

## Resources

**Director of Finance and Procurement:**  
Richard Ambrose

## **Buckinghamshire County Council**

**Finance and Procurement**  
County Hall, Walton Street  
Aylesbury, Buckinghamshire  
HP20 1UD

Telephone 0845 3708090

[www.buckscc.gov.uk](http://www.buckscc.gov.uk)

Date: 6<sup>th</sup> June 2018

Contact Officer:

Mary-Anne Stanford, Senior Auditor

Direct Line: 01296 383053

[mastanford@buckscc.gov.uk](mailto:mastanford@buckscc.gov.uk)

Dear Head Teachers

### **INTERNAL AUDIT THEMATIC REVIEW OF SCHOOLS FINANCIAL MANAGEMENT**

A thematic approach to school audits was undertaken as part of the 2016/17 and 2017/18 Internal Audit plan, agreed by the Audit Board and approved by the Regulatory and Audit Committee.

Following a risk based methodology, key risk areas were identified and a sample of schools was selected for audit review. Internal Audit's objectives for this audit were to provide an evaluation of, and an opinion on, the adequacy and effectiveness of the system of internal controls that are in place to manage and mitigate financial and non-financial risks

In 2016/17 the thematic review covered Financial Management and School Voluntary Fund. A sample of five primary schools was taken across the county.

In 2017/18 the thematic review covered Procurement and Contract Management. A sample of two primary schools was taken across the county. The original sample for this period included two additional schools, however for one school due to long-term sickness a decision was taken to cancel the review and the other school transitioned to Academy status making our audit immaterial for the school. An additional primary school was subject to a full financial audit following a request from the school.

In addition to the themed audits in 2017/18, Internal Audit visited three other primary schools to follow-up on the implementation of management actions that were identified in prior Limited assurance audits.

These audits have now been completed, audit management actions have been agreed and the final audit reports have been issued to the schools. Progress with

implementing the audit management actions is followed-up regularly by the Business Assurance Team and reported to Children's Services senior management.

We have attached a consolidation of the key risks that were identified from the 11 school audits undertaken across the two years. Table 1 below highlights the main findings and the associated best practice controls that would effectively manage the identified risks. The report will also be considered by the Schools Forum which will be an opportunity for school representatives to share experiences/good practice. A summary of the outcomes of the audits undertaken will also be included in the Business Assurance progress report to the County Council's Regulatory and Audit Committee. This report will be issued to schools via the School Bulletin and will then be available on Schools Web.

We would advise that all primary, secondary, special schools and PRUs consider the findings and best practice in Table 1 and to review their own arrangements in light of this report.

Yours sincerely,

Maggie Gibb,  
Head of Business Assurance  
Phone: 01296 387327  
Email: [mgibb@buckscc.gov.uk](mailto:mgibb@buckscc.gov.uk)



**Table 1.**

	Audit Finding, risk exposure and potential impact	Actions For Consideration – Best Practice
<b>Governance &amp; Financial Skills</b>		
1.	<p><b>Finance Committee Terms of Reference</b></p> <p>Governing Body Terms of Reference for committees should be reviewed and approved annually and these decisions should be recorded in the minutes.</p> <p>Example of Finding:</p> <ul style="list-style-type: none"> <li>There was lack of evidence in the Governing Body minutes to support the review and approval of the Finance Committee This was noted in five schools.</li> </ul> <p>If there is no evidence that committee Terms of Reference are reviewed and approved there is a risk that governors and officers are not working within the agreed roles, responsibilities and accountabilities.</p>	<ul style="list-style-type: none"> <li>All reviews and approval of committee Terms of Reference should be clearly documented within the minutes of meetings.</li> <li>Governors and Headteachers should ensure that the minutes accurately record the discussion and decisions made.</li> </ul> <p><b>NB.</b> The name Finance Committee has been used as a generic term for the Committee that deals with financial matters.</p>

	<b>Audit Finding, risk exposure and potential impact</b>	<b>Actions For Consideration – Best Practice</b>
2.	<p><b>Governors Financial Skills and Training</b></p> <p>Members of the governing body should have adequate financial skills among its members to fulfil its role of challenge and support in the field of budget management and value for money. This is part of the Schools Financial Value Standard (SFVS) annual return. Therefore governors should assess their financial skills that would then inform any training requirements. To assist with this there is a template available on DfE website under SFVS support notes <a href="https://www.gov.uk/guidance/schools-financial-value-standard-and-assurance-sfvs">https://www.gov.uk/guidance/schools-financial-value-standard-and-assurance-sfvs</a>.</p> <p>Example of Findings:</p> <ul style="list-style-type: none"> <li>• Not all governors on the Finance Committee have completed a self-assessment of their financial skills, this occurred in four schools.</li> <li>• The governor training log showed that none of the Finance Committee had completed any financial management training but without a financial skills assessment we were unable to ascertain if training was necessary.</li> <li>• The governor training log did not record all training attended including informal training provided by the Bursar.</li> </ul> <p>If the skills and competencies of governors and staff with financial responsibilities are not assessed there is a risk that gaps/weaknesses are not identified and appropriate training cannot be put in place. Also there is a risk that without financial training, governors are unable to be effective in their role as a critical friend on financial matters.</p>	<ul style="list-style-type: none"> <li>• All governors on the Finance Committee should complete a self-assessment of their financial skills.</li> <li>• The self-assessment of financial skills should inform any financial management training required, this can be formal training plus informal training provided by the Bursar. All training should be recorded on the governor training log.</li> </ul> <p><b>NB.</b> The name Finance Committee has been used as a generic term for the Committee that deals with financial matters.</p>

	<b>Audit Finding, risk exposure and potential impact</b>	<b>Actions For Consideration – Best Practice</b>
3.	<p><b>Staff Financial Skills and Training</b></p> <p>Related to 2 above, as part of the SFVS annual return it is expected that Head Teachers and staff with financial responsibilities complete a financial skills matrix. School staff have a different financial skills matrix to governors and this is available on DfE website under SFVS support notes <a href="https://www.gov.uk/guidance/schools-financial-value-standard-and-assurance-sfvs">https://www.gov.uk/guidance/schools-financial-value-standard-and-assurance-sfvs</a>. Completion of the matrix helps to identify development and training needs within the School.</p> <p>Example of Findings:</p> <ul style="list-style-type: none"> <li>• In four schools it was found that staff had not completed the skills matrices for staff with financial responsibilities;</li> <li>• In two schools staff members who have some financial responsibilities within their role had not completed the skills matrices</li> </ul> <p>If the skills and competencies of staff with financial responsibilities are not captured there is a risk that gaps/weaknesses are not identified and does not provide the school management with the ability to put in place appropriate training or apply effective performance management processes.</p>	<ul style="list-style-type: none"> <li>• Financial skills matrices should be completed by the Headteacher and staff with financial responsibilities even if they have a small financial role.</li> <li>• Following completion of the skills matrices any identified training requirements should be arranged.</li> </ul>

	<b>Audit Finding, risk exposure and potential impact</b>	<b>Actions For Consideration – Best Practice</b>
4.	<p><b>Pecuniary Interests</b></p> <p>Governors and staff with financial responsibilities are required to complete an annual Declaration of Pecuniary Interest. Maintained schools must publish on their website information on each governor’s: business interests, financial interests and governance roles in other schools.</p> <p>Example of Findings:</p> <ul style="list-style-type: none"> <li>• Not all governors had completed annual declarations of Pecuniary Interest, often this was because the governor had not attended the meeting and this was not followed up. This occurred in three schools.</li> <li>• The schools website was not up to date with governor’s business interests, this occurred in two schools.</li> </ul> <p>If governors do not review their pecuniary interests annually and this information is not on the school’s website, there is a risk that there is a lack of transparency in decision making.</p>	<ul style="list-style-type: none"> <li>• A log should be maintained at the school that ensures all governors and relevant staff have completed an annual declaration of Pecuniary Interest.</li> <li>• The school’s website should include up to date information on governor’s interests.</li> </ul>

	<b>Audit Finding, risk exposure and potential impact</b>	<b>Actions For Consideration – Best Practice</b>
5.	<p><b>Financial Procedures Manual</b></p> <p>The Finance Committee should review and approve the Financial Procedures Manual; this requirement is documented in the Finance Committee Terms of Reference. The Financial Procedures Manual should document should record detail of the financial processes at the school that would enable a new member of staff to be carry out necessary tasks.</p> <p>Example of Findings:</p> <ul style="list-style-type: none"> <li>• Financial Procedures Manual does not record detail of financial processes at the school. This was found in four schools. For example the complete process for orders and invoices.</li> <li>• The financial delegated limits do not reflect those in the approved Finance Committee Terms of Reference and in two cases the delegation to approve contracts was absent. This was found in six schools.</li> <li>• Financial Procedures Manual makes reference to out of date standards. This was found in two schools.</li> <li>• Financial Procedures Manual was not reviewed and approved annually by the Finance Committee. This was found in two schools.</li> </ul> <p>If the school’s Financial Procedures Manual does not reflect local procedures and does not include the correct delegated limits then staff maybe unaware of their responsibilities, tasks may not be completed, delegated limits exceeded and effective separation of duties may not be achieved.</p>	<ul style="list-style-type: none"> <li>• The Financial Procedures Manual should be reviewed and approved annually in line with Finance Committee Terms of Reference.</li> <li>• The Financial Procedures Manual should record the same financial limits as in the approved Finance Committee Terms of Reference.</li> <li>• The Financial Procedures Manual should record detail of the financial processes and delegation of roles that would enable a new member of staff to carry out necessary tasks and ensures adequate separation of duties.</li> </ul>

Audit Finding, risk exposure and potential impact	Actions For Consideration – Best Practice
<b>School Voluntary Fund (SVF)</b>	
<p>6. <b>SVF Accounts Presented to Governing Body</b></p> <p>The Local Authority Financial Regulations for schools ‘FR 11 Voluntary Funds’ states that the SVF accounts shall be audited annually by a competent, independent person and shall be submitted with an audit report to the school Governing Body, within six months of the accounting year end.</p> <p>Example of Findings:</p> <ul style="list-style-type: none"> <li>• Six schools had not presented the SVF accounts to the governing Body within six months of year-end. At two of these schools there were two or more years of SVF accounts that were outstanding.</li> <li>• At one school the report to governors did not include a written report from the independent examiner. This report should comment on whether or not proper accounting records have been kept throughout the relevant financial period/year and whether or not the systems of internal control were sufficiently robust. Any material errors should also be commented on.</li> </ul> <p>If SVF accounts are not presented to the Governing Body on time, there is a risk that the governors are unaware of the amount and nature of transactions going through the SVF, with anomalies or errors going unidentified. In addition this is a breach of the Local Management Handbook Financial Regulations.</p>	<ul style="list-style-type: none"> <li>• As soon as possible after year-end the School Voluntary Fund data should be passed to the independent examiner to ensure that the accounts are processed promptly after year-end.</li> <li>• The independent examiners audit report should be presented to Governing Body within six months of year-end.</li> <li>• The accounts should include a written report/letter from the independent examiner. This letter should comment on whether or not proper accounting records have been kept throughout the relevant financial period/year and whether or not the systems of internal control were sufficiently robust. Any material errors should also be commented on.</li> </ul>



	<b>Audit Finding, risk exposure and potential impact</b>	<b>Actions For Consideration – Best Practice</b>
7.	<p><b>SVF Accounts Income</b></p> <p>BCC Finance issued a School Bulletin on 10 March 2017 that clarifies those income strands that should be banked to school budget and SVF. Current guidance is that: ‘In general any income relating to school activity should be paid into school budget this includes School Meals, School Trips/Activities, Lettings, Before and After Schools Clubs, Sales, Exam Fees, Music Lessons. Whilst operated by school staff voluntary funds (SVF) should only be used for receipt of donations and other fund raising activities’.</p> <p>Example of Findings:</p> <ul style="list-style-type: none"> <li>• Schools that were audited before this new guidance was issued were allowed to bank that income to SVF as long as it was transferred promptly. It was found that four schools did not promptly transfer SVF income to school budget and this was generally done at financial year-end.</li> <li>• SVF income was included in two school audits after the guidance was issued. It was found that one of these schools continued to bank school budget income (school trips, music tuition and uniform) to SVF and this had not been transferred promptly.</li> </ul> <p>Where income is not accurately banked against the correct fund, there is a risk that shortfalls in the fund are not identified and budget monitoring is not accurate that could lead to deficit financial position.</p>	<ul style="list-style-type: none"> <li>• Schools should ensure that income is allocated to the correct fund and in line with current guidance issued by BCC Finance.</li> <li>• If there is a valid reason to bank to SVF then the monies should be transferred promptly e.g. when the invoice is paid.</li> </ul>

Audit Finding, risk exposure and potential impact	Actions For Consideration – Best Practice
<b>Procurement and Contract Management</b>	
<p>8. The Finance Committee should review all contracts and leases on an annual basis. Where new or amendments are made to contracts, these should be presented to the FC termly as set out in their Terms of Reference</p> <p>Example of Findings:</p> <ul style="list-style-type: none"> <li>• Contract Register is not up to date; this was found in four schools. For example the register did not include all photocopier contracts in place.</li> <li>• Finance Committee are not reviewing contracts annually; this was found in four schools.</li> </ul> <p>If the Finance Committee do not know all the contractual commitments that the school has they are may not have all the information needed to make financial decisions.</p>	<ul style="list-style-type: none"> <li>• School should maintain an up to date contract register that records all contracts including those with BCC. It should include at a minimum: the contractor name, the start date, the end date, payments and frequency and performance. A template will be available on Schools Web Finance from September.</li> <li>• The contract register should be presented to the Finance Committee at least annually.</li> </ul>

	<b>Audit Finding, risk exposure and potential impact</b>	<b>Actions For Consideration – Best Practice</b>
9.	<p>Contracts should be approved in line with agreed delegated limits that are within the Finance Committee Terms of Reference. Quotes should be obtained in line with Financial Regulations. Documentation should be retained in line with retention periods.</p> <p>Example of Findings:</p> <ul style="list-style-type: none"> <li>• At two schools we found that contracts were approved and started without approval from the Finance Committee as required in their Terms of Reference.</li> <li>• At one school the incorrect number of quotes was obtained and there was no evidence of formal evaluation of the quotes.</li> <li>• At one school quotes for unsuccessful contractors were not retained for the required length of time.</li> </ul> <p>There is a risk that inappropriate contracts are awarded that are not fit for purpose, that contracts do not provide value for money and that goods procured without relevant quotes/tenders could result in financial commitment that the school cannot meet. There is also the risk that the school could be non-compliant with EU Procurement Regulations where applicable.</p>	<ul style="list-style-type: none"> <li>• Contracts should be approved in line with Finance Committee Terms of Reference and this should be recorded in the minutes.</li> <li>• Quotes should be obtained, evaluated and retained in line with the LA financial framework particularly the Standing Orders Relating to Contracts for Schools With Delegated Budgets.</li> </ul>

Audit Finding, risk exposure and potential impact	Actions For Consideration – Best Practice
<b>Accounts Payable</b>	
<p>10. Purchase orders should be raised before a purchase is made, the receipt of the goods/services should be confirmed before the invoice is paid and approval should be recorded with a signature on paper copies of orders and invoices.</p> <p>Example of Findings:</p> <ul style="list-style-type: none"> <li>• At four schools purchase orders were placed on the financial system (FMS) <u>after</u> the invoice was received, therefore a retrospective order.</li> <li>• At three schools the invoices were not signed to record receipt of goods/services (a goods receipt note).</li> <li>• At two schools the paper invoice was not signed to indicate approval to pay.</li> <li>• At two schools the Headteacher had authorised expenditure over their delegated limits.</li> </ul> <p>If the incorrect process is not followed for the ordering of goods or services and the processing of invoices, there is a risk of unauthorised orders and expenditure, budget reports not fully reflecting actual commitments and instances of over/under spend may not be identified leading to ineffective budget monitoring, invoices paid when goods or services have not been received or invoices paid twice.</p>	<ul style="list-style-type: none"> <li>• Purchase orders should be placed on FMS before the goods or services are ordered. If it is necessary to place a telephone order then this should be put on FMS promptly.</li> <li>• Orders should be signed in line with the schools Financial Procedures Manual.</li> <li>• Evidence of goods receipt should be recorded on the invoice.</li> <li>• Paper invoices should be authorised for payment with a signature from the delegated person as long as it is within their delegated limits.</li> <li>• Best practice observed in some schools is the use of a ‘stamp’ where there is an area for signatures acknowledging: goods receipt, arithmetically correct and authorised for payment.</li> </ul>

Audit Finding, risk exposure and potential impact	Actions For Consideration – Best Practice
<b>Income</b>	
<p>11. Within income procedures there should be adequate separation of duties so that more than one person is involved. Invoices should be raised promptly in line with procedures and a control record should be maintained that ensures all income is invoiced and received. Income was examined at four schools.</p> <p>Example of Findings:</p> <ul style="list-style-type: none"> <li>• At two schools there was no evidence of separation of duties for income. At one school there were no formal checks to ensure income received has appeared on the bank statement. At the second school there was only one person involved in income collection, recording and banking.</li> <li>• At one school there was no record maintained of invoices raised and when income was received.</li> <li>• At one school the cash collected in the classroom was not passed immediately to the school office.</li> <li>• At two schools lettings invoices were raised at half term when the local procedures require invoices to be raised prior to the letting occurring.</li> </ul> <p>There is an increased risk that anomalies or instances where money is lost or misappropriated are not identified or detected.</p> <p>If invoices are not raised in a timely manner there are risks that the school may not receive the income or that income is not received promptly, impacting on the school's ability to prepare and manage its budget effectively.</p>	<ul style="list-style-type: none"> <li>• There should be at least two people involved in income collection, recording, banking and reconciliation. If this is not possible then there should be a termly check by a second person. Any checks should be evidenced with a signature and date.</li> <li>• The Financial procedures Manual should specify when invoices are raised and for lettings this should be included on the Lettings Policy.</li> </ul>

	Audit Finding, risk exposure and potential impact	Actions For Consideration – Best Practice
<b>Data Security</b>		
12.	<p>Only current staff at the school should have access to the school’s accounting system FMS. Passwords to FMS should be changed termly.</p> <p>Example of Findings:</p> <ul style="list-style-type: none"> <li>• Former staff had active FMS access; their access had not been amended to ‘No Access’. This occurred in three schools.</li> <li>• Passwords to FMS have not been changed termly. This was found in three schools.</li> <li>• At one school a user of FMS could authorise orders and invoices.</li> <li>• At one school the Bursar was using a former member of staff’s access to authorise invoices giving the appearance of separation of duties.</li> </ul> <p>If passwords are not changed at least termly, former staff have FMS access or there is not adequate separation of duties, there is a risk of exposing the system to unauthorised access which could lead to misuse of information, unauthorised expenditure, data breaches that will have a reputational impact.</p>	<ul style="list-style-type: none"> <li>• When a member of staff leaves their access to the FMS should be amended to ‘No Access’.</li> <li>• All FMS users should change their passwords termly. Passwords should not be shared or written down.</li> <li>• FMS access rights should be checked to ensure adequate separation of duties. Within FMS supervisor access should be utilised to achieve this. There is support available from the BCC FMS Team.</li> </ul>