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FINAL INTERNAL AUDIT REPORT

REVIEW OF SOUTHBOROUGH PRIMARY SCHOOL

AUDIT REFERENCE: PEO/07/2023

3 October 2023

Auditor	Auditor
Reviewer	Principal Auditor

Distribution list

Job title
Head Teacher
School Business Manager
Chair of Governors (Final only)
Director of Education (Final only)
Head of Finance, Children Education and Families (Final only)

Executive Summary

Audit Objective	The objective of this audit was to review the adequacy and effectiveness of the system of controls surrounding the financial administration of the school, as required by the 1998 School Standards and Framework Act Section 48, paragraph 2(d) and the Authority's Scheme for Financing Schools.
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Assurance Level		Findings by Priority Rating		
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.	Priority 1	Priority 2	Priority 3
		0	5	1

Key Findings
<p>We found that controls are in place and working well for financial management, governance arrangements including budget approval, submission of VAT returns, monitoring of IR35 before engagement, management of the school's purchasing cards and monthly reconciliation of the school bank account.</p> <p>The school should consider the key findings summarised below:</p> <ol style="list-style-type: none"> 1. Lettings and Income (Priority 2) – There was no formalised procedure to monitor and recover debt. Invoices were not raised in a timely manner to collect income, there were inaccuracies and missing information on the letting forms, lettings were not approved by the Head Teacher and an incorrect hirer's liability insurance policy had not been identified in pre-letting checks. The lettings policy still refers to the Council's insurers. See Recommendation 1. 2. Expenditure process (Priority 2) – There were several issues arising from our testing of twenty expenditure transactions; purchase orders were not raised for four payments tested, an invoice date preceded the order date, a purchase order did not include the delivery costs and for one payment over £5k three quotes had not been sought and there was no evidence that a waiver had been secured. See Recommendation 2. 3. Asset Register and Equipment Loan Book (Priority 2) – A stock take of non-electronic items has not been completed by the school. The IT (electronic) asset register does not include key information such as date of issue or disposal. The loans book and loan agreement forms are not updated timely. See Recommendation 3.

4. **Contracts register and contract monitoring arrangements** (Priority 2) – The contracts register has not been updated since May 2022 and does not reflect the current status of all contracts. The register does not include the total value of the contract, or the contract start date. We could not evidence that the Contracts Register had been reported to the Governors for annual approval. **See Recommendation 4.**
5. **Declaration of Interests** (Priority 2) There were no signed or dated pecuniary interest forms for the current Governors or staff with financial or procurement responsibilities. **See Recommendation 5.**

Management Action Plan - **Please see Appendix A.**

Definitions of our assurance opinions and priority ratings are in **Appendix B.**

The scope of our audit is set out in **Appendix C.**

Appendix A - Management Action Plan

1. Lettings and Income

Finding

We noted that the main source of invoiced income for the school is from lettings. We randomly selected a sample of 6 lettings to review and identified the following issues:

- Four of the lettings had outstanding invoices for more than 91 days with a total value of £1197.15 owing to the school.
- The Parents' Association are not charged for any letting but this was not specified in the Lettings Policy or Fees and charges schedule.
- Four of the letting forms were not completed correctly and in full and had not been approved by the Head Teacher.
- One of the hirer's liability insurance policy did not have his or the company's name on it and did not provide cover for children.
- Two of the lettings had been invoiced after the letting had started, although the policy clearly states: "Full payment of the letting fee and refundable deposit must be made in full in advance of the letting date."
- Two of the lettings had not been invoiced for the spring term let.
- For one letting there was inconsistency in the name used on the lettings form, the liability insurance policy and the invoice.

The Lettings policy is not dated and signed by the appropriate officers and includes the statement that the council is the school's insurer. This and any references to the Council will need to be removed and updated with the school's own insurers.

The Aged Debtors report run on 6 May 2023 shows outstanding payments totalling £1569.15 for more than 30 days, four of which were over 91 days.

We could not evidence that the school has a formalised debt monitoring process, including escalation and recovery.

Risk

Loss of income.

Income may not be recovered in a timely manner which may impact the cash flow.

Income collected may not agree to approved fees and charges.

No clear responsibility where the lettings form is filled incorrectly or is not authorised.

Reputational damage in the event of an incident where the hirer's insurance policy does not provide suitable cover.

The school may be inadequately insured and may not have adequate insurance cover for any claim that is received in respect of Public Liability. This may lead to legal challenge and significant unexpected expenditure in the event that a claim is made.

Recommendation

The Lettings policy should be updated to formalise the decision not to charge the Parents Association and remove any reference to the Councils insurers.
 The school should contact their insurers and clarify the insurance cover regarding lettings if a hirer does not have Public Liability cover and update the Lettings policy.
 The school should raise an invoice for income timely in agreement with the Lettings policy.
 Letting forms and supporting documentation should be checked for accuracy and completeness and authorised by the Head Teacher before the letting starts.
 The school should develop and formalise a procedure for the recovery of debt.

Rating

Priority 2

Management Response and Accountable Manager

SBM to update the current lettings policy to include the above recommendations.
 Lettings invoices will be raised the term prior to the requested dates, this should reduce the risk of any debt being incurred. Most debtors are from lettings, so the risk of losing the letting should discourage tardiness with payments.
 Lettings forms will be checked and approved in an accurate and timely manner.
 The SBM has will draft a debt recovery procedure and will work on the development of this.

School Business Manager/Head Teacher

Agreed timescale

3 months
 Going forwards

 Going forwards
 3 months

2. Expenditure process

Finding

We randomly selected a sample of 20 payments from School's bank history for the last 12 months and identified the following issues:

- A purchase order had not been raised for four of the payments.
- For one payment the invoice date preceded the purchase order date.
- For one purchase order the value did not include the delivery cost.
- For one of the five payments exceeding £5k, three quotes were not seen. We could not evidence that this had been reported to Finance Committee or that a waiver had been sought.

Risk

Unauthorised expenditure may be incurred by the school.
Value for money may not be achieved in the absence of quotes for payments exceeding £5k or where delivery costs are not considered before committing to the expense.

<p><u>Recommendation</u></p> <p>Purchase orders should be raised as the expenditure is committed. Purchase orders should include all expenses for the goods or services, including delivery costs. Three competitive quotes must be obtained for expenditure exceeding £5,000. Any alternative arrangements and deviation from the agreed process should be formally recorded and submitted to the Finance Committee and/or Governing Body as a waiver.</p>	<p><u>Rating</u></p> <p style="text-align: center;">Priority 2</p>
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<p><u>Management Response and Accountable Manager</u></p> <p>We always try to raise a PO, however this is not always possible in instances such as emergency call outs. We will make sure that if we are aware of delivery costs, that these are included on the PO. We will always try to obtain 3 competitive quotes for any expenditure over £5,000. In instances where this isn't possible this will be formally recorded. School Business Manager/Head Teacher</p>	<p><u>Agreed timescale</u></p> <p>Going forwards</p>
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3. Asset Register and Equipment Loan Book

Finding

The signed copy of the asset register, dated 15 May 2023, contains a stock take of electronic equipment owned by the school. However, the school does not hold a register for non- electronic equipment.

The IT/electronic asset register does not consistently record 'date of issue of equipment' or 'date of disposal'. Our check identified that the record was not complete and an assigned officer's name was not updated for an iPad.

Although, the school's IT manager maintains a loan book for all iPads and laptops purchased for staff and taken off site, this is not a documented procedure.

We identified that the school had a 'Notice of Transfer' form indicating the collection of IT equipment on 8 June 2022, however, it did not hold the certificate of disposal for the equipment. We have requested that the IT Manager follow this up with the contractor.

Risk

Financial loss to school.

Unauthorised access and misuse of the school's and students' personal information which can have significant personal, financial and reputational consequences.

Recommendation

The school should complete an annual stock take of all electronic and non-electronic assets to comply with the Financial Regulations for Schools 2020, Section 13.

The school should include 'date of issue', 'loan date' and 'return date' of equipment in the asset register and ensure that all fields are completed and updated timely.

The school should monitor that the disposal certificate is received from the contractor and follow up if not returned.

Rating

Priority 2

<u>Management Response and Accountable Manager</u>	<u>Agreed timescale</u>
<p>At this point in time, we do not have any non-electronic items which would comply with the requirements to record these. We can work on this should we ever need to in future.</p> <p>The IT manager will add 'date of issue', 'loan date' and 'return date' of equipment in the asset register and ensure that all fields are completed and updated timely.</p> <p>The IT manager will monitor the disposal certificate and follow up if not returned.</p> <p>School Business Manager/Head Teacher</p>	<p>N.A</p> <p>3 months</p> <p>Going forwards</p>

4. Contracts register and contract monitoring arrangements

Finding

The Contracts register, dated May 2022, included contracts that had passed their end date. The Contracts register did not include the total value of the contract and contract start date. There was no evidence that the contract register had been approved by the Head teacher or reported to Governors annually.

We checked two contracts, Admin IT Network and Grounds Maintenance from the contracts folder held at school, both were current and signed but the renewal details had not been updated on the Contracts register.

The school does not have formalised contract monitoring arrangements in place.

Risk

The school may not be aware of its contractual agreements and payment liabilities.

Recommendation

The contracts register is a “live” document which should be kept up to date, record whole life contract values and be reported annually to Governors.

The school should assign the responsibility of contract monitoring to appropriate officers to provide a documented opinion on contractor performance of the supplier to be used when the contracts are reviewed.

Rating

Priority 2

Management Response and Accountable Manager

The SBM will ensure the contracts register is a live document.

The Head teacher will have the responsibility of monitoring/confirming each contractor is delivering an appropriate service.

School Business Manager/Head Teacher

Agreed timescale

3 months

Going forwards

5. Declaration of interest

Finding

We checked the declaration of interest forms held at the school site. The staff with procurement and financial responsibilities had signed their forms in February-March 2022, although the new school business manager had completed her form when she started the role in May 2023. The Governors forms were signed between October and December 2021.

Risk

Biased procurement or tendering

Recommendation

All governors and staff with procurement and financial responsibility should sign a declaration of interest form annually.

Rating

Priority 2

Management Response and Accountable Manager

The SBM has an updated form from each relevant staff member and will ensure that a new declaration of interest form is signed on an annual basis.

The Governor clerk has requested that all current governors also sign an updated form.

School Business Manager/Head Teacher

Agreed timescale

Continuous

Continuous

6. Documentation and Authorisation

Finding

During the course of the audit we identified documentation and information that had not been updated as summarised below:

- “The Scheme of Delegation and Statement of Responsibilities” was last updated in May 2022. We did not see evidence that these documents had been reviewed in the Resources meeting held in May 2023. The Scheme of Delegation had not been signed by the Head Teacher, the Chair of Governors and the Chair of Resource Committee. Appendix 4 of the document still referred to previous School Business Manager (SBM), who left in February 2023, as an authorised signatory.
- The officer’s name on the school administrator’s email had not been updated with new SBM’s name and was still showing previous SBM’s name. This was corrected during the audit.
- The actual cash flow statement should be completed and signed by the Head Teacher monthly, however, this had not been completed since February 2023 up to the point of the audit.
- The gifts and hospitality guidelines and reminder was last emailed to staff in January 2020.

Risk

Unauthorised expenditure may be processed through the school’s accounts.
The school may not have the information to confirm that school funds can meet all liabilities.
Inaccurate information received by stakeholders and may result in incorrect decision making.

Recommendation

“The Scheme of Delegation and Statement of Responsibilities” should be reviewed and reported to Governors annually and signed by the Head Teacher and the Chair of Governor.
All documentation should be updated, where required, when a key member of staff leaves.
Actual cash flow statements should be completed timely and duly signed and dated by the Head teacher.
Staff should be reminded of the gifts and hospitality guidelines and all other school policies regularly and be included in the induction pack for any new starters.

Rating

Priority 3

<u>Management Response and Accountable Manager</u>	<u>Agreed timescale</u>
<p>The Scheme of Delegation and Statement of Responsibilities has been reviewed and signed.</p> <p>Actual cash flows have since been completed and signed off by the Head Teacher.</p> <p>The previous SBM's name has been amended to the new SBM's name on all websites.</p> <p>A staff reminder about gifts and hospitality was sent out in July 2023. New employees are also reminded of this when starting.</p> <p>School Business Manager/Head Teacher</p>	<p>Completed</p> <p>Completed/continuous</p> <p>Completed</p> <p>Completed/continuous</p>

Appendix B - Assurance and Priority Ratings

Assurance Levels

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.

Action Priority 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.

Appendix C – Audit Scope

Audit Scope

We reviewed the adequacy and effectiveness of controls over the following risks:

- Robust governance arrangements are not in place to oversee the financial management of the school or to ensure value for money
- Decision making is not effective, as decisions are based on inaccurate financial information
- The school pays for goods/services not received
- Income due to the school is not collected
- Loss or theft of assets

The audit review considered the following areas of financial management:

- **Financial Management Information** including budget monitoring, financial reports and returns to London Borough of Bromley
- **Primary accounting documentation** including payments, income, contracts, voluntary funds and bank reconciliations
- **Safeguarding Assets**
- **Governance arrangements** including financial delegation, governor minutes, budget approval and business interests

Whilst on site for two days, we examined the controls in place to mitigate the impact of the key risk areas. Our audit included a review of relevant documentation, interviews with key officers and sample testing of related procedures and processes.