

Academy

Internal Controls Evaluation

Visit Report 3 of 3






2018-19

Academy Name: Chelmsford County High School for Girls
Date of Visit: 14th May 2019

INTERNAL CONTROLS EVALUATION (ICE)

This report relates to the third of a programme of three Internal Controls Evaluation visits. All findings contained in this report should be considered by the academy's committee responsible for providing assurance over the suitability of, and compliance with, the financial systems and operational controls in place.

Key:

-  High Priority: Trustees/Governors must review this recommendation as a priority.
-  Medium Priority: Internal controls should be strengthened to minimise risk.
-  Low Priority: Internal control could be strengthened in line with best practice, but little risk of material loss.
-  For information.
-  Checks performed to verify items listed in the scope of work found the systems to be in order and no issues were identified.

The EES *for schools* Academy ICE Service can provide assurance that appropriate financial controls are being operated within the academy, based on the understanding that the information provided during the visit is accurate and complete. It should be noted however that recommendations to improve financial controls, if implemented, cannot guarantee that penalties, fraud or misappropriation could not occur.



The scope below contains references to the Academies Financial Handbook (AFH) effective 1st September 2018, and the Anti-Fraud Checklist for Academy Trust's updated by the Education & Skills Funding Agency (ESFA) March 2018.

It is advised that an action plan be established to address areas of risk identified within this report, with an associated owner and a timeline for implementation. If trustees/governors decide not to implement any recommendation included in this report as high priority, the rationale should be formally recorded in the minutes of a board of trustee / governing body meeting.

Please note that this report is an exception report and therefore only contains the details of any issues arising from the review of the scope of work detailed below.

SECTION H: GOVERNANCE AND FINANCIAL ACCOUNTING

Scope of Work	
H1: Internal Scrutiny:	Guideline References:
<ul style="list-style-type: none"> review of internal controls evaluation scope of work 	AFH 2.9.4 & 2.9.6
<ul style="list-style-type: none"> review of internal controls evaluation reports 	AFH 2.9.6, 2.9.8
<ul style="list-style-type: none"> follow up of previous 'high priority' ICE recommendations 	AFH 2.6.4, 2.9.6 & 2.9.8, 4.3.1 & Dear Accounting Officer letter dated September 2018
<ul style="list-style-type: none"> review of statutory audit Management Letter 	AFH 2.6.4, 2.9.6, 2.9.8, 4.3.1 & Dear Accounting Officer letter dated September 2018
<ul style="list-style-type: none"> review of Dear Accounting Officer letters 	AFH 1.2.2
<ul style="list-style-type: none"> frequency of board and committee meetings 	AFH 2.1.2
H2: Internal Control:	
<ul style="list-style-type: none"> bad debt write off 	AFH 3.4



	Findings	Recommendation / Notes	Action Plan
	H1: Internal Scrutiny		
	Unresolved Risks		
	<p>By reference to the statutory auditor's Management Letter for the year ending 31/08/18, the following issue was raised and is also repeated in this report:</p> <ul style="list-style-type: none"> Not all invoices had purchase orders. 	<p>Section 4.3.1 of the Academies Financial Handbook states that the board of trustees must ensure there is an appropriate, reasonable and timely response by the trust to any findings by auditors, taking opportunities to strengthen the trust's systems of financial management and control.</p> <p>It is therefore recommended that an action plan is established to address the area of improvement in this report which was also included in the most recent statutory auditor's Management Letter.</p>	
	Review of Dear Accounting Officer letters		
	<p>It could not be evidenced that the Full Governing Body have formally discussed the 'Dear Accounting Officer' letters published during this financial year as minutes do not record a review of the letters.</p> <p>It was noted that the Dear Accounting Officer letters had been emailed to trustees and the Business Manager advised that the Full Governing Body meeting scheduled for July 2019 would include discussion of the September 2018 & March 2019 Dear Accounting Officer letters in the minutes of the meeting.</p>	<p>It is recommended that the review of the letters is recorded in the minutes of an appropriate board of trustees meeting.</p>	


	Findings	Recommendation / Note	Action Plan
	H2: Internal Controls		
○	Checks performed to verify items listed in the scope of work found the systems to be in order and no issues were identified.		

SECTION I: EXPENDITURE

Scope of Work	
I1: Internal Procedure:	Guideline References:
• delegated authorisation levels	AFH 2.1.3 & 2.4.1
• purchase cards	AFH 2.1.3, 2.2.1, 2.4.1 & 3.8.1
• petty cash	AFH 2.1.3, 2.2.1 & 2.4.1
I2: Proper and Regular Use of Public Funds:	
• value for money procedures	AFH 1.3.4, 2.2.1 & 2.4.1
• quotations	AFH 1.3.4, 2.1.3, 2.2.1 & 2.4.1
• tenders	AFH 1.3.4, 2.1.3, 2.2.1 & 2.4.1
I3: Internal Control:	
• sample testing of purchase orders & invoices	AFH 1.3.4, 2.2.1 & 2.4.1
I4: Tax Implications:	
• payments made to individuals for HMRC compliance	
I5: Related Parties:	
• recognising related party relationships	AFH 3.10 & Dear Accounting Officer letter dated September 2018
• related party transactions	AFH 3.10 & Dear Accounting Officer letter dated September 2018



	Findings	Recommendation / Note	Action Plan
	I1: Internal Procedure		
<input type="radio"/>	Checks performed to verify items listed in the scope of work found the systems to be in order and no issues were identified.		
	I2: Proper & Regular Use of Public Funds		
<input type="radio"/>	Checks performed to verify items listed in the scope of work found the systems to be in order and no issues were identified.		

	Findings	Recommendation / Note	Action Plan
	I3: Internal Control		
	Expenditure Sample		
	<p>The expenditure sample highlighted one non-order invoice for the Mailing Room.</p> <p>In addition, there were three orders dated after the invoice date.</p>	<p>Orders should be raised on the financial accounting system to allow the authorising signatory to review and approve the expenditure prior to an invoice being received for goods or services supplied. Raising an order is also the means by which the funds required for goods/services are committed on the financial accounting system, helping to avoid over committing budgeted expenditure and ensuring that reports generated from the financial system reflect an accurate financial position.</p>	
	I4: Tax Implications		
	Checks performed to verify items listed in the scope of work found the systems to be in order and no issues were identified.		

	Findings	Recommendation / Note	Action Plan
	I5: Related Parties		
	Recognising Related Party Relationships		
	The academy has a process in place to identify related party transactions. However, one Associate Member had not completed a Register of Interest declaration form at the time of the visit.	<p>Academies must ensure that they have a robust process in place for recognising transactions with related parties to ensure compliance with the requirements detailed in the Academies Financial Handbook.</p> <p>EES Governor Services have advised that if Associate Members attend every meeting of the committee to which they have been appointed to advise, or if they do have voting rights on a committee, then they should complete a Register of Interests declaration form.</p> <p>If Associate Members attend meetings infrequently and have no voting rights then they should declare any interests at the meetings they attend and their interests should be recorded in the minutes of the meeting.</p>	

SECTION J: PAYROLL

Scope of Work	
J1: Payroll Processing:	Guideline References:
<ul style="list-style-type: none">• authorisation	AFH 2.1.3 & 2.2.1
<ul style="list-style-type: none">• contract change approval & segregation of duties	AFH 2.2.1 & ESFA: Anti-Fraud Checklist Item 8
<ul style="list-style-type: none">• sample of staff contracts and payments	AFH 2.2.1
J2: Special Payments:	
<ul style="list-style-type: none">• approved policy	AFH 2.1.3, 3.1.2, 3.1.3 & 3.3

	Findings	Recommendation / Note	Action Plan
	J1: Payroll Processing		
	Contract Change Approval & Separation of Duties		
	<p>The Financial Regulations do not specify who may approve amendments to contracts for staff and the Headteacher. It was therefore not possible to confirm that the amendments sampled had been correctly approved.</p> <p>Note: in the sample reviewed, three contract changes had been authorised by the Business Manager and one by the Headteacher.</p>	The academy's Financial Regulations must stipulate who can authorise the Headteacher's and staff payroll amendments.	
	J2: Special Payments		
	Checks performed to verify items listed in the scope of work found the systems to be in order and no issues were identified.		

USEFUL NOTES

Education Finance Support Courses:

Forward Financial Planning for Academies – 21st May 2019 (Wickford CLC)
Effective Finance Reporting – 11th June 2019 (Jobserve Community Stadium, Colchester)
Benefits of Benchmarking – 2nd July 2019 (Essex Outdoor Centre, Danbury)
Accounting for Academies and Year End Procedures – 9th July 2019 (Essex Outdoor Centre, Danbury)
Finance Administration – 17th September 2019 (Hamptons, Chelmsford)
Internal Controls – 24th September 2019 (Wickford CLC)
Budget Planning for Schools – 3rd December 2019 (Hamptons, Chelmsford)
Accounting for Schools – 21st January 2020 (Notley Discovery Centre)
Budget Planning for Academies – 10th March 2020 (Hamptons, Chelmsford)

Headteacher / Senior Leader Finance Training:

Module 6 – Benchmarking and Internal Controls – 25th June 2019 (Essex Outdoor Centre, Danbury)

Module 1 – Financial Regulations – 8th October 2019 (Hamptons, Chelmsford)
Module 2 – Roles and Responsibilities – 12th November 2019 (Hamptons, Chelmsford)
Module 3 – Funding and Income – 10th December 2019 (Hamptons, Chelmsford)
Module 4 – Budget Planning and Monitoring – 4th February 2020 (Hamptons, Chelmsford)
Module 5 – Forward Financial Planning – 12th May 2020 (Hamptons, Chelmsford)
Module 6 – Benchmarking and Internal Controls – 16th June 2020 (Hamptons, Chelmsford)

In addition to these courses we also offer bespoke governor finance training and our regular Financial Information Networking Sessions (FINS).
Details of the above plus additional courses being offered can be found on <http://www.eesforschools.org/finance/training>

KEY CONTACTS

EFS Finance Consultants	Sian Smith
Information Provided by	Melissa Mulgrew – Business Manager Fiona Gilmour – Senior Finance Officer Wendy Newton – HR Support Officer
Exit meeting attended by	Business Manager & Senior Finance Officer
Headteacher	Nicole Chapman
Business Manager	Melissa Mulgrew
Chair of Governors	Stephen Miles
Chair of Facilities and Finance Committee	Richard Vass
Financial accounting system	PS Financials