

LGSS Audit & Risk Management Service

Internal Audit Report

Governance and Financial Management and

Compliance with the Schools Financial Value Standard

(SFVS) –2014/2015

Client	Children, Families and Education
Issued to	All Schools
Date	September 2014
Lead Auditors	Janette Lynn & Heather Fraser
Status of report	Final Report
Internal Audit Opinion	Limited assurance
Audit Committee Date	11 September 2014

Executive Summary

Assurance Summary

Process Area	No	Limited	Moderate	Substantial	Full
Governance Documents & procedures					
Policies					
Medium Term Planning including three year financial plans and premises plans					
Financial Management					
Protecting the school against the risk of theft and fraud					
Business Continuity Plans					
Self Assessment – thematic audits					
Overall					

Note

All Internal Audit reports are available on a confidential basis to Senior Management and the Audit Committee as a matter of course. The main points of this report and the overall assurance level will be summarised for the Audit Committee in a report that is made available within the public domain.

1. Background to the review

The Schools Financial Value Standard (SFVS) was introduced by the Department for Education (DfE) in September 2011. Governing bodies have formal responsibility for the financial management of their schools, and so the standard is primarily aimed at governors.

This is the third year that a thematic audit on Governance and Financial Management including compliance with SFVS has been completed. Fifteen schools were audited – this is a reduction from thirty five schools that had been audited in 2012/13 and 2013/14. The number of schools audited has been reduced to align this review with other thematic audit sample sizes.

The results of all schools have been collated to form the basis for this report to provide feedback to appropriate officers within the Council.

The Section 151 Officer is required to provide the following Assurance Statement to the DfE:

“I confirm that I have in place a system of audit for schools which gives me adequate assurance over their standards of financial management and the regularity and propriety of their spending”.

It is recognised that schools have local management, however we need to be aware of how well schools comply with legislation, Northamptonshire County Council (NCC) policies and guidance issued to them.

The prosecution of a school bursar in 2012 for fraud, and a case currently being taken through the courts together with a continued rise in the number of school related special investigations have highlighted the need to ensure that appropriate management controls are in place in schools.

There needs to be sufficient evidence of these being implemented by Headteachers and appropriate checks completed by Governing Bodies.

The audits have identified that Governing Bodies have, based on assurance provided to them by their Headteacher and or Bursars/Business Manager, signed off their SFVS return stating that controls are in place. When Internal Audit have tested these controls it has been found that controls are either not in place at all, or not routinely in place e.g. completed each month.

Governing Bodies should ensure that they complete their own testing to confirm that controls are in place to protect the school from the potential risk of fraud.

1.1 Key Risks

Key risks identified at the start of the audit were:

- Schools do not have appropriate Governance arrangements;
- Schools do not have appropriate arrangements in place for Purchasing and Payments and / or Personnel and Payroll;
- Schools not complying with legislation;
- Schools not complying with NCC policies; and
- Poor Financial Management increasing the risk of fraud and weak budgetary control.

1.2 Objectives

The objectives of the review were therefore to:

- Assess the controls in place at the school to ensure compliance with the SFVS, statutory requirements, Council policy and other relevant codes of practice;
- Assess whether the systems and procedures in place promote good governance;
- Assess whether systems and procedures in place safeguard the assets and interests of the school including financial monitoring and planning;

- Assess whether the management checks in place are effective and the school has appropriate anti-fraud measures in place.

2. Internal Audit Opinion, Main Conclusions and Good Practice

Internal Audit's approach for the completion of this review was to visit each school for one day. Discussions were held with the Headteacher and the Business Manager/Bursar and records were examined in the schools. The findings of the audit were summarised in a draft report which was discussed with the Headteacher and the Business Manager/Bursar. Representatives from the Governing Body also attended the feedback meeting in some of the schools. The findings and recommendations were reviewed at the meeting and agreed in principle. The school was then provided with a final audit report which was to be presented to the Governing Body. This final report included a proforma to be completed by the school and returned to Internal Audit to confirm when the audit report had been presented to the Governing Body.

This report brings together the findings of all 15 school visits to provide an overall assurance opinion, identifying trends in compliance and recommends appropriate actions to strengthen controls and governance.

2.1 Main conclusions

Based on the completion of our fieldwork we are giving **limited assurance** for the control over Governance and Financial Management and Compliance with the SFVS. The table below provides a breakdown on the level of assurance in both areas for the fifteen schools audited.

Governance and Financial Management Level of Assurance			Schools Financial Value Standard Level of Assurance			
Limited	Moderate	Substantial	Not met	Partly met	Substantially met	Met
8	1	6	0	12	3	0

The percentage of schools with limited assurance for Governance and Financial Management has increased from 23% in 2013/14 to 53% in 2014/15, these schools had weaknesses where management checks were either not in place, or were not consistently demonstrated. Therefore it was considered that schools were exposed to the risk of fraud.

- **Governance documents and procedures**

This area showed significant improvement on the findings the previous year. The roles and responsibilities for finance for the Governors, Headteacher and Business Manager/Bursar were clearly defined. The delegated authority for purchasing was also specified i.e. the level of expenditure above which the

Headteacher was required to seek approval from Governors before expenditure was incurred.

There were still however 20% of schools where the terms of reference for the committee that dealt with finance had not been reviewed and approved annually by the Governing Body.

- **Policies**

An Income Policy was not in place in 27% of schools.

- **Medium term planning**

In 57% of the schools a school development plan was only in place for a one year period, schools were not planning one year in detail and two in outline.

It was also noted that although there was evidence that plans were presented to Governors for review and discussed, their approval was not minuted in 60% of the schools.

In 29% of schools the Asset Management Plan provided to schools by NCC had not been reviewed by the Governors. In addition to this 50% of the schools did not have a premises plan in place for annual and longer term projects. Although there were discussions in the minutes that governors were considering projects or potential options this was not formalised and costs estimated and linked to financial forecasts for the school.

- **Financial Management**

Three year financial projections had not been completed in 27% of the schools. This was due to schools only completing one year of the three year template or else schools had predicted expenditure but not considered their potential changes in pupil numbers and the impact on funding they would receive.

In 40% of schools there was insufficient evidence that the Headteacher had checked that the budget and expenditure on the school's local accounting system had been reconciled to the NCC records on Oracle.

In twelve of the schools invoices were raised for income due to the school. 33% of these schools did not provide Aged Debtors reports to the Governors to confirm the level of debt owed to the school.

Ten of the schools hired out their premises to generate income but 50% of these did not have evidence on file to confirm that the hirers of the premises had third party indemnity insurance in place to meet any claims that could arise.

13% of schools had not checked that staff travelling on school business in their motor cars had business cover on their motor insurance policies.

- **Protecting the school against the risk of theft and fraud**

In 33% of the schools there was no evidence that the Headteacher had completed checks that the Business Manager/Bursar had checked the payroll each month or that they had completed a management check on the reports to review payments to the Business Manager/Bursar to confirm that these were correct.

Adequate arrangements for the monitoring of the sequential use of cheques were not in place in 20% of schools. Although checks were completed on the cheques being signed it was not confirmed that cheques had not been misappropriated since the previous cheque signing.

Some schools did not have checks in place to monitor the sequential use of the manual cheque book i.e. controls were in place for cheque stationery but manual cheques were not controlled.

In 80% of schools Headteachers did not check that all income received in the school had been banked. In some of these Headteachers checked the income prepared for banking but not that this had actually been banked in full and without deductions post checking.

Although the Private Funds had been audited in all of the schools visited, in 27% of the schools the accounts had not been presented to the Governors. They had therefore taken verbal confirmation from their Headteacher/Business Manager/Bursar that this was so.

Appropriate records and checks were not in place in 47% of the schools to verify that assets purchased were still on site i.e. inventory checks had not been completed in the last 12 months. Schools may therefore not be aware if portable devices such as digital cameras, lap tops and or i-pads had been removed from the premises.

- **Business Continuity Plans**

33% of schools had not completed and approved a Business Continuity Plan. Many schools have critical incident plans in place to deal with emergencies/tragedies relating to pupils but have not considered sufficiently steps to be taken in event of the loss of key staff, premises or IT systems and their requirements.

- **Thematic Audits**

Since 2006 the majority of Internal Audit work in primary schools has been by undertaking thematic audits. The templates for these audits have been available on

the NCC website for schools to use and enable them to complete self assessments. 47% of the schools had not completed these and had therefore not identified and been able to address weaknesses in their internal control environment.

Effective Governance and Financial Management is fundamental to the system of internal control. Governing Bodies are responsible for ensuring that appropriate controls are in place to reduce the risk of fraud, misappropriation of assets, budget overspends and reputational damage to the school.

All schools visited have been advised that their Governing Body is responsible for completing their action plans in order to meet SFVS.

Feedback on this audit will be provided to all schools through the Finance Seminars held by LGSS Schools Finance and newsletters to reinforce to schools the need to complete the SFVS standard fully.

A copy of this report will also be placed on the LGSS Internal Audit website.

2.2 Good Practice

Areas of good practice are listed at Appendix 1.

2.3 Main recommendations

For each of the issues identified we have made suggested recommendations in the accompanying action plan. When schools comply with the advice given, this will positively improve the control environment and aid the Authority in its ability to effectively manage its risks.

2.4 Acknowledgement

We would like to take this opportunity to thank all members of staff whom we contacted during the course of this review for their time and assistance.

Findings and Management Responses

Risk Level	Key findings	Recommendations	Management Comments / Agreed actions	Timescale / Owner
<p>1.</p> 	<p><u>Governance documents and procedures</u></p> <p>a) In 20% of schools the terms of reference for the finance committee had not been reviewed and approved by the Governing Body in 2013/2014.</p> <p>There is a risk that if the Governing Body does not review and approve the Terms of Reference for its committee annually the terms of reference may not be:</p> <ul style="list-style-type: none"> - updated with new responsibilities; - the committee may not complete the tasks that are required of it; - may act beyond its delegated powers. <p>The review of the terms of reference is also an aid to measure the performance of the committee and how effective it has been, i.e. during the past year were the delegated functions completed?</p>	<p>The Governors Handbook (previously the Governors Guide to the Law), NCC Financial Regulations and the SFVS state that any delegation of powers by the Governing Body to a Committee and to the Headteacher must be documented and approved.</p> <p>Schools should be reminded of the following:</p> <p>The Governing Body should review any powers and duties it is delegating to a committee annually i.e. Terms of Reference.</p> <p>After a review has been completed by the committee the terms of reference must then be presented to the Governing Body for approval i.e. a committee cannot approve its own terms of reference.</p>	<p>To be advised to schools by newsletters / training / seminars.</p>	<p>Leadership & Governance team and Schools Finance team.</p> <p>Autumn Term 2014</p>
<p>2.</p> 	<p><u>Finance Policies</u></p> <p>a) An Income Policy was not in place in 27% of schools.</p>	<p>NCC Financial Regulations for schools state that all schools should have an Income Policy.</p>	<p>To be advised to schools by newsletters / training / seminars.</p>	<p>Leadership & Governance team and Schools</p>

Risk Level	Key findings	Recommendations	Management Comments / Agreed actions	Timescale / Owner
	<p>An Income Policy should clearly state the procedures to be followed for the collection of income.</p> <p>There is a risk that without an Income Policy:</p> <ul style="list-style-type: none"> - Correct procedures are not followed for the collection of income; - Debt recovery procedures are not followed and debts monitored. 	<p>Schools should be reminded of the need to have an Income Policy incorporating the administration of income and credit control procedures, and reporting to Governors.</p>		<p>Finance team.</p> <p>Autumn Term 2014</p>
<p>3.</p> 	<p><u>Medium Term Planning</u></p> <p>a) In 57% of the schools a school development plan was only in place for a one year period, schools were not planning one year in detail and two in outline.</p> <p>There is a risk therefore that schools are not planning strategically for the future and have not considered their development plan alongside their three year financial projections both of which should be interlinked.</p> <p>b) It was also noted that although there was evidence that school development plans were presented to Governors for review and were discussed their approval was not minuted in 60% of the schools.</p>	<p>Schools should be reminded of the need to make medium term development plans and for these to be approved by their Governing Body.</p> <p>Schools should be reminded that the Governing Body have a statutory duty to monitor the school development plan and to this there should be a formal agreement of the plan against which performance is to be measured. School Development Plans will evolve over time and any subsequent</p>	<p>To be advised to schools by newsletters / training / seminars.</p>	<p>Leadership & Governance team and Schools Finance team.</p> <p>Autumn Term 2014</p>

Risk Level	Key findings	Recommendations	Management Comments / Agreed actions	Timescale / Owner
	<p>There is a risk that unless a development plan is formally approved performance cannot be measured against it and Governing Bodies, Headteachers and staff cannot be held accountable for its delivery.</p> <p>c) 29% of schools had not reviewed the Asset Management Plan with governors. In addition to this in 50% of the schools a premises plan was not in place to outline premises maintenance and improvements that would be required in the forthcoming years and their estimated costs. This would enable these to be included in their three year financial projections.</p> <p>There is a risk that unless a premises plan is prepared the school may not budget effectively in order to meet any costs that will have to be met in order to provide a safe, secure environment to meet educational needs of the school.</p>	<p>agreed revisions of the plan should be approved and minuted.</p> <p>Schools should be reminded to prepare premises plans that can be linked to their three year financial projections.</p>		
<p>4.</p> 	<p><u>Financial Management</u></p> <p>a) Three Year financial projections had not been completed in 27% of the schools.</p> <p>In some schools although the three year</p>	<p>To enable financial projections to be of value to Governing Bodies and to comply with SFVS schools should be reminded to complete all three years financial projections for expenditure and anticipated funding and income.</p>	<p>To be advised to schools by newsletters / training / seminars.</p>	<p>Leadership & Governance team and Schools Finance</p>

Risk Level	Key findings	Recommendations	Management Comments / Agreed actions	Timescale / Owner
	<p>planning tool provided by LGSS Schools Finance had been used only one year of the three year template had been completed. In other schools they had predicted expenditure but not considered their potential changes in pupil numbers and the impact on funding they would receive.</p> <p>There is a risk therefore that if schools do not complete robust three year expenditure plans they will not forecast any reduction in funding or increased costs and may not make plans to reduce expenditure appropriately. Conversely any increase in funding may not be estimated and plans made to expand the school or plan for increased staffing to meet demand may be delayed.</p> <p>b) In 40% of schools there was insufficient evidence that the Headteacher had checked that the budget and expenditure on the school's local accounting system had been reconciled to the NCC records on Oracle.</p> <p>The reconciliation of the budget and expenditure each month is fundamental to good budget management and monitoring. Headteachers are</p>	<p>The LMS Financial Management Handbook states that Headteachers should complete a management check to ensure that the school's accounts have been reconciled each month.</p> <p>Schools should be reminded of the requirement for them to check that a monthly reconciliation of the budget and expenditure recorded on SIMS FMS6 and ERP Oracle has been completed.</p>		<p>team.</p> <p>Autumn Term 2014</p>

Risk Level	Key findings	Recommendations	Management Comments / Agreed actions	Timescale / Owner
	<p>responsible for completing a management check to ensure that this task has been completed by the Bursar/Business Manager.</p> <p>There is a risk that unless this procedure has been checked a school may go into an overspend situation if the school's accounts include an incorrect budget level or the school may not be utilising all of the resources available to it because it had not input additional funding into its local accounting system.</p> <p>c) In 33% of the schools that schools that raised invoices, Aged Debtor reports were not provided to Governors.</p> <p>There is a risk therefore that Governing Bodies are not aware of the amount of money owed to the school that may potentially have to be written off against the school budget.</p> <p>d) In 13% of the schools they had not checked that staff travelling on school business e.g. to courses and meetings, had appropriate cover on their motor insurance policies.</p> <p>There is a risk therefore that staff may be</p>	<p>The Headteacher should ensure that both reconciliations are being completed. This should be evidenced by their signature on the LB26 SIMS to Oracle Reconciliation form.</p> <p>The LMS Financial Management Handbook states that Aged Debtor reports should be presented to the Governing Body so that they can monitor that invoices are being raised and how effective debt collection procedures are and the risk of potentially having to write off debts to the school budget.</p> <p>The LMS Financial Management Handbook states that management checks should be completed to ensure that all staff using their private motor cars to travel on school business have business cover on their motor insurance policies. This includes for example staff transporting pupils, attending meetings, visiting the bank and attending training</p>		

Risk Level	Key findings	Recommendations	Management Comments / Agreed actions	Timescale / Owner
	<p>travelling illegally which could have implications for the member of staff and if a claim was to be made against them.</p> <p>e) In 50% of the schools that hired out their premises checks had not been completed to confirm that the hirers of the premises had third party indemnity in place to meet any claims that could arise.</p> <p>There is a risk therefore that the school may have to meet these costs.</p>	<p>courses.</p> <p>Schools should be reminded to ensure that these checks undertaken.</p> <p>A record of the check completed should be maintained and policies should be checked annually.</p> <p>Schools should be reminded of the requirement to check that appropriate insurance is in place prior to allowing access to the premises.</p>		
<p>5.</p> 	<p><u>Protecting the school against theft and fraud</u></p> <p>a) In 33% of the schools there was no evidence that the Headteacher had completed checks that the Business Manager/Bursar had checked the payroll each month, or that they had completed a management check on the reports to review payments to the Business Manager/Bursar to confirm that these were correct.</p>	<p>The LMS Financial Management Handbook states that each month when the Business Manager/Bursar has completed checking the payroll the reports and evidence should be presented to the Headteacher to allow a management check to be completed.</p> <p>Schools should be reminded of this requirement.</p>	<p>To be advised to schools by newsletters / training / seminars.</p>	<p>Leadership & Governance team and Schools Finance team.</p> <p>Autumn Term 2014</p>

Risk Level	Key findings	Recommendations	Management Comments / Agreed actions	Timescale / Owner
	<p>Headteachers could therefore be unaware that the payroll has not been checked or that fraudulent payments have been made to the Business Manager/Bursar.</p> <p>b) Adequate arrangements for the monitoring of the sequential use of cheques were not in place in 20% of schools.</p> <p>Although checks were completed on the cheques being signed it was not confirmed that cheques had not been misappropriated since the previous cheque signing. There is a risk therefore that fraud may occur.</p> <p>c) In 80% of schools Headteachers did not check that all income received in the school had been banked.</p> <p>Many Headteachers checked the income prepared</p>	<p>The LMS Financial Management Handbook states that the sequential use of cheques should be monitored.</p> <p>Schools should be reminded of the need to complete this check. For many schools this is achieved by reviewing the cheque run report for the previous cheque run before commencing signing cheques for the current cheque run. The last cheque number on the previous cheque run should be the one preceding the first cheque on the current cheque run. Alternatively a log of cheques used can be maintained.</p> <p>Many schools have cheque stationery but also have a manual cheque book which is used less frequently. Periodic spot checks should therefore take place to ensure that cheques have not been misappropriated in between use.</p> <p>The LMS Financial Management Handbook states that management checks should be completed to ensure that all income received is banked, intact and without deductions.</p> <p>Schools should be reminded that cash is a portable</p>		

Risk Level	Key findings	Recommendations	Management Comments / Agreed actions	Timescale / Owner
	<p>for banking but did not complete a check that monies were actually been banked, so there is a risk that monies could be prepared for banking but then stolen.</p> <p>d) The audited accounts for the Private Funds had not been presented to the Governors in 27% of the schools..</p> <p>Governors had therefore not seen evidence that the accounts had been audited, they had accepted the Business Manger/ Headteacher’s confirmation of this, so could be misled. Governors had also not been provided with the opportunity to review the accounts. There is a risk therefore that mis-use of funds may not be identified e.g. the movement of funds to an alternative account, inappropriate expenditure or that the accounts had not actually been audited.</p> <p>e) Appropriate records and checks were not in place in 47% of the schools to verify that assets owned by the school were still on site i.e. inventory checks had not been completed in the</p>	<p>commodity which can easily be misappropriated. Management checks should therefore be made to ensure that all income received and recorded in day books/receipt books and on SIMS is banked promptly and without deductions. Confirmation of this is achieved by comparing these records to the bank paying in book after banking or the bank statements. Checks should be evidenced.</p> <p>The LMS Financial Management Handbook states that the audited accounts of the school fund should be presented to Governors.</p> <p>Schools should be reminded that in addition to reporting to Governors that the Private Fund accounts have been audited, evidence of this should be provided to the Governors and that the accounts should be presented for review and discussion.</p> <p>The LMS Financial Management Handbook states that schools should have an inventory in place and that a physical check of assets should be completed annually.</p>		

Risk Level	Key findings	Recommendations	Management Comments / Agreed actions	Timescale / Owner
	<p>last 12 months.</p> <p>There is a risk therefore that schools may not be aware if portable devices such as digital cameras, lap tops and or i-pads have been removed from the premises.</p>	<p>Schools have a duty to ensure that appropriate security is in place to safeguard their assets.</p> <p>Schools should be reminded of the need to have an up to date inventory and to undertake these checks annually.</p> <p>In the case of portable IT equipment it is recommended that more frequent checking is completed and it was noted that some schools have already introduced weekly checks for this type of equipment.</p>		
<p>6.</p> 	<p><u>Business Continuity</u></p> <p>33% of schools had not completed and approved a Business Continuity Plan. Many schools have critical incident plans in place to deal with emergencies/tragedies relating to pupils but have not considered sufficiently steps to be taken in event of the loss of key staff, premises or IT systems and their requirements.</p> <p>There is a risk therefore that schools would be unable to respond promptly to any disruption in service which may interrupt pupils education. There would also be reputational risk as the school may not be viewed favourably by parent and the local media due to its lack of planning and poor response. Increased costs may also arise due to unpreparedness.</p>	<p>SFVS introduced the requirement for schools to have a Business Continuity Plan.</p> <p>Schools should be advised to consider how the school will respond to emergency situations eg the loss of premises, staff, IT or other services.</p> <p>This may include:</p> <ul style="list-style-type: none"> - collaboration with other schools who may be able to provide some accommodation/staff assistance; - schools may need to source alternative premises; - recruitment of temporary staff; - IT requirements so that they can inform a provider of their immediate needs if relocated to another building, how many workstations required, software etc; - Catering requirements for pupil/staff meals; 	<p>To be advised to schools by newsletters / training / seminars.</p>	<p>Leadership & Governance team and Schools Finance team.</p> <p>Autumn Term 2014</p>

Risk Level	Key findings	Recommendations	Management Comments / Agreed actions	Timescale / Owner
		<p>- Schools should also ensure they have key contacts available i.e. staff lists, pupils, suppliers details etc</p> <p>A Business Continuity Plan should be prepared and presented to governors for review and approval.</p>		
<p>7.</p> 	<p><u>Thematic Audits</u></p> <p>47% of the schools had not completed the thematic audit templates that are provided to enable schools to self assess their controls in the areas of :</p> <ul style="list-style-type: none"> - Governance and Financial Management including compliance with SFVS; - Personnel and Payroll; - Purchasing and Payments; <p>As a result of this these schools had not identified their control weaknesses and 53% were given limited assurance, 7% moderate and only 40% substantial assurance.</p>	<p>Schools should be reminded of the value in completing self assessments by using the thematic audit templates which are updated as and when regulations change.</p> <p>The results of the thematic audits should be reported to governors i.e. good practice identified and areas where controls need to be improved.</p> <p>An action plan should be prepared and its implementation monitored by the Finance Committee or Governing Body.</p>	<p>To be advised to schools by newsletters / training / seminars.</p>	<p>Leadership & Governance team and Schools Finance team.</p> <p>Autumn Term 2014</p>
<p>8.</p> 	<p><u>SFVS approval by Governors.</u></p> <p>Governing Bodies should be advised to complete verification checks before signing off SFVS returns and not to place assurance solely on information provided to them by the Headteacher and or Bursars/Business Managers.</p>	<p>The Director of Children Families and Education should write to the Chairs of Governing Bodies to advise them to complete verification checks before they approve the SFVS return for their school.</p>	<p>Write to Chairs of Governors</p>	<p>Director of Children Families and Education 1 October 2014</p>

Appendix 1 – Areas of Good Practice

Good practice identified

- ✓ A Pecuniary Interests Register was in place and updated annually;
- ✓ The roles and responsibilities for finance in the school were documented;
- ✓ The delegated authority for expenditure was documented;
- ✓ The approval of the budget by the Governing Body was minuted;
- ✓ The Governors minutes recorded discussion on the level of balances and their use;
- ✓ Financial Monitoring reports were provided at least three times per year;
- ✓ The outturn predicted in the monitoring reports/SIMS was the same or very similar to the actual outturn;
- ✓ Virements of budget were approved by the Governors;
- ✓ A Charging policy was in place;
- ✓ Bank reconciliations were completed monthly by the Bursar/Business Manager;
- ✓ The Headteacher checked the bank reconciliation each month;
- ✓ Procedures were in place for the purchase of goods and services;
- ✓ Quotations and tenders were obtained for high value purchases;
- ✓ There was a separation of duties in place for ordering and payment of goods and services i.e. at least two persons were involved in this process;
- ✓ The Private Funds accounts had been audited.

Appendix 2 – Level of Assurance

Internal Audit gives an overall opinion on the level of assurance provided by the controls within the area audited. The level of assurances are defined below:

Level of Assurance Definition

Full Assurance	There is a sound system of control designed to address the relevant risks with controls being consistently applied.
Substantial Assurance	There is a sound system of control, designed to address the relevant risks, but there is evidence of non-compliance with some of the controls.
Moderate Assurance	Whilst there is a basically a sound system of control, designed to address the relevant risks, there are weaknesses in the system, that leaves some risks not addressed and there is evidence of non-compliance with some of the controls.
Limited Assurance	The system of control is weak and there is evidence of non-compliance with the controls that do exist which may result in the relevant risks not being managed.
No Assurance	There is no system of internal control. Risks are not being managed.

Findings and recommendations

Prioritisation key

When assessing findings and recommendations reference is made to the Risk Management matrix which scores the impact and likelihood of identified risks.

For ease of reference, we have used a colour code system to prioritise our findings and recommendations, as follows:

	<p>Significant internal control weakness requiring priority action by School Management and/or the Governing Body. Such a control may be a legal requirement, or there may be the possibility of fraud or significant financial loss.</p> <p>The action is critical to the system of internal control and should be implemented immediately.</p>		<p>A modification or addition to the School's internal controls, necessary to safeguard assets and ensure the accuracy and reliability of records. Additionally matters that could be classified as red will be classified as amber if the sums of money involved are not material and the matter relates to a technical issue only.</p> <p>The action has a significant effect on the system of internal control and should be implemented as a matter of priority.</p>		<p>A more minor modification of current systems to further improve the School's internal controls.</p>
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