the time of the audit the SBM had only authorised April and May.</p> <p>The variation between the estimated and actual balance should be considered each month and notation added to the cash flow report to explain that variance. This had been done up to September but not October and November and without the authorising signature the rationale cannot be confirmed as correct.</p>	<p>The school may not be aware of their ability to meet all liabilities</p>	<p>The cash flow reports are an important control document and useful tool for financial management.</p> <p>It is therefore important that the cash flow report be produced monthly and reviewed and certified by the authorising officer in a timely manner to confirm the values declared and acceptance of the explanations for any variance.</p> <p style="text-align: center;">Priority 2</p>	<p>Cashflows are produced monthly as per London Borough of Bromley requirements.</p> <p>The retrospective cashflow will be signed in a timely manner and variances explained</p>	<p>HT Immediate</p>

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5	<p>Bank Reconciliation</p> <p>The bank reconciliation is completed monthly, signed by the responsible officer and authorised by the line manager. It was noted that for the September 2019 bank reconciliation the Finance Officer had not signed the report but it had still been authorised by the SBM. As previously reported the authorisation is an important control in any finance system; there must be a clear understanding what is being authorised. Since the issue with cash flow and the school funds being overdrawn the FM now completes the bank reconciliation and the SBM authorises.</p>	<p>The finances of the school may not be accurately represented in the Financial Management System.</p> <p>Discrepancies between the FMS and bank account may not be detected.</p>	<p>The authorising officer should have a clear understanding of their role as an authorising officer. The certifying signature is added to the report once that officer is satisfied that agreed checks have been satisfactorily completed.</p> <p>Priority 2</p>	<p>The SBM was given training in the bank reconciliation process. This is a minor oversight. Systems will be put in place to ensure that it does not happen again.</p>	<p>HT/FM/Purchase Ledger Clerk</p>

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6	<p>Financial Management</p> <p>The audit objective is to test the budget setting process, verify that the information presented to Governors represents the accurate financial position of the school and that the school are monitoring the finances during the year. Overall this was achieved however there were several issues arising:-</p> <ul style="list-style-type: none"> • The 2019/20 budget summary document presented to Governors at the Finance meeting in June 2019 had not been signed by the Chair of Governors; • The I&E report printed for the Internal Audit visit on the 3rd December showed a deficit of £23K and having set a balanced budget for 2019/20 the budget monitoring and financial management will be 	<p>Unauthorised use of school funds.</p> <p>Governor approval of the annual budget may not be evidenced</p> <p>Insufficient funds to cover school expenditure</p>	<p>The budget summary document should have been signed by the Chair of Governors and retained as evidence that the document presented was approved. This can be done retrospectively for 2019/20 but will need to be done annually moving forward.</p> <p>The school should ensure that there are sufficient funds within the school account to meet committed expenditure. There are budget monitoring reports and cash flow which should support the school to achieve this.</p> <p>The steps identified by the school to prevent the school account being overdrawn again should be implemented.</p>	<p>The Final Budget was presented to the Full Governing body for approval as changes were made post Finance Committee meeting. The Chair of Governors will be asked to sign the 2019/20 Budget and all budget reports going forward</p> <p>The overdraft was exceptional, and the School was due funds from the Government to fully fund the increase in employers' contributions for Teachers' pensions that had been implemented in September. The Finance manager wrote to LB Bromley's Director of Education in September 2019 to raise concerns that this was unsustainable and query when the funds would be received. The monthly cost for St Olaves is £20,000 and the funds were not received until November. All staff are requested to raise</p>	<p>HT Immediate</p>

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	<p>critical this year.</p> <ul style="list-style-type: none"> • The expenditure testing has shown that the FM is not always aware of expenditure as it is committed to allow FMS to accurately reflect funds available. • The overdrawn school funds incident in October also indicated that the monthly cash flow is very tight and the steps identified in the internal investigation report were not evidenced as implemented. • Foundation funding is drawn down as needed but as evidenced with the overdrawn school fund incident, informally and not in a timely way to cover expenditure • The transfer of £250K from the Foundation to the school fund should have been 	<p>Inadequate financial management may lead to the school account being overdrawn which is contrary to Financial Regulations</p> <p>Inadequate financial management and poor financial information will prevent Governors making informed decisions and exercising long term financial planning.</p>	<p>The school should consider including the total Foundation grant in the budget rather than drawing down values during the year.</p> <p>The management report to Governors should highlight all areas of interest including overspent or projected overspent expenditure codes.</p>	<p>purchase orders. Training is ongoing and Staff are constantly reminded of the requirement to raise PO's and inform FM of any changes in costs for projects.</p> <p>The School will report the Total Foundation Grant alongside the budget in the Management Accounts presented to Governors</p> <p>A schedule for drawdown was agreed with the Foundation giving the month of drawdown, this has now been amended to include the date of the month for payment.</p> <p>The Foundation has transferred the £250,000. The School will give consideration to drawing across the historical funds still</p>	<p>SLT & all staff Immediate</p> <p>HT Immediate</p> <p>FM/Chief Executive Officer (Foundation) Immediate and ongoing</p> <p>Governors/SLT March/April</p>

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	<p>actioned in June 2019 as agreed at the meeting between the school and the Local Authority.</p> <ul style="list-style-type: none"> • Incomplete information available to the FM for specific projects (HT House conversion) limits the effectiveness of commitment accounting. • Two overspent expenditure codes identified in the I&E report run on the 3/12/19 had not been highlighted in the Management Report to Governors. It is acknowledged that the Chair of Governors requested a shorter report but there should be some guidance regarding tolerance levels rather than officer discretion. • During the course of the audit both the SBM and FM were not available and off site. There were issues retrieving information or 	<p>The Finance function is too reliant on key officers and responsibilities are not shared or covered to allow adequate resilience.</p>	<p>The school should consider the roles and responsibilities within the Finance function to ensure business continuity and an adequate resilience in case of staff absence.</p> <p style="text-align: center;">Priority 1</p>	<p>held by the Foundation and the annual grant income at the beginning of each financial year.</p> <p>Roles and responsibilities will be addressed. Staff to be trained in some aspects of FM & SBM roles to ensure Business continuity.</p> <p>The Management Accounts report to Finance Committee will be confirmed with the Chair of the Finance Committee in terms of presentation to ensure that it enables Governors to strategically monitor the Schools finances. Reporting levels for variances either in monetary terms of percentage to report on to be agreed with Finance Committee.</p> <p>Training and procedure notes completed to ensure staff are aware of where all documentation is kept and how</p>	<p>Before Budget is set for 2020/21</p> <p>HT/FM Ongoing</p> <p>SLT/Governors</p> <p>HT/FM/Finance Staff</p>

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	<p>resolving audit questions that had to be delayed until the responsible officer returned. This did highlight business continuity and resilience issues for the Finance function.</p>			<p>to interpret it.</p>	<p>Immediate & ongoing</p>
<p>7</p>	<p>Control Accounts The aged debtors and aged creditors reports were run for the audit visit. The two debtors were known to the FM and cleared that month; the 1 invoice over 30 days was the result of the invoice date being incorrectly input to the FMS. These are important control accounts that should be signed off by the responsible officer to evidence that this routine procedure has been completed and action taken accordingly.</p>	<p>Timely remedial action may not be taken to recover debts due to the school and invoices for payment may exceed 30days</p>	<p>Aged debtors and aged creditors reports, assigned to an officer should be annotated to show any investigation and remedial action and then signed off to evidence completion.</p> <p style="text-align: center;">Priority 3</p>	<p>Aged Creditors and Aged Debtor reports form part of the existing month end procedure. Evidence of remedial action will be retained and signed off by Purchase Ledger Clerk & FM.</p>	<p>FM/PLC Immediate</p>

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8	<p>Petty Cash The petty cash claim for October 2019 was checked and identified that for 1/16 transaction the claim had not been authorised.</p>	<p>Petty cash transactions may not be completed in accordance with Financial Regulations or the schools own financial procedures</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>Finance staff to be reminded that the checks performed on claim forms and request for payment forms are a control in the expenditure process</p> <p style="text-align: center;">Priority 2</p>	<p>Staff to be reminded of the requirement for proper authorisation of claims and the Purchase Ledger Clerk to be reminded to reject claims that are not correctly authorised.</p>	<p>HT/FM/PLC/All Staff Immediate</p>

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9	<p>Procurement Card</p> <p>The credit card statement for October was selected for audit testing; 36 transactions had been processed with a total value of £2,648.92. The procedure to request any purchase is well controlled, authorised and reconciled to the bank statement. The only issue arising was for a credit and debit transaction not supported by any documentation. The Finance Officer satisfactorily explained that an error on input had resulted in a cancelled transaction but this chain of corrective actions should have been retained on file as evidence.</p>	<p>Unauthorised expenditure on the school credit card</p>	<p>The supporting documentation retained should be an adequate audit trail of any action taken on the procurement card account.</p> <p>In this case the e-mail trail that evidenced the cancellation and the original request for finance should be annotated to show why corrective action was required.</p> <p style="text-align: center;">Priority 3</p>	<p>Finance staff to be reminded that they need to write adequate notes on paperwork to provide a clear explanation of action taken and a clear audit trail.</p>	<p>Finance Staff Immediate</p>

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No	Finding	Risk	Recommendation and Priority *Raised in previous Audit	Management Response	Agreed timescale and responsible manager
10	<p>Income</p> <p>A sample of 5 income transactions was selected from the bank history to verify the income value, collection and reconciliation to the bank statement. The main issue arising was that there was insufficient information shown on the manual invoices to cross reference to the income being received. Although all income in the sample was accounted for it relied on input from the FM to achieve this. It is also noted that the FM is responsible for debtors and invoices and in her absence the finance team were unable to resolve audit queries.</p>	<p>All income due to the school may not be collected.</p> <p>Income may not be correctly recorded in the school account.</p>	<p>The invoices are raised on FMS; a summary sheet should be retained to show all invoices raised and the status. The summary document can then be available to Finance staff to allow continuity.</p> <p style="text-align: center;">Priority 2</p>	<p>The school processes 15 to 20 sales invoices a year. A summary sheet will be retained and copies of bank statements filed to prove receipt of payment with all invoices</p>	<p>FM Immediate</p>

REVIEW OF ST OLAVES GRAMMAR SCHOOL

DETAILED FINDINGS AND ACTION PLAN

APPENDIX A

No	Finding	Risk	Recommendation and Priority *Raised in previous Audit	Management Response	Agreed timescale and responsible manager
11	<p>Pecuniary Interest Declaration of interest forms for the Governors are now held at the school however a check on all forms available identified that no signed declarations were available for three new Governors who had started in the Autumn Term but had already attended Committee Meetings.</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.</p> <p>Priority 3</p>	<p>The Foundations Clerk to the Governors to be contacted and a request made to ensure that pecuniary interest forms are complete and signed for any new Governor who starts after the annual exercise in September.</p>	<p>HT, Clerk to the Governors Immediate</p>

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No	Finding	Risk	Recommendation and Priority *Raised in previous Audit	Management Response	Agreed timescale and responsible manager
12	<p>Cyber Security</p> <p>During the previous audit a cyber security self-assessment questionnaire was left with the school to complete.</p> <p>The SBM confirmed that this had been passed to the previous IT provider and that their Network Manager had been instructed to take the required remedial action.</p>	<p>The school may have inadequate arrangements in place to prevent cyber security attacks resulting in a loss of data and associated cost and GDPR penalty for any data breach</p>	<p>The school should evidence the self-assessment completed by the previous IT provider and evidence the remedial action taken.</p> <p>Arrangements with the new IT provider should be confirmed as defined by the cyber security assessment.</p> <p>The school are responsible for cyber security and should therefore lead on the self-assessment and own the findings and remedial action.</p> <p>Priority 2</p>	<p>This questionnaire had been completed by the Schools former ICT provider, but the evidence is unavailable. The School will take the lead on completing the questionnaire with assistance from the new ICT contractor and evidence of any remedial actions required retained. In February 2019 the School took out an insurance policy for Cyber Security.</p>	<p>HT Immediate</p>

OPINION DEFINITIONS

Assurance Level

Assurance Level	Definition
Substantial Assurance	There is a sound system of control in place to achieve the service or system objectives. Risks are being managed effectively and any issues identified are minor in nature.
Reasonable Assurance	There is generally a sound system of control in place but there are weaknesses which put some of the service or system objectives at risk. Management attention is required.
Limited Assurance	There are significant control weaknesses which put the service or system objectives at risk. If unresolved these may result in error, abuse, loss or reputational damage and therefore require urgent management attention.
No Assurance	There are major weaknesses in the control environment. The service or system is exposed to the risk of significant error, abuse, loss or reputational damage. Immediate action must be taken by management to resolve the issues identified.

Recommendation ratings

Risk rating	Definition
Priority 1	A high priority finding which indicates a fundamental weakness or failure in control which could lead to service or system objectives not being achieved. The Council is exposed to significant risk and management should address the recommendation urgently.
Priority 2	A medium priority finding which indicates a weakness in control that could lead to service or system objectives not being achieved. Timely management action is required to address the recommendation and mitigate the risk.
Priority 3	A low priority finding which has identified that the efficiency or effectiveness of the control environment could be improved. Management action is suggested to enhance existing controls.

Recommendation 1 – Expenditure

A sample of 21 payments was selected from the bank history report for the previous twelve month period. The date of the transactions . The summary findings and recommendations are reported above the more detailed findings are as follows:-

- Sample 2 - £13,372 – 30/11/18 this payment is in respect of the Fives Court and was committed before the SBM joined the school. The cumulative expenditure to this provider as at December 2019 is £79K. An e-mail to Governors on the 1 March 2019 explains the rationale of using this provider but a waiver signed by both the Head and Chair should be evidenced to support the procurement of services with a value over £5K. No competitive quotes were obtained and the cumulative value exceeds £50K with no competitive tendering.
- Sample 3 - £33,528 – 13/6/19 was authorised by an officer not on the authorised signatories list. This had been raised in the previous audit with the same supplier same signature.
- Sample 5 - £32,922 –26/9/19 this payment relates to part of the project to refurbish and convert the Head Teacher’s house to office accommodation, creating additional classroom space in the main building. Governors approved spend up to £150K. For a value exceeding £50K, this project should have been subject to formal tendering arrangements but only two quotes were evidenced. There is no formal sign off waiver by the Head and Chair to accept one of two quotes. The winning quote was in two parts but the invoices received have not matched these quotes and therefore not allowed a clear trail to show that the work invoiced was included on the original quote and purchase order. There was no specification to measure work against. There was no formal award of contract and sign off on the project list to show the rationale of award. There was effectively a change in specification after the award of contract that should have been offered to the other tenderer. The Finance Manager was not included in e-mail correspondence with regard to variation or additional work that could then be checked to the invoice. Although supported by the project folder, the checklist information is incomplete and the provider was not procured in accordance with Financial Regulations. At the time of the audit, 3 payments had been made to the contractor totalling £36,402.
- Sample 7- £15,120 – 12/9/19 the VAT has been added twice between the original quote, order and then payment. The school have contacted the supplier, confirmed the error and will receive reimbursement of the overpayment.
- Sample 16 – £8, 402 – 16/5/19 “finder’s fee” to a recruitment consultant. A waiver should have been signed by the Chair and Head teacher setting out why due process was not followed. There was inadequate documentation to

support the value of the payment and evidence that an agreed fee had been negotiated before engagement, the FM had not been alerted to the commitment prior to the invoice being received by the school.

- Sample 18 - £7,834 – 17/1/19 the original paperwork was lost in the move to the new office accommodation. The Head Teacher had signed approval to not seek quotes but this waiver would also need to be signed by the Chair of Governors.
- Sample 19 – £6,406.68 – 17/8/19 this payment relates to the purchase of two musical instruments on behalf of a student. The income was satisfactorily checked to the school account however the responsible officer should sign to evidence that the pupil meets the criteria.