



***Final* Internal Audit Report 2010/11**
**London Borough of Hammersmith &
Fulham**

St. Mary's Catholic Primary School
November 2010

This report has been prepared on the basis of the limitations set out on page 50.

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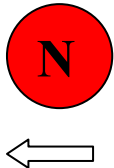
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Executive Summary

Introduction	<p>As part of the 2010/11 Internal Audit Plan, agreed by the Audit Committee on 23rd March 2010, we have undertaken an internal audit of St. Mary's Catholic Primary School.</p> <p>This report sets out our findings from the internal audit and raises recommendations to address areas of control weakness and / or potential areas of improvement.</p> <p>The agreed objective and scope of our work is set out at Appendix B.</p> <p>The school had a break-in in January 2010 and a number of financial records have been lost as a result of this. Reference to the loss of records is made as appropriate within this report. In summary we understand that records pertaining to earlier financial periods as well as for 2009/10 were taken. These include cheque book stubs, bank statements and invoices. This has therefore impacted on the areas of procurement, bank accounts and school funds where other issues were identified resulting in an assessment that inadequate controls were in place.</p>
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Audit Opinion	None	Limited	Substantial	Full
				

Rationale Supporting Award of Opinion and Direction of Travel	<p>The audit work carried out by Internal Audit (the scope of which is detailed in Appendix B) indicated that, control processes are generally weak leaving the processes/systems open to significant error or abuse and significant non-compliance with basic control processes leaves the processes/systems open to error or abuse.</p> <p>Weaknesses in control were identified as follows:</p> <ul style="list-style-type: none"> • A Statement of Internal Control (SIC) has not been produced and approved by the full Governing Body;
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- Finance Committee minutes have not been signed by the Chair of the Committee;
- Records are not maintained for the School Fund Account (this issue was also raised in the probity report in April 2007) or for the Governors Funds. Also, an independent check of the status of the account is not undertaken by the Governing Body;
- Evidence of budget monitoring reports presented at Finance Committee meetings and reports discussed at local level between the Headteacher, Finance Advisor and School Administration Officer could not be provided for examination;
- Official Purchase Orders are not raised and committed for goods or services prior to any purchase being made;
- Unreconciled bank items as at 31st March 2010 totalled £249,949.54, with items dated as far back as October 2007;
- Numerous payments were identified that were outstanding to suppliers, and the School incurred late payment charges as a result;
- Invoices were not retained at the School or were taken as part of the break-in to support amounts outstanding to suppliers and payments were authorised and made to suppliers without being accompanied by supporting documentation;
- Accounting records prior to 2009/10 financial years have not been retained at the School or were taken as part of the break-in; and
- Receipts were not being issued or alternative records maintained for cash collected on behalf of the School. There are also no records of transfers of cash between staff.

The Direction of Travel provides a comparison to the previous audit visit. In this case, we have indicated that the Direction of Travel has deteriorated since the previous visit in April 2007 by internal audit where satisfactory assurance was provided.

Priority 1 Recommendations	<p>We have raised seven priority 1 recommendations as a result of this internal audit. The priority 1 recommendations are as follows:</p> <ul style="list-style-type: none"> • The School is required to complete, formally approve and retain essential documentation required for the FMSIS accreditation. • Management should ensure that budget monitoring reports are produced and presented to the Finance, Staffing and Pay Committee at each meeting. A copy of the report presented should be filed with the minutes taken at the meeting. Evidence of the regular monitoring of the budget between the Headteacher, Finance Advisor and the SAO should also be documented. • All members of staff that undertake financial administration duties should be formally reminded of the need to comply with the requirements of the School Financial Procedures Manual particularly in respect of purchasing. • Invoices received for payment should be stored securely and processed in line with the supplier's payment terms and conditions or in line with the Financial Procedures Manual. Suppliers should be contacted and outstanding debts recorded on FMSiS where invoices are missing or were stolen. A check should be made to ensure that there are sufficient funds to cover the payments due. • Bank reconciliations should be completed monthly and submitted to the LA, in line with the returns timetable. The School should ensure that bank reconciliations are signed and dated by the preparer, as well as reviewed and certified by the Headteacher as evidence of independent review in a timely manner. • Management should ensure that all bank accounts held on behalf of the School are monitored periodically and bank statements obtained and reconciled with the SIMS system monthly. This includes the School Funds and Governors Funds. • An Income and Expenditure Statement for the School Fund account and Governors Funds should be produced and reconciled to the bank statements monthly.
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Detailed Findings

Background	<p>This report details the Internal Audit of the procedures and controls in place over St. Mary's Catholic Primary School, and has been undertaken in accordance with the 2010/2011 Internal Audit Plan agreed with Hammersmith and Fulham Council.</p> <p>St. Mary's Primary School is a mixed Roman Catholic School for pupils aged 3 to 11 years with 219 pupils on roll.</p> <p>The School has set balanced budgets of £1,032,068 for the 2009/10 financial year and £1,139,393 for 2010/11 respectively. The 2010/11 budget encompasses total income and expenditure budgets for the financial year of £1,058,842 and £1,119,076 respectively, resulting in a projected budget overspend of £60,234. This has however been offset by a carry forward of £80,551 from 2009/10. The total funds committed for 2010/11 includes a contingency of £20,317.</p> <p>As at 11th May 2010, the balance of the School's accounts were as follows:</p> <ul style="list-style-type: none"> • Nat West SIBA Account - £244,306.63; • NatWest Business Current Account - £0; • Account balance for the School Fund Account was not available for examination; and • Governors fund balance was not available for examination <p>Unpresented cheques as at 31st March 2010 totalled £249,949.54.</p> <p>The School was inspected by OFSTED in June 2007. An OFSTED action plan has been incorporated in the 2009/10 School Improvement Plan as a result of the inspection. In Leadership and management the school was assessed as good. The school has also had a recent OFSTED inspection 10-11th June 2010 and the assessment for Leadership and Management remained good overall. No probity matters were raised in either of these reports.</p>
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Area Summary	Area of Scope	Adequacy of Controls	Effectiveness of Controls	Recommendations Raised		
				Priority 1	Priority 2	Priority 3
	Leadership and Governance			1	5	0
	School Improvement or			0	1	0

Development Plan and OFSTED					
Financial Planning, Budgetary Control and Monitoring			1	4	0
Payroll			0	2	0
Procurement			2	4	0
Bank Accounts			2	1	0
Income			0	1	0
Assets			0	4	0
School Journey			0	1	0
School Fund (and Governors Fund)			1	0	0
Petty Cash Account			0	0	1
Data Protection			0	0	0
School Meals			0	1	0

Summary Findings

of

In this section we set out a summary of our findings under each area of scope. This is a balanced summary where possible. Where weaknesses are identified, full details of these are included in the recommendations raised.

Leadership and Governance

The current Scheme of Delegation (SoD) is combined with the Committee Structure and Terms of Reference of all four sub-committees. However, it does not include all staff with financial management responsibilities as financial limits have not been included for the Deputy Headteacher and School Administration Officer (SAO), although they have been identified as authorised signatories. The Deputy Headteacher has delegated responsibility for signing cheques and authorised invoices while the SAO has responsibility for certifying all invoices for payment. The SoD was formally approved by the full Governing Body at its meeting held on 23rd November 2009.

Examination of the completed self-evaluation financial management competency matrix form, R20 found that these were not completed by four of the eight members of the Finance Committee, including the Chair of Finance Committee. We also identified from examination of the completed forms that only one member was assessed as 'Highly Competent'. The remaining three members' competencies were assessed as 'Developing'. Staff self-evaluation financial management competency matrix form, R11 was completed by all staff with financial management responsibilities and overall assessed as competent.

Governing Body and Finance Committee meetings were being held on a termly basis. However, we identified that all minutes of meetings held for the past 12 months were not retained and a complete set of minutes was not held at the School.

Examination of minutes of the four sub-committees identified that minutes were not signed by the Chair of the Committees to evidence their correctness.

The School maintains a Register of Pecuniary and Business Interests; however, one governor had not signed the Register. We identified through examination of the Governing Body minutes of meeting dated 10th May 2010 that the Register was circulated to members for completion and although the governor was present, there was no evidence that he had declared any interest or made a nil return as required. Also, we noted from examination of the Register that it was last updated on 23rd November 2009 although it is being circulated at termly meetings.

A Statement of Internal Control (SIC) has not been produced and approved by the full Governing Body as the School was informed that the Internal Audit report had to be issued prior to the production of the

statement.

The School does maintain a copy of the Diocese Whistle Blowing Policy dated October 2007 but this has not been reviewed, updated and approved by the Governing Body since May 2008.

The School has not developed their own finance policy; instead the Governing Body has adopted the Local Authority's Financial Procedures. Formal adoption was evidenced in Governing Body minutes dated 23rd September 2007.

We have also been informed that records from earlier financial periods have not been retained by the school and that some were lost as a result of a break in.

We have, with the agreement of the Headteacher, included recommendations on matters relating to the FMSiS assessment within the recommendations section. This is in contrast to our agreed approach for schools, where the first FMSiS assessment still has to be undertaken, when these recommendations are included as an aide memoire within the summary of findings.

We have raised six recommendations as a result of our work in this area.

School Improvement or Development Plan and OFSTED Inspections

The School has produced a School Improvement Plan (SIP) for the academic year, 2009/10 which was approved by the Governing Body on 6th May 2009. There was no evidence to confirm that a rolling plan is in place to supplement the 2009/10 Plan. We also noted that the 2010/11 budget plan was approved by the Governing Body at its meeting held in May 2010 but the 3 year SIP was not presented and approved at this meeting or discussed in order to demonstrate that it was used in the setting of the 2010/11 budget. It was also identified that the financial resource requirements stated in the SIP could not be explicitly linked to 2009/10 budget as these were denoted as 'staff time'.

The most recent OFSTED report was examined and the issues raised within the report had been included within the SIP.

We have raised one recommendation as a result of our work in this area.

Financial Planning, Budgetary Control and Monitoring

We obtained evidence that the budget plan for 2009/10 was approved by the Governing Body on 6th May 2009 and 2010/11 approved on 10th May 2010 and submitted to the Local Authority. However, these budget plans were not signed and dated by the Chair of Governors to evidence its approval.

We were informed that budgetary reports are produced at least once a term, which are monitored by the Finance Committee and presented at Governing Body meetings. However, budget reports presented to

the Finance Committee for review for the financial year, 2009/10 were not available for examination. These were also not attached as appendices to the minutes. We obtained a copy of the year end budget monitoring report dated, April 2009 to March 2010. The report includes the original budget, current budget, actual budget spent and year end projections. We were also informed that the budget is monitored at least bi-monthly by the Headteacher, Finance Advisor and SAO but this could not be evidenced as reports were not available for examination and the review not documented.

Examination of a sample of five allocations from the General Ledger Cost Centre report and the budget plans for 2009/10 and 2010/11 identified variances with the amounts uploaded onto SIMS. However, there were no documented explanations for the variances. We obtained a copy of the Cost Centre Allocation Audit Trail for 2009/10. We however could not agree the report to the variances identified between amounts uploaded on SIMS and the budget plan as the variances were not adequately documented. It should be noted that a similar report for 2010/11 was not available for examination. There was no documented evidence that virements were authorised although we could identify that funds were vired across cost centres.

We confirmed from examination of the Bank Reconciliation file that monthly returns were not being prepared and submitted timely to the Local Authority.

We were informed that financial performance management targets are not set for staff with financial management responsibilities.

We have raised five recommendations as a result of our work in this area.

Payroll

From a sample of five new starters' personnel files examined:

- Four of the five cases did not have a signed contract and appointment letters on file;
- In four of the five cases, evidence of CRB checks was retained (one was in progress);
- Four of the five cases did not have evidence of references on file;
- In one of the four cases where qualifications were appropriate, none was located on file; and
- In all five cases, proof of eligibility to work in the UK was available on file.

Examination of a sample of five leavers' files found that evidence of documentation supporting employees' termination of employment was located in all cases. It was acknowledged that four of the five employees were removed from the payroll in a timely manner (one had recently left and was due payment in May; hence not removed from the April payroll).

A copy of the School's Pay Policy was held at the School. However, we were unable to confirm whether this is the most up to date copy as it was not dated and there was no evidence in the Governing Body minutes to confirm that one has recently been reviewed, updated and formally approved.

The School's staffing structure was recently reviewed in the Summer Term 2010 and reported to the Governing Body in the Headteacher's report.

We have raised two recommendations as a result of our work in this area.

Procurement

Examination of payments for 2009/10 identified the following:

- Official Purchase Orders were not raised and committed on SIMS for the 2009/10 period;
- Invoices were not located in six of the 25 cases selected for testing. However, we examined almost all the invoices located for the period and found that numerous invoices were missing. This was explained to be as a result of a break-in in January 2010;
- Payments were authorised in instances without proof of invoices. For these payments, it was documented that cheques were posted to the suppliers but got lost either in the internal (where appropriate) or public post. For these lost cheques, invoices could not be located so we could not determine when these were initially issued. Further, cheque stubs were not available for examination to confirm that the lost cheques were issued and subsequently cancelled as we were informed that these were taken during a break-in in January 2010;
- Payments were not made within the agreed 30 day threshold as we identified from examination of invoices that late payment charges were incurred by the School by EDF Energy and suppliers writing to the School for outstanding payments. In one instance, we identified that the School lost the benefit of making payment in instalments due to consistent late payments. We examined the unreconciled report for March 2010 and found that payments were outstanding to suppliers from as far back as October 2007. This was explained to be as a result of suppliers not presenting the cheques to the Bank for payments. However, contact with one supplier, London Borough of Hammersmith and Fulham established that payments were not received and the School was being chased for outstanding payments. An amount of approximately £33,000 is currently outstanding to the supplier. We established that payments of £72,652 and £72,420 were made to the Local Authority in November 2009 and March 2010 respectively and a further £19,530.87 paid on 22 November 2009. However, the SAO was unable to provide us with any documentation relating to these payments. Payments totalling £158,483.23 were also made to Westminster Diocese on 31

March 2010 but supporting documentation could not be provided.

- Goods or services received checks were not evident; and
- A list of authorised signatories was not held by the School.

We could not confirm that the School was obtaining value for money as it was identified that the School entered into a Service Level Agreement for provision of ICT services. However, there was no evidence that the School sought value for money prior to the selection of the supplier as there was no evidence of written quotes at the School. There was no evidence to confirm that the contract held is monitored on a regular basis and by whom.

Although we identified that the comparative benchmarking data from the DCSF's website was obtained by the School and proposed actions agreed by the Finance Committee, there was no evidence that the data been analysed, reported to the Governing Body and an action plan developed, where necessary.

A Best Value Statement has not been developed, formally approved by the Governing Body and submitted to the Local Authority.

We have raised four recommendations as a result of our work in this area.

Bank Accounts

A copy of the current bank mandate is not retained at the School; hence we were unable to confirm at the time of the audit who the authorised signatories were. Copies of the bank mandate are held by Cambridge House and the copy held by them showed that the new Headteacher was not listed as an authorised signatory and that the senior finance officer was.

The School is required to submit monthly returns to the Local Authority which include bank reconciliations. Bank reconciliations for the 12 month period to March 2010 were examined. We identified that reconciliations were not always prepared and submitted to the Local Authority, as we could not locate monthly reconciliation for September and October 2009 and February 2010. Bank reconciliations were also not completed in a timely manner and they were also not signed by the preparer to certify its accuracy and completeness.

Examination of the last unreconciled items report found items dating as far back as April 2008, which still remain uncleared at the time of the audit. This totals approximately £250,000 as at the end of March 2010.

The bank account for the School Fund account could not be examined as bank statements were not available for the 2009/10 financial year or for earlier financial years. The SAO informed us that she was

in the process of making requests to the Bank.

We have raised three recommendations as a result of our work in this area.

Income

The School receives income from various sources. We identified that receipts were not issued for uniform sales, music lessons, swimming lessons and cake sale, neither is a record maintained for logging the income and expenditure. Hence, we could not confirm whether all income received was banked intact and in a timely manner. However, receipts are issued for dinner money and cash collection records are maintained for school journeys and reception and nursery cooking.

There was no evidence to confirm that transfers of cash between staff were adequately recorded.

We identified that the School does not currently let its property.

We have raised one recommendation as a result of our work in this area.

Assets

Examination of the inventory record could not confirm when it was last updated. Evidence that the results of the inventory check were reported to the Governing Body could not be located in minutes.

The inventory records do not include the purchase price and assets disposed of. We could not identify whether new items purchased by the School were appropriately security marked and recorded on the inventory before being put into general use as the inventory record does not include the date of purchase.

There was no evidence to demonstrate that equipment loaned to staff were recorded and staff were aware of the terms and conditions of the loan. There was also no evidence that loans were authorised.

The School does not maintain an Accessibility or Building Maintenance Plan and there was no evidence in Governing Body minutes to demonstrate that one was approved.

The School does retain a copy of the Write Off and Disposals Policy; however, we were unable to determine whether this was approved by the Governing Body as evidence could not be located in meeting minutes.

We have raised four recommendations as a result of our work in this area.

School Journey

Details of recent trips to Woodrow High House, Amersham in June and July 2009 were not examined as records were not retained by the School. There was also no evidence in the Governing Body minutes to confirm that approval was obtained prior to the trips. For the two trips to the same location planned for

June and July 2010, approval was evidenced in Governing Body minutes. There was no evidence of an agreed budget being confirmed before the trip and an end of journey statement was not produced, reviewed by the Headteacher and presented to the Governing Body for review.

Appropriate record of monies collected for 2010/11 was retained by the School.

We have raised one recommendation as a result of our work in this area.

School Fund - Accounting

Records are not maintained for the School Fund Account and there was no evidence to confirm that Governors were informed of the status of the account. We are also aware that there are Governors Funds and again that no records are being maintained.

We have raised one recommendation as a result of our work in this area.

Petty Cash Account

The School does not operate a Petty Cash Account; however, we identified an amount of approximately £64 in the petty cash tin which relates to petty cash. We were informed that a Petty Cash account was operated by the School previously and the amount was left from the unspent float which was not banked.

We have raised one recommendation as a result of our work in this area.

Data Protection

We confirmed that the School has an up-to-date Data Protection certificate, The School buys into the Local Authority's IT procedures, in addition to entering into a Service Level Agreement with Kingwood City Learning Centre. Hence, all data is backed up remotely by the SMS Support Team.

We have not raised any recommendations as a result of our work in this area.

School Meals

Examination of the class registers maintained and report of pupils in receipt of free school meal from the Local Authority confirmed for the sample of five pupils selected and tested that all were eligible for free school meals.

The School is required to submit returns to the Local Authority monthly. Amounts recorded on the returns were checked to the amounts paid in monthly and there was no exception noted for the four months (January to April 2010) examined. However, the returns are not independently checked and evidenced as such prior to being submitted to the Local Authority.

We have raised one recommendation as a result of our work in this area.

Acknowledgement

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

All staff consulted are included at Appendix C.

Recommendations

Leadership and Governance

1. Scheme of Delegation

(Priority 2)

Recommendation		Rationale	
<p>The Governing Body should formally review and update the current Committee Structure, Terms of Reference and Scheme of Delegation (SoD) to include the financial authorisation limits for all staff with delegated authority.</p>		<p>Standard A3 of 'Keeping Your Balance - Standards for Financial Management in Schools' states, "The Governing Body should establish the financial limits of delegated authority".</p> <p>The Scheme of Delegation (SoD) held at the School does not include all staff with financial management responsibilities. Financial limits have not been included for the Deputy Headteacher and School Administration Officer (SAO), although they have been identified as authorised signatories. The Deputy Headteacher has delegated responsibility for signing cheques and authorised invoices while the SAO has responsibility for certifying all invoices for payment.</p> <p>Where the SoD is not reviewed to include the financial limits of all staff with delegated authority, there is an increased risk that commitments may be entered into which are outside the scope of authority, resulting in inappropriate purchases or virements being made.</p>	
Management Response			
<p>Agreed – Deputy Head, SLT member and SAO to be included in SOD 22-11-2010 at FGB.</p>			
Responsibility	Headteacher/Chair of Governors	Deadline	22 nd November 2010

2. FMSIS documentation

(Priority 1)

Recommendation	Rationale
<p>The School should complete, formally approve and retain essential documentation required for the FMSIS accreditation. This includes, but is not limited to:</p> <ul style="list-style-type: none"> • Self-evaluation financial management competency matrix for Governors; • Statement of Internal Control (SIC); and • Best Value Statement. <p>Issues to be raised in the preparation of the SIC should be considered and discussed in Governing Body meetings prior to its preparation. This should be formally minuted.</p> <p>The Statement of Internal Control and Best Value Statement should be developed and signed by the Chair of Governors and Headteacher prior to submission to the local authority.</p> <p>Where gaps have been identified in the self-evaluation financial management competencies for governors (R20), a training plan should be developed to address these areas.</p>	<p>The Financial Management Standard in Schools (FMSiS) requires schools to complete, formally approve and retain essential documentation. This will help to ensure that schools meet the FMSiS requirement and awarded its accreditation for ensuring that adequate financial controls are in place to manage and mitigate any identified risks.</p> <ul style="list-style-type: none"> • Self-evaluation financial management competencies for governors were not completed for four of the eight Finance Governors, including the Chair of Finance Committee. We also identified from examination of the four completed forms that only one member was assessed as 'Highly Competent'. The remaining three members' competencies were assessed as 'Developing'. • The SIC and Best Value Statement were not developed, formally approved, signed by the Chair of Governors and Headteacher and submitted to the local authority. We acknowledge that the school reported to the governors that they were waiting for the results of the probity audit. However the probity report is only a part of the necessary process for the statement. The statement will need to be undertaken every year and a probity audit will not necessarily be undertaken. <p>Where essential documentation required to achieve the FMSiS accreditation is not completed and formally approved by the full Governing Body, there is an increased risk that the School may fail to demonstrate that they are ensuring adequate financial controls are in place to manage risks. This could potentially result in the School failing the FMSiS Assessment.</p>

Management Response			
Agreed – Documentation to be completed 5-10-2010 at Sub Committee Meeting.			
Responsibility	Head teacher / SAO	Deadline	22 nd November 2010

3. Register of Pecuniary / Business Interests

(Priority 2)

Recommendation		Rationale	
<p>The Register of Pecuniary/Business Interests should be completed in full by all members of the Governing Body and members of staff with financial management responsibilities.</p>		<p>Paragraph 14 of the Scheme for Financing Schools states, "The Governing Body of the School must establish a register which lists, for each member of the Governing Body (including the Headteacher), any business interests they or any member of their immediate family have and to keep the register up to date on at least an annual basis. The Register must be available for inspection by the Authority, Governors, staff and parents".</p> <p>The School does hold a Register of Pecuniary and Business Interests, on examination it was found that one Governor had not completed a declaration. It should be noted that for the February and May 2010 Governing Body meetings the Register was circulated and although the Governor was present, there is no evidence that any interest was declared or a Nil return completed. Declaration of interests are a standing agenda item.</p> <p>Where the Register of Pecuniary and Business Interests is not kept up to date, there is an increased risk that conflicts of interests may not be managed appropriately, which could lead to poor decisions with financial and curriculum based implications. Also, individual governors and staff may exercise their fiduciary duties without sufficient transparency, which could lead to an increased risk of undetected fraud or mis-management and potentially a consequential loss of reputation for the School.</p>	
Management Response			
<p>Agreed – Register of Pecuniary Interests is being circulated at all GB and Committee Meetings.</p>			
Responsibility	Headteacher	Deadline	22 nd November 2010

4. Committee Minutes

(Priority 2)

Recommendation		Rationale	
<p>The School should ensure that committee meetings held are documented and a complete copy retained and make available for public scrutiny.</p> <p>Further, all sub-committee minutes should be signed by the Chair after their acceptance as being correct at the next meeting and retained for review at the School.</p>		<p>Section A6 of the School Procedures Manual requires that minutes should be taken of all meetings of the Governing Body and its committees, to include all decisions and by whom action is to be taken. Minutes should be signed off by the Chair at the following meeting.</p> <p>Governing Body and Finance Committee meetings were being held on a termly basis. However, we identified that all minutes of meetings held for the past 12 months were not retained and a complete set of minutes held at the School for public scrutiny.</p> <p>Examination of minutes of the four sub-committee meetings found that they were not signed by the relevant Chair as being correct.</p> <p>Where a formal record of meetings is not held, there is an increased risk that actions, decisions and assigned responsibilities arising from meetings may not be fulfilled.</p>	
Management Response			
<p>Agreed – All minutes now signed and filed.</p>			
Responsibility	Headteacher/Chair of Governors	Deadline	Implemented under deadlines

5. Whistle Blowing Policy

(Priority 2)

Recommendation		Rationale	
<p>The Governing Body should regularly review and approve the Whistle Blowing Policy. Also, the Policy should be signed by the Chair of the Governing Body and the Headteacher to confirm their validation of the Policy. The policy should be communicated to staff along with any subsequent changes.</p>		<p>Formally adopting and reviewing the whistle blowing procedures on a regular basis ensures that they reflect current best practice. This helps to provide a sound framework of management practice within which the School can provide protection for individuals who disclose malpractice and wrongdoing.</p> <p>The School has formally adopted the Diocese Whistle Blowing Policy but this has not been updated since October 2007.</p> <p>Where Governors have not reviewed the whistle blowing policy periodically, there is an increased risk that the policy may no longer reflect best practice and legislation. Further, the School may not provide adequate protection for individuals who disclose malpractice and wrongdoing.</p>	
Management Response			
<p>Agreed – To be reviewed at Finance Committee Meeting on 5-10-2010.</p>			
Responsibility	Headteacher/Chair of Governors	Deadline	22 nd November 2010

6. Retention of Records

(Priority 2)

Recommendation		Rationale	
<p>The Governing Body should review the procedures relating to document management to ensure that the procedures meet the local authority requirements as well as statutory and management needs. A secure location should be found for their storage.</p>		<p>To prevent the premature destruction of records that may need to be retained for a specified period to satisfy legal, financial and any other requirements the school needs to ensure that they have a document management procedure and a secure location for the storage of documents.</p> <p>We understand that some financial documents were destroyed in the break-in January 2010. However it is not clear that documents pertaining to earlier financial periods were in fact being kept or that the school has a clear procedure to manage these documents. The procedure should also cover areas such as VAT, Freedom of information, Everychild matters and Health and Safety requirements etc.</p> <p>Where there is no clear procedure relating to the retention of financial records there is an increased risk that the school will not be able to meet statutory requirements such as for payroll records and purchase records where some records need to be retained for 7 years.</p>	
Management Response			
<p>Agreed – Records now stored securely, additional security arrangements in place, moved to a locked room. All financial records will be retained for 7 years. We have tabled the Retention Guidelines for Schools by the Records Management Society of Great Britain and this will be retained at the school for reference. New admin premises asap.</p>			
Responsibility	Headteacher/Chair of Governors	Deadline	30 September 2010

School Improvement Plan and OFSTED Inspections

7. School Improvement Plan

(Priority 2)

Recommendation		Rationale	
<p>The School Improvement Plan (SIP) should be forward looking (ideally three years) and be produced sufficiently in advance of the budget to ensure financial allocations can be included within the budget. It should outline estimated financial commitments and clearly link to the annual budget setting process.</p>		<p>Formulating the SIP and linking this to the budget setting process helps to ensure that strategic aims and objectives of the School are formally agreed and adequately resourced. Formulating a rolling plan that covers two or more years defines the strategic aims and objectives of the School.</p> <p>The SIP covers only the 2009/10 academic year. There was no evidence that a rolling plan has been produced and agreed by the Governing Body. In addition, there was no clear link between the SIP and the Budget Plan. Although the 2010/11 Budget Plan was approved in May 2010, the SIP for the 2010/11 academic year has not been developed in advance of the budget.</p> <p>Where the SIP has not been produced for the longer term in line with the three year budget, there is an increased risk that strategic aims and objectives may not be delivered. Further, where the SIP is not used in the budget setting process, there is a risk that the plan will not be adequately resourced.</p>	
Management Response			
<p>Agreed – New SIP drawn up with 3 year overview and 1 year detail with costings. To be presented to FGB 22-11-2010.</p>			
Responsibility	Headteacher/Chair of Governors	Deadline	22 nd November 2010

Financial Planning, Budgetary Control and Monitoring

8. Updating Budget on SIMS

(Priority 2)

Recommendation		Rationale	
<p>It is recommended that the School completes a full check of the budget uploaded onto the SIMS system against the approved budget plan from review of the report "Chart of Accounts".</p> <p>Further, upon formal approval of the budget plan, it should be signed and dated by the Chair of Governors and the Headteacher to evidence its approval.</p>		<p>Accurate input and review of budget allocations ensure that remaining balances (under and overspending) shown on budget monitoring reports are correct and can be relied upon for decision making purposes.</p> <ul style="list-style-type: none"> • From a sample of five budget allocations examined for 2009/10 and 2010/11, allocations stated on the Chart of Accounts reports differed from the approved budgets. There were no explanations documented for the variances. • Examination of the budget plans identified that although they were formally approved they were not signed and dated by the Chair of Governors to evidence its approval. <p>Where checks are not carried out to confirm the accuracy of the approved budget plan and the budget uploaded onto the SIMS system, there is an increased risk that financial decisions may not be made correctly due to incorrect information.</p>	
Management Response			
Agreed – Approved budget agrees with FMS6. Budget now signed. See Virements and additional funding sheet .			
Responsibility	Headteacher/SAO	Deadline	22 nd November 2010

9. Regular Budget Monitoring

(Priority 1)

Recommendation		Rationale	
<p>Management should ensure that budget monitoring reports are produced and presented to the Finance, Staffing and Pay Committee at each meeting. A copy of the report presented should be filed with the minutes taken at the meeting.</p> <p>Further, regular monitoring of the budget should be undertaken at local level, between the Headteacher, Finance Advisor and SAO. Evidence of the review should be documented.</p>		<p>Producing regular monitoring reports for the Finance Committee will help to ensure that budgets are adequately monitored and any variances to the agreed budget are identified. Furthermore, this will help to ensure that commitments are not made beyond approved financial constraints.</p> <p>We were informed that budgetary reports are produced at least once a term, which are monitored by the Finance Committee and presented at Governing Body meetings. However, budget reports presented to the Finance Committee for review for the financial year, 2009/10 could not be provided for examination. These were also not attached as appendices to the minutes.</p> <p>We were also informed that the budget is monitored at least bi-monthly by the Headteacher, Finance Advisor and SAO but this could not be evidenced as reports were not available for examination and the review not documented. Therefore, we were unable to confirm whether the budget was being monitored as required.</p> <p>Where regular budget monitoring reports are not produced and presented to the Finance Committee, there is an increased risk that budgets may not be managed effectively and efficiently. This could potentially lead to the School exceeding its agreed budget, and hence a deficit agreement would have to be entered into with the Local Authority.</p>	
Management Response			
<p>Agreed – Budget monitoring reports produced and filed with minutes of Finance Committee. Cost Centre Summary Report produced and signed monthly.</p>			
Responsibility	Headteacher/SAO	Deadline	Implemented

10. Budget virement authorised

(Priority 2)

Recommendation		Rationale	
<p>A standard virement form should be devised and used to record details of all budget adjustments (value, cost codes credited/debited), authorisation and an explanation for the adjustment.</p> <p>Furthermore, documented evidence should be retained to confirm that virements have been authorised in compliance with the requirements of the approved Scheme of Delegation.</p>		<p>Any adjustment to the approved Budget Plan (including virements and the allocation of additional funds received) should be documented and authorised in compliance with the Scheme of Delegation. Further, formal documentation and approval of adjustments to the Budget Plan helps to ensure that the allocation of funding is valid and appropriate.</p> <p>We obtained a copy of the Cost Centre Allocation Audit Trail for 2009/10. We however could not agree the report to the variances identified between amounts uploaded on SIMS and the budget plan as the variances were not adequately documented. It should be noted that a similar report for 2010/11 was not available for examination. There was no documented evidence that virements were authorised although we could identify that funds were vired across cost centres.</p> <p>Where budget virements are not adequately documented and authorised, there is an increased risk that budget amendments may not be in line with the School objectives and priorities or as a result of inefficiencies.</p>	
Management Response			
<p>Agreed – Virements and additional funds are documented on Budget Monitoring Report. Form for virements has been developed.</p>			
Responsibility	Headteacher and SAO	Deadline	Implemented

11. Financial targets are set

(Priority 2)

Recommendation		Rationale	
<p>Management should be reminded that financial performance targets are set for staff with financial management responsibilities. This should be monitored as part of the annual appraisal process with objectives set to further improvements.</p>		<p>It is a requirement of FMSiS Section 2 - People Management 2.2G that "The process for determining Performance Management targets for staff ensures targets include financial management issues, where appropriate". Furthermore, setting financial performance targets for staff with financial management responsibilities will help to ensure that operational processes are properly and consistently applied, thus reducing errors and waste. Where targets are not achieved, these are identified and actioned promptly.</p> <p>Currently, financial performance targets are not set and monitored for staff with financial management responsibilities.</p> <p>Where performance targets are not set, there is an increased risk that areas requiring improvements may not be identified and actioned promptly and the requirements of the FMSiS standard will not be met.</p>	
Management Response			
<p>Agreed – Financial performance targets are now part of Performance Management procedures.</p>			
Responsibility	Headteacher	Deadline	31 st October 2010

12. Monthly returns to the Local Education Authority

(Priority 2)

Recommendation		Rationale	
<p>The School should comply with the reporting requirements imposed upon it by the Local Education Authority (LEA) and the Consistent Financial Reporting (CFR) requirements regarding the submission of monthly returns.</p>		<p>Compliance with reporting requirements imposed by the Local Education Authority and Consistent Financial Reporting requirements will help to ensure that monthly reports and returns are produced and submitted as required in an accurate and timely manner.</p> <p>Examination of monthly returns for 2009/10 identified that bank reconciliations were not being completed and submitted to the LEA in a timely manner. Bank reconciliations were completed as follows:</p> <ul style="list-style-type: none"> • No evidence of returns submitted for September and October 2009 and February and April 2010; • April/May 2009 completed 22/06/2009; • July 2009 completed 5/10/2009; and • December 2009 completed 29/01/2010. <p>We also identified that CFR for 2009/10 was not finalised and submitted to the LEA at the time of the audit.</p> <p>Where the School fails to comply with the requirements of the LEA and CFR, there is an increased risk that penalties may be imposed on the School for not submitting returns on time.</p>	
Management Response			
<p>Agreed – Returns now produced monthly.</p>			
Responsibility	Headteacher and SAO	Deadline	Implemented

Payroll

13. Retention of Recruitment Documents

(Priority 2)

Recommendation		Rationale	
The School should ensure that a signed contract, qualifications and appointment letters are retained on personnel files for all staff.		<p>Retaining relevant documents on staff personnel files will help to ensure compliance with the School's policy and statutory requirements.</p> <p>From a sample of five new starters' personnel files examined:</p> <ul style="list-style-type: none">• Signed contracts and appointment letters were not on file in four cases;• Evidence of references could not be located in four cases; and• Evidence of qualifications not located in one case. <p>We understand that the documents were received from the council's Human Resources service but may have been misplaced or misfiled. In addition, examination of a sample of five leavers' files found that evidence of documentation supporting employees' termination of employment was located in all five cases. It is acknowledged that four of the five (one employee was due payment for May 2010 and could not be removed from the April 2010 payroll) employees were removed from the payroll in a timely manner.</p> <p>Where documents are not retained to evidence the appointment of staff, there is an increased risk that the appointment of unsuitable persons may have an adverse impact on the performance of the School and staff morale, resulting in failure to achieve corporate objectives.</p>	
Management Response			
Agreed – Safeguarding procedures followed since September 2009. All contracts signed and all appointments made since September 2009 fully documented and files complete. Reviewed by Ofsted June 2010 [Grade 2]			
Responsibility	Headteacher/SAO	Deadline	Immediately

14. School Pay Policy

(Priority 2)

Recommendation		Rationale	
<p>The School's Pay Policy should be regularly reviewed and approved by the Governing Body to reflect current changes in legislation.</p>		<p>Regularly reviewing and updating of policies helps ensure their currency and continuing use in providing guidance to staff on desired activities and behaviours.</p> <p>We were unable to confirm whether the School's Pay Policy held is the most up to date copy as it was not dated, and there was no evidence in the Governing Body minutes to confirm that one had recently been reviewed, updated and formally approved.</p> <p>Where the School's Pay Policy is not regularly reviewed and updated, there is an increased risk that the basis upon which teachers' pay is determined may not be a true reflection of what is documented.</p>	
Management Response			
<p>Agreed – Pay Policy to be reviewed and adopted Finance Committee Meeting 5-10-2010.</p>			
Responsibility	Headteacher/SAO	Deadline	22 nd November 2010

Procurement

15. Compliance With the School's Finance Procedures Manual- Purchasing

(Priority 1)

Recommendation		Rationale	
<p>All members of staff that undertake financial administration duties should be formally reminded of the need to comply with the following requirements of the School Financial Procedures Manual:</p> <ul style="list-style-type: none"> • Pre-numbered Official Purchase Order forms should be raised for all expenditure prior to any order being processed; • Purchase orders should be raised for all expenditure at the time the order is placed with the supplier; • All orders raised to be committed on the system prior to any goods being purchased; and • Delivery notes should be retained on file and signed off as received by the person checking the goods. <p>In addition, the School should maintain an up to date signatory list for all staff, stating their delegated financial limits for authorising orders, invoices and petty cash claims.</p>		<p>The School's Financial Procedures Manual sets out guidance to be adhered to with regards to the financial processes within Schools. Examination of purchases for the financial year, 2009/10 identified the following exceptions:</p> <ul style="list-style-type: none"> • Pre-numbered Official Purchase Orders were not raised and committed on SIMS for the 2009/10 period; and • Goods or services received checks were not evident. <p>Without enforcing compliance with the School's Financial Procedures Manual, there is an increased risk that the School may not be able to demonstrate transparency and value for money in its purchasing processes and that commitments are not raised on the system for all expenditure which could result in budgetary overspend. Where there is no evidence that goods and services received checks have been conducted, there is reduced assurance that goods and services have been received to the correct quantity and quality standards.</p>	
Management Response			
Agreed – Now implemented.			
Responsibility	Headteacher/SAO	Deadline	31 st October 2010

16. Suppliers paid in a timely manner

(Priority 1)

Recommendation	Rationale
<p>Invoices received for payment should be stored securely and processed in line with the supplier's payment terms and conditions or in line with the Financial Procedures Manual.</p> <p>The current budget and current School bank account should be checked to ensure that funds are available in order to process all outstanding invoices at the earliest convenience.</p> <p>Further, all suppliers which the School is indebted to should be contacted with immediate effect and a copy of the initial invoice requested and payment made accordingly.</p>	<p>It is a requirement of the Financial Procedures Manual for supporting documentation to be retained for all payments made. It is also a requirement for payments to be made in a timely manner in order to prevent late payment charges being incurred by the School.</p> <p>Examination of procurement for the period, 2009/10 identified the following exceptions:</p> <ul style="list-style-type: none"> • Payments were identified to be authorised in instances without proof of invoices. For these payments, it was documented that cheques were posted to the suppliers but got lost either in the internal (where appropriate) or public post. For these lost cheques, invoices could not be located so we could not determine when these were initially issued. Further, cheque stubs were not available for examination to confirm that the lost cheques were issued and subsequently cancelled, as we were informed that these were destroyed during an break-in in January 2010; • Payments were not made within the agreed 30 day threshold as we identified from examination of invoices that late payment charges were incurred by the School as a result of persistent late payments and suppliers writing to the School for outstanding payments. In one instance, we identified that the School lost the benefit of making payment in instalments due to consistent late payments. • We examined the unreconciled report for March 2010 and found that payments were outstanding to suppliers from as far back as October 2007. This was explained to be as a result of suppliers not presenting the cheques to the Bank for payments. However, contact with one supplier, London Borough of Hammersmith and Fulham established that payments were not received and the School was being chased for outstanding payments. An amount of approximately £33,000 is currently outstanding to the council. • We established that payments of £92,182 and £72,420 were made to the Local Authority in November 2009 and March 2010 respectively. However, the SAO was unable to provide us with any documentation relating to these payments. • Payments totalling £158,483.23 were also made to Westminster Diocese on 31 March 2010 but supporting documentation could not be provided.

		<p>Where invoices are not available to support the authorisation and validity of payments, there is an increased risk of inappropriate or invalid payments being made, which may potentially resulted in financial loss to the School, in addition to excessive budget overspends.</p> <p>Further, where suppliers are not paid in a timely manner, this increases the risk of the School incurring late payment charges, which may result in breaches of the Late Payment and Commercial Act 1998.</p>	
Management Response			
Agreed- All suppliers concerned contacted and invoices paid or cancelled as appropriate.			
Responsibility	Headteacher/SAO	Deadline	30 th November 2010

17. Appropriate Management and Procurement (VFM) of Contracts

(Priority 2)

Recommendation		Rationale	
<p>The School should retain records in order to demonstrate how the contracts for services were procured and managed in order to demonstrate effective use of public funds.</p>		<p>Where the School is able to demonstrate how contracts for services were procured and managed, this will help to provide assurance that best value has been achieved, and the procurement process was free from bias.</p> <p>The School has a Service Level Agreement for the provision of ICT services but was unable to demonstrate how the contract was procured. Further, there was no evidence to confirm that the service is monitored. We also noted that the agreement did not delineate any action in relation to poor performance by the provider.</p> <p>Where contractual terms and conditions are not formally agreed, there is an increased risk that in the event of any dispute, the School may not have any legal recourse, resulting in adverse publicity and financial loss. Where the School is unable to demonstrate that selection of contractors was fair and free from bias, there is an increased risk that value for money may not be achieved. Further, where the quality of service provided is not monitored, there is an increased risk of poor performance remained unidentified, resulting in the School making payments for sub-standard services.</p>	
Management Response			
<p>Agreed – Improved record keeping and discussions at SLT and FC Meetings.</p>			
Responsibility	Headteacher/SAO	Deadline	Implemented

18. Benchmarking Activity**(Priority 2)**

Recommendation		Rationale	
<p>The School should comply with the requirements of FMSiS 3.2C and ensure that conclusion and recommendations from the benchmarking activity is made known to the full governing body.</p>		<p>Section 3.2C of FMSiS requires that Reasonable conclusions and recommendations have been drawn from the comparisons made and these have been made known to the Governing Body.</p> <p>We were provided with evidence that the DCSF website had been used and appropriate comparison made to similar schools however we were not provided with any analysis of the data or any suggested areas to be researched further. The minutes of the meeting of 25/01/2010 for the Finance, Staffing and Pay Committee suggest that the raw data was reviewed and that some areas for further research identified. However no deadlines had been set for this research to be completed by and no report taken to the Full Governing Body at the time of our audit.</p> <p>If the school does not progress the analysis of the raw data and provide a report to the Governing Body then it will not be complying with the requirements of FMSiS.</p>	
Management Response			
<p>Agreed – Suggestions for further research and analysis at Finance Committee Meeting 5-10-2010.</p>			
Responsibility	Headteacher	Deadline	January 2011

19. Segregation of duties

(Priority 2)

Recommendation		Rationale	
<p>The School should ensure that there is adequate separation of duties within the day to day financial management process. This should include, but not be limited to:</p> <ul style="list-style-type: none"> • The raising of a purchase order should not be done by the person approving the order; • The person placing an order should not be the same person committing the order on the system; • The person checking the goods to the orders upon receipt should not be the same person who signed the order; • The person certifying the invoice for payment should not be the same person who raised the order or authorised the cheque; and • The person administering the day to day financial activities within the school should not be the same person preparing the monthly bank reconciliation. 		<p>Section E of Keeping Your Balance states that “The headteacher should ensure that duties related to financial administration are distributed so that at least two people are involved. The work of one should act as a check on the work of the other and all checks should be fully documented.”</p> <p>Furthermore, “All financial transactions should be traceable from original documentation to accounting records, and vice versa.”</p> <p>At the time of the audit we identified that the school administration officer was responsible for the day to day financial management of the school, including raising and placing orders, approving invoices for payment, checking goods received on behalf of the school, reconciling the bank accounts while administering the school’s accounts.</p> <p>Where there is no separation of duties in the financial administration of the school, there is an increased risk that misappropriation, errors or omissions may go undetected for a prolonged period of time.</p>	
Management Response			
<p>SAO to place orders on FMS after orders have been raised and authorised by HT. Have now implemented a Cash Check Log to ensure separation of duties – re: counting and checking cash/cheques for banking. HT to check bank accounts half termly.</p>			
Responsibility	HT and SAO	Deadline	9 November 2010

20. Financial management training

(Priority 2)

Recommendation		Rationale	
<p>The School should ensure that financial management training is provided to the school administration officer to address any gaps identified in the administration of the financial process.</p> <p>This should include, but not be limited to:</p> <ul style="list-style-type: none"> • Retention of financial records; • Maintaining and reconciling accounting records for all accounts held by the school; • Paying suppliers within their specified credit terms; • Employing a more appropriate option to dispatch payments to suppliers rather than the public post; and • Clearing the unreconciled items report on a regular basis. 		<p>Financial management training will help to address any gaps identified in administering the day to day financial process within the school, ensuring that poor financial management practice is curtailed to an acceptable level.</p> <p>During the audit, we identified the requirement for the school administration officer to be provided with financial management training as accounting records were not being maintained for the school fund, suppliers were being paid in excess of their payment credit terms and within the 30 day threshold specified by the financial regulations resulting in late payment charges levied on the school, documents were not being retained in line with the retention policy, numerous cheques were identified as missing in the post, and the unreconciled items report containing items from as far back as 2007.</p> <p>Where training is not provided to address any skills gaps identified, there is an increased risk that poor financial management practice may persist.</p>	
Management Response			
<p>SAO attending [SELT] Financial Management Training with HT on 1st February 2011 and attending all SAO Forums in H&F. This area has been identified in Performance Management as a priority area for SAO'S CPD. SAO to liaise with other SAOs and Business Managers in H&F who have recently passed FMSiS</p>			
Responsibility	HT AND SAO	Deadline	Implemented and ongoing.

Bank Accounts

21. Bank Mandate

(Priority 2)

Recommendation	Rationale
<p>The School should ensure that an updated copy of the bank mandate is obtained and actively managed on an ongoing basis. A copy can be obtained from Cambridge House or from the Bank directly.</p> <p>The school administration officer should not be an authorised signatory of the local cheque account.</p> <p>The mandate should be updated for the new Headteacher.</p>	<p>Obtaining and retaining an up to date copy of the Bank Mandate helps to ensure that only authorised bank transactions take place.</p> <p>LBHF's Financial Procedures Manual Section H3 states It is good practice for staff responsible for undertaking bank reconciliations not to be responsible for the processing of receipts or payments.</p> <p>Currently, the School does not hold a copy of the Bank Mandate. Hence, we were unable to determine on site who the authorised signatories were, and whether bank transactions were being dealt with by only authorised personnel.</p> <p>Since the audit we contacted Cambridge House and understand that the mandate that they hold has not been updated for the new headteacher and that the deputy head and the schools administration officer (SAO) are listed as signatories. A recommendation was made in the Internal Audit Report issued in April 2007 that in order to maintain segregation of duties that the SAO should not be an authorised signatory.</p> <p>Where the School Bank Mandate is not actively managed, there is an increased risk of funds being misappropriated, resulting in financial loss to the School.</p> <p>Where the SAO is an authorised signatory there is an increased risk that segregation of duties may not be maintained. This may have implications for the detection of any fraud, irregularity or error in the use of the bank accounts.</p>

Management Response			
Agreed – Mandate obtained, SAO no longer signatory.			
Responsibility	SAO	Deadline	Implemented

22. Bank Reconciliations

(Priority 1)

Recommendation	Rationale
<p>Bank reconciliations should be completed monthly and submitted to the Local Authority, in line with the returns timetable. The School should ensure that bank reconciliations are signed and dated by the preparer, as well as reviewed and certified by a second officer as evidence of independent review in a timely manner.</p> <p>It is further recommended that all unreconciled items over three months old are immediately investigated and the unreconciled items report annotated with any action taken.</p>	<p>Completing and submitting bank reconciliations in a timely manner will help to ensure that errors, omissions, misappropriations, or variances are identified and investigated promptly. Furthermore, a follow up of unreconciled items in excess of three months old helps to ensure that the bank reconciliation is serving as an effective control in terms of identifying any potential errors or anomalies which may exist on the SIMs system or the banking records. Where it is found that the items are correct but relate to either payments that have not been cashed by external parties or to income which has not been banked by the School, then this should be followed up in a timely manner.</p> <ol style="list-style-type: none">1. Bank reconciliations for the 12 month period to March 2010 were examined. We identified that reconciliations were not always prepared and submitted to the Local Authority, as we could not locate monthly reconciliation for September and October 2009 and February and April 2010. Bank reconciliations were also not completed in a timely manner. Banks reconciliations were completed as follows:<ul style="list-style-type: none">• April/May 2009 completed 22/06/2009;• July 2009 completed 5/10/2009; and• December 2009 completed 29/01/2010.2. Bank reconciliations were not signed by the preparer to certify its accuracy and completeness. We found however that all had been signed by the reviewer (i.e. the headteacher or deputy).3. Unreconciled item listings are submitted to the authority with the monthly returns. Unreconciled listing for March 2010 shows items as far back as April 2008, totalling approximately £250,000. However, there was no evidence that the large balance was investigated by the LA or the School as action taken in respect of

	<p>items older than three months was not recorded.</p> <p>Where monthly bank reconciliations are not completed or completed in a timely manner, there is an increased risk of misappropriation, errors, omissions or fraud may go undetected, resulting in financial loss to the School. Further, where the unreconciled listing is not cleared and items investigated on a regular basis, there is an increased risk that any errors or anomalies remain unidentified for an extended period of time, and/or that failure to bank monies received by the School in a timely manner may not be identified.</p>		
Management Response			
Agreed – Reconciliation of bank statements now completed promptly.			
Responsibility	Headteacher/SAO	Deadline	Implemented

23. Monitoring of School Bank Accounts

(Priority 1)

Recommendation		Rationale	
<p>Management should ensure that all bank accounts held on behalf of the School are monitored periodically and bank statements obtained and reconciled with the SIMS system monthly.</p>		<p>Periodic monitoring of all school bank accounts will help to ensure that any anomalies are promptly identified and investigated.</p> <p>Bank statements for the School Fund account were not examined during the audit as they were not available at the School. We were informed by the SAO that all the statements were destroyed during the break-in in January 2010. Hence, we were unable to give an opinion on the status of the account. There was also no evidence that the account was ever discussed with the Headteacher, Finance Committee or Governing Body meetings.</p> <p>We are also aware that there is an account for Governors Funds and again there appear to be no records held for this account.</p> <p>Where monitoring of the School's bank accounts are not undertaken, there is an increased risk that any anomalies may not be identified in a timely manner and action taken, where necessary.</p>	
Management Response			
<p>Agreed – Bank statements obtained from May and reconciled to manual ledger. Account be audited by June 2011.</p>			
Responsibility	Headteacher/SAO	Deadline	30 th November 2010

Income

24. Recording of Income

(Priority 2)

Recommendation		Rationale	
<p>Receipts should be issued for all cash income received on behalf of the School. Where it is not practical to issue individual receipts (where small amounts are collected) from a large number of individuals, a cash collection record should be maintained.</p> <p>A reconciliation between the amounts collected and the amounts to be paid into the bank should be undertaken by someone other than the person who receipted the income.</p> <p>Wherever any money passes from one staff member to another, it must be evidenced by a signature of both parties. The recipient will then assume responsibility for the cash until it is either banked or transferred to another member of staff.</p>		<p>Issuing receipts and reconciling amounts receipted to amounts to be banked for all income collected on behalf of the School will help to ensure that all funds collected are recorded and banked completely and intact. Furthermore, recording and signing off of the transfers of cash between staff will help to ensure accountability and deter misappropriation of income.</p> <p>Examination of paying-in slips identified that income received on behalf of the School is not receipted or recorded on a summary sheet before being entered onto the finance system. Cash collection records were not maintained for uniform sales, swimming lessons, donations and music lessons. There are also no cash handling procedures in place for the transfer of cash between members of staff.</p> <p>Where income collected on behalf of the School is not adequately recorded, banked promptly and intact, and where procedures are not in place to record the transfer of money between staff, there is an increased risk that income may be misappropriated or errors in cash collection and banking may not be identified.</p>	
Management Response			
Agreed – Receipts now issued for dinner money, uniform, music tuition and school journey. Cash handling log now in place.			
Responsibility	Headteacher/SAO	Deadline	Implemented

Assets

25. Maintenance of Inventory Records

(Priority 2)

Recommendation		Rationale	
<p>Inventory records should be updated to record the date of acquisitions, purchase price, and disposals of portable and valuable assets prior to the inventory being circulated for use.</p> <p>An annual inventory check should be undertaken, certified as correct and the results reported to the Governing Body.</p>		<p>Section M2 of 'Keeping Your Balance – Standards for Financial Management in Schools' states, "Up-to-date inventories should be maintained of all items of equipment".</p> <p>Examination of inventory records identified that acquisition dates and purchase prices of the items have not been documented.</p> <p>In addition, inventory records do not identify when the inventory was last updated or who performed the check. There is also no evidence of the check being reported to the Governing Body.</p> <p>This recommendation was also raised in the probity report April 2007.</p> <p>Where up to date comprehensive inventory records are not maintained, there is an increased risk that items of equipment may be lost or misappropriated and that the loss or misappropriation is not identified.</p>	
Management Response			
Agreed – Purchase price now included, inventory check to be presented to next GB Meeting 22-11-2010.			
Responsibility	School Administration Officer	Deadline	22 nd November 2010

26. Write-off and Disposal Policy**(Priority 2)**

Recommendation		Rationale	
The Governing Body should formally adopt and approve the Write-off and Disposals Policy maintained. Approval should be documented in meeting minutes.		<p>The 'Financial Procedures Manual, Section M Paragraph 9' requires that disposal of surplus stock and equipment must be authorised in writing.</p> <p>The School has established and implemented a write off and disposals policy. However, upon examination we were unable to confirm whether this had been approved by the Governing Body.</p> <p>Where formal procedures have not been approved by the Governing Body, there is an increased risk that write-offs and disposals may not be appropriately documented and / or authorised.</p>	
Management Response			
Agreed – Write- off and Disposals Policy to be agreed at Finance Committee Meeting 5-10-2010.			
Responsibility	Headteacher/SAO	Deadline	22 nd November 2010

27. Equipment Loans

(Priority 2)

Recommendation		Rationale	
Equipment loans should be adequately recorded and authorised by an appropriate member of staff and the loan period specified on the loan form.		<p>The 'Financial Procedures Manual', Section M Paragraph 6 requires that, "Whenever School property is taken off the School site, it should be signed for and a register noted accordingly".</p> <p>We could not confirm whether equipment loans by the School were adequately recorded and appropriately authorised as records were not maintained at the School. Further, we could not confirm whether any staff member who left the School returned any equipment loaned to them prior to them leaving.</p> <p>Where responsibility for School equipment held off-site is not clear, there is an increased risk that the School may not be able to claim for the equipment in the event of loss or misappropriation. There is also a further increased risk that the School may not be able to identify who has access of its equipment.</p>	
Management Response			
Agreed – Loan form introduced.			
Responsibility	Headteacher	Deadline	31 st October 2010

28. Building Maintenance/Accessiibility Plan

(Priority 2)

Recommendation		Rationale	
<p>A Building Maintenance/Accessibility Plan should be developed and approved by the full Governing Body. Approval should be documented in the minutes of the relevant committee at which approval was given.</p>		<p>‘Keeping Your Balance – Standards for Financial Management in Schools’ M7 requires that the governing body should have a plan for the use, maintenance and development of the School’s buildings. The Maintenance Plan also helps to ensure that the School is demonstrating compliance with legislation, such as Health and Safety Regulations and the Disability Discrimination Acts.</p> <p>There was no evidence to confirm that a Maintenance/Accessibility Plan was developed and presented to the Governing Body for approval.</p> <p>Where a building maintenance plan is not produced and approved by the Governing Body, there is an increased risk that the school’s premises and assets may not be maintained or modernised in accordance with statutory regulations and / or guidance or with the school’s priorities for service delivery.</p> <p>There is a further risk in that the premises and assets may deteriorate to an extent that requires additional expenditure to re-instate the asset to proper working order / fitness for purpose.</p>	
<p>Agreed –To provide by November 2010..</p>			
Responsibility	Headteacher/Chair of Governors	Deadline	March 2011

School Journey

29. End of Journey Statement

(Priority 2)

Recommendation		Rationale	
<p>An 'End of Journey' statement detailing all school journey income and expenditure should be produced, certified as correct by the Headteacher and reported to the Governing Body with any reasons for large under spends / overspends, going forward.</p>		<p>'Keeping Your Balance – Standards for Financial Management in Schools' states that parents, pupils and other benefactors are entitled to receive the same standards of stewardship for the funds to which they have contributed. Therefore, it is important to report the income and expenses of each school journey to the Governing Body.</p> <p>An end of journey statement' was not produced for the trips examined and reported to the Governing Body for review. We were informed that approval had been sort from governors in March 2009 for the journeys in 2009/10 but as minutes were not available we have not been able to confirm this. We noted however that journeys for 2010/11 were approved in February 2010. This recommendation was also raised in the probity audit April 2007.</p> <p>Where the School does not produce an 'End of Journey' Statement, there is an increased risk that there may not be satisfactory financial planning of each trip, expenditure and income may not be closely aligned and that best value may not be achieved for parents' contributions. There is also an increased risk of financial loss to the School arising from a need to absorb any shortfall in income.</p>	
Management Response			
<p>Agreed – School Journey July 2010 – End of Journey Statement to Finance Committee Meeting 5-10-2010.</p>			
Responsibility	Headteacher/SAO	Deadline	Implemented

School Fund – Accounting

30. Accounting Records maintained

(Priority 1)

Recommendation		Rationale	
<p>An Income and Expenditure Statement for the School Fund account should be produced and reconciled to the bank statements monthly.</p> <p>Management should ensure that all bank statements for the account are requested and retained at the School.</p> <p>Further, the School Fund account should be independently audited on an annual basis and the results presented to the Governing Body for approval. Evidence of the approval should be documented in the minutes of the relevant meeting.</p>		<p>Recording income received and expenditure incurred for the School Fund account will help to ensure that an audit trail is maintained and the account is effectively managed.</p> <p>In order to provide independent assurance on the accuracy of the School Fund financial records, an independent audit should be conducted. Audited accounts should be presented to the Governing Body for approval. Furthermore, obtaining monthly bank statements and reconciling them to the income and expenditure record maintained will help to identify any errors/omissions or misappropriations.</p> <ul style="list-style-type: none"> • Income and expenditure records are not maintained for the School Fund account; • Bank statements for the account are not retained by the School; and • There was no evidence to confirm that the account was discussed by the Governors or Headteacher. <p>Similar issues were raised in the probity audit April 2007.</p> <ul style="list-style-type: none"> • We have also been informed that there is a Governors Account but no records have been retained for this. <p>Where records for the School Fund are not maintained and subject to an independent audit, there is an increased risk that the School may not be able to demonstrate satisfactory stewardship over the School Fund. Further, any misappropriations may go undetected.</p>	
Management Response			
Agreed – New accounting procedures introduced from May 2010.			
Responsibility	Headteacher/SAO	Deadline	30 th November 2010

Petty Cash Account

31. Petty Cash paid into the Bank

(Priority 3)

Recommendation		Rationale	
<p>The current amount of petty cash float held at the School should be paid into the main school account with immediate effect. Evidence of this should be retained.</p>		<p>It is a requirement of the Schools Financial Manual for all cash held within the School to be paid into the bank intact and in a timely manner. This will help to deter theft and misappropriation of cash.</p> <p>We identified that a cash float of £63.54 is held for petty cash but the School does not operate a petty cash account. We were informed that the amount relates to balance carried forward from the account when it was in operation.</p> <p>Where petty cash is not banked into the school account, there is an increased risk of loss, theft or inappropriate use of the cash resulting in financial loss to the School.</p>	
Management Response			
<p>Agreed – Petty Cash has been paid into the main school account.</p>			
Responsibility	Headteacher/SAO	Deadline	Implemented

School Meals

32. Review of the School Meals Account

(Priority 2)

Recommendation		Rationale	
On completion of the reconciliation of the School Meals Account to paying-in slips and student number, the reconciliation should be reviewed and agreed by an independent person prior to being submitted to the Local Authority.		The completion of regular reconciliation of the School Meals records to paying in slips and pupil number, with review and approval by an independent person will help ensure that any errors, omissions or misappropriation may be identified and actioned promptly. Amounts recorded on the school meals returns were checked to the amounts paid in monthly and there was no exception noted for the four months (January to April 2010) examined. However, the returns were not independently checked and evidenced as such prior to being submitted to the Local Authority. Without review of the reconciliation of school meals records, there is an increased risk that variances may not be identified and rectified promptly.	
Management Response			
Agreed – Sims dinner money module now in use and cash log book introduced. School Chef to sign return			
Responsibility	Headteacher	Deadline	31 st October 2010

Statement of Responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below.

The matters raised in this report are only those which came to our attention during the course of our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of internal audit work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Auditors, in conducting their work, are required to have regards to the possibility of fraud or irregularities. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our audit work and to ensure the authenticity of these documents. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system. The assurance level awarded in our internal audit report is not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board.

Deloitte & Touche Public Sector Internal Audit Limited

London

November 2010

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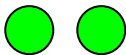



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Appendix A – Definition of Audit Opinions, Direction of Travel, Adequacy and Effectiveness Assessments, and Recommendation Priorities

Audit Opinions




We have four categories by which we classify internal audit assurance over the processes we examine, and these are defined as follows:

	Full	<p>There is a sound system of internal control designed to achieve the client's objectives.</p> <p>The control processes tested are being consistently applied.</p>
	Substantial	<p>While there is a basically sound system of internal control, there are weaknesses, which put some of the client's objectives at risk.</p> <p>There is evidence that the level of non-compliance with some of the control processes may put some of the client's objectives at risk.</p>
	Limited	<p>Weaknesses in the system of internal controls are such as to put the client's objectives at risk.</p> <p>The level of non-compliance puts the client's objectives at risk.</p>
	None	<p>Control processes are generally weak leaving the processes/systems open to significant error or abuse.</p> <p>Significant non-compliance with basic control processes leaves the processes/systems open to error or abuse.</p>

The assurance gradings provided above are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board and as such the grading of 'Full Assurance' does not imply that there are no risks to the stated objectives.

Direction of Travel

The Direction of Travel assessment provides a comparison between the current assurance opinion and that of any previous internal audit for which the scope and objectives of the work were the same.

	Improved since the last audit visit. Position of the arrow indicates previous status.
	Deteriorated since the last audit visit. Position of the arrow indicates previous status.
	Unchanged since the last audit report.
No arrow	Not previously visited by Internal Audit.

Adequacy and Effectiveness Assessments

Please note that adequacy and effectiveness are not connected. The adequacy assessment is made prior to the control effectiveness being tested.

The controls may be adequate but not operating effectively, or they may be partly adequate / inadequate and yet those that are in place may be operating effectively.

In general, partly adequate / inadequate controls can be considered to be of greater significance than when adequate controls are in place but not operating fully effectively, i.e. control gaps are a bigger issue than controls not being fully complied with.

	Adequacy	Effectiveness
	Existing controls are adequate to manage the risks in this area	Operation of existing controls is effective
	Existing controls are partly adequate to manage the risks in this area	Operation of existing controls is partly effective
	Existing controls are inadequate to manage the risks in this area	Operation of existing controls is ineffective

Recommendation Priorities

In order to assist management in using out internal audit reports, we categorise our recommendations according to their level of priority as follows:

Priority 1	Major issues for the attention of senior management and the audit committee.
Priority 2	Important issues to be addressed by management in their areas of responsibility.
Priority 3	Minor issues resolved on site with local management.

Appendix B – Audit Objectives & Scope

Internal Objective and Scope	Audit and <p>The overall objective of this internal audit was to provide the Members, the Chief Executive and other officers with reasonable, but not absolute, assurance as to the adequacy and effectiveness of the key controls relating to the following management objectives:</p> <p>Leadership and Governance</p> <p>The Governing Body is collectively responsible for the overall decision of the School and its strategic management. This involves determining guiding principles within which the School operates and then making decisions about, for example, how to spend the school's budget. Effective governance stems from making corporate decision-making based on comprehensive and accurate information about the school. Effective governance also results in clear public accountability for the performance of the school.</p> <p>School Improvement or Development Plan and OFSTED Inspections</p> <p>To ensure that clear statements of key tasks and targets exist which reflect the obligations and strategy of the School and that key objectives arising from OFSTED/Council Inspections are incorporated within the School's Improvement Plan so as to ensure the school will meet its educational aims, objectives and goals.</p> <p>Financial planning , Budgetary control and Monitoring</p> <p>The School should have a School Development Plan (SDP) which includes a statement of its educational goals to guide the planning process. The SDP should cover in outline the School's educational priorities and budget plans for at least three years, showing how the resources are linked to the achievement of the school's goals. The SDP should state the School's educational priorities in sufficient detail to provide the basis for constructing budget plans for the financial year.</p> <p>There should be annual and multi-year budgets. An annual budget is an absolute requirement as part of the LA's own budgeting arrangements. Ideally these annual budgets for the School will be prepared in the context of a longer term financial plan covering at least three years that takes account of issues in the SDP such as:</p> <ul style="list-style-type: none">- Forecast pupil numbers, likely staffing profile etc; and- Longer-term improvement and development aspirations. <p>In this way the longer term financial plan or budget can help to demonstrate the sustainability of the SDP. From 2006, every school will receive a guaranteed minimum increase in funding per pupil each year help to make multi-year budgeting more accurate.</p> <p>Payroll</p>
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In most schools, staff costs make up around 70% of the entire budget. From 1st April, schools have been able to buy their payroll, personnel and other services from an external provider. However, contracting another organisation to administer payroll and personnel does not relieve the governing body and the headteacher of the responsibility for ensuring that proper controls are in place. Schools need to be aware of a number of areas where Inland Revenue regulations may affect or determine the way payments are made. For example, there are strict rules about payments to individuals who are self-employed. Schools are advised to seek advice from their LEA in such cases.

Procurement

Payments are made in accordance with the Financial Regulations and the School's Scheme of Delegation and there is appropriate documentation which has been appropriately authorised, supporting all payments.

Bank Accounts

The proper administration of bank accounts is at the heart of the financial control. In particular bank reconciliations are essential. These prove that balances shown in the accounting records are correct and provide assurance that the underlying accounts are accurate.

Income

Income is a valuable asset and is therefore vulnerable to fraud and theft. It is imperative that proper controls are in place to minimise those risks. It is also important to ensure that schools do not exceed their insurance limits on holdings of cash on school premises.

Schools generate income from a variety of sources, including grant funding, school meals income and lettings. The Governing Body should establish a charging policy and review it every year. The Headteacher is responsible to the Governing Body for accounting for all income due and cash collected, and the maintenance of up to date and accurate accounting records.

To ensure that where income is generated, there is a clearly defined policy in place to support the arrangements and that the policy has been approved by the Governing Body.

Assets

Schools have a considerable number of attractive and portable items of equipment and materials ranging from library books to computers video recorders and television. These assets need to be kept securely and recorded in an inventory.

The delegation of funding for structural maintenance since April 1999 and for some capital projects from April 2000 has given most schools much more responsibility for their buildings and other parts of the premises than was previously the case. It is important therefore that schools plan how they intend to use, maintain and develop their buildings.

School Journey

To ensure that school journeys are carried out in accordance with an approved policy and Health and Safety legislation.

To ensure that a full end of journey accounting statement has been produced to support the overall income and expenses incurred for the journey.

School Fund

To ensure that all private funds held by the School have been subject to proper accounting procedures and independent audit review and that the funds have been used for the sole benefit of the School.

Petty Cash Account

Petty cash is useful for making small purchases occasionally with a minimum of fuss. However, as cash presents a significant risk to theft and fraud, proper controls need to be in place to minimise these risks. Controls should encompass authorisation, documentation and secure storage of cash.

Data Protection

To ensure that the School has registered under the Data Protection Act.

To ensure that ICT systems are appropriately safeguarded and that arrangements are in place to recover data in the event of a disaster.

Internal Audit Approach and Methodology

The internal audit approach is developed through an assessment of risks and management controls operating within the agreed scope.

The following procedures were adopted:



- Identification of the role and objectives of each area;
- Identification of risks within each area which threaten the achievement of objectives;
- Identification of controls in existence within each area to manage the risks identified;
- Assessment of the adequacy of controls in existence to manage the risks and identification of additional proposed controls where appropriate; and
- Testing of the effectiveness of key controls in existence within each area.

Management should be aware that our internal audit work was performed in accordance with the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 standards which are different from audits performed in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. Similarly, the assurance grading provided in our internal audit report are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board.

Our internal audit testing was performed on a judgemental sample basis and focused on the key controls mitigating risks. Internal audit testing was designed to assess the adequacy and effectiveness of key controls in operation at the time of the audit.

Please note that, in relation to the agreed scope, whilst our internal audit assessed the efficiency and effectiveness of key controls from an operational perspective, it was not within our remit as internal auditors to assess the efficiency and effectiveness of policy decisions.

Appendix C – Audit Team & Staff Consulted

AUDIT TEAM	STAFF CONSULTED
Contact Details:  Ext 2550  Ext 2590	

Appendix D – Audit Timetable

	DATES
Fieldwork Start	19/05/10
Exit Meeting	24/05/10
Draft report issued	13/07/10
Final report issued	