

## **Chelmsford County High School for Girls**

Systems Report  
31/08/2018

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## Introduction

We have listed herein recommendations in respect of possible improvements to accounting and internal controls. This does not comprise a comprehensive statement of all weaknesses that may exist or of all improvements that could be made. It addresses only those matters that have come to our attention as a result of the audit procedures we have performed for the purpose of expressing an opinion on the financial statements. As required by International Standards on Auditing (UK and Ireland), the audit included consideration of internal control relevant to the preparation of the financial statements in order to design appropriate audit procedures but not for the purpose of expressing an opinion on the effectiveness of internal control.

This report should not be considered in isolation from other interim systems reports or from the letter of comment we issue on completion of our audit.

## Systems Tested

In this report we have recorded our findings and noted any recommendations in the following areas, which were examined and/or discussed with the Academy during our visit:

- A review of the accounting system.
- A review of financial reporting to Governors.
- A review of procedures recommended on conversion to Academy status.
- A review of non-grant income.
- A review of expenditure and of authorisation limits.
- A review of the accounting treatment of payroll data and system.
- Other areas

## Overall conclusion

We make use of a traffic light system to grade our findings and recommendations. Each one is graded in accordance with one of the following;

High	The academy is failing to adhere to its financial regulations. Immediate action will be necessary
Medium	Attention should be given to resolve the issue
Low	There is a sound system of internal control and the controls in place are being followed

## Distribution

Chair of Governors – Mr S Miles

Chair of Facilities and Finance Committee - Mr R Vass

Responsible Officer – Mr L Palmer

Headteacher – Mrs N Chapman

School Business Manager – Mrs S Hoeftling

### A REVIEW OF THE ACCOUNTING SYSTEM

	Expectation	In Place?	Grading	Comments / Findings	Recommendations
1	Bank reconciliations are regularly performed and agreed	Yes		Monthly bank reconciliations are being prepared by the Senior Finance Officer.	None
2	Bank reconciliations are independently reviewed and approved	Yes		Bank reconciliations are being correctly reviewed by the Business Manager.	None
3	Any old or unusual unrepresented items are investigated and actioned as appropriate	Yes		Old uncleared items are kept to a minimum.	None
4	VAT returns are being submitted on a timely basis	Yes		All claims submitted on a timely basis	None

### A REVIEW OF FINANCIAL REPORTING TO GOVERNORS

	Expectation	In Place?	Grading	Comments / Findings	Recommendations
1	Financial reports are presented to each Facilities and Finance Committee meeting	Yes		Evident in review of Facilities and Finance Committee minutes	None
2	Reports include the split of funds	Yes		Agreed	None
3	Reports identify budgets and actuals. Variances are identified and explained	Yes		Variances are discussed in each F&F Committee meeting which was evident from the review of minutes	None
4	Changes to the original budget (if any) are reported and approved	N/A		N/A	None

### A REVIEW OF NON-GRANT INCOME

	Expectation	In Place?	Grading	Comments / Findings	Recommendations
1	All cash received should be banked intact, without deduction for cash payments or cashing of personal cheques	Yes		Minimal cash is held as all payments for trips etc goes through Parent Pay	None
2	Parent Teacher Association income should be evidenced and it should clearly state what this income is for. There should be an expense which relates to this donation	Yes		Tested donations from the Parent Teacher Association, which related to a relevant business expense. Money is not received from the PTA until a request has been sent to them by the school, therefore no issues with mis-spending of money	None
3	Details of organisations using the facilities of the school should be sent to the Assistant Finance Officer	Yes		Agreed	None
4	Income for lettings should be invoiced every half term unless agreed otherwise with individual hirers.	Yes		Agreed	None
5	The Academy should have adequate insurance that covers hire of facilities / premises	Yes		Agreed	None

### A REVIEW OF EXPENDITURE AND AUTHORISATION LIMITS

	Expectation	In Place?	Grading	Comments / Findings	Recommendations
1	Where orders are raised they should be approved before liability is incurred	Part		Per the financial regulations the Finance Officer prepares purchase orders for review by the Business Manager. Few invoices have a purchase orders attached.	- Every invoice should have a purchase order attached for review by the Business Manager.
2	Invoices are checked to orders and approved for payment. Purchase order and goods received notes should be attached to the invoice. Goods received should be signed by budget holders.	Yes		Invoices are approved in line with the expenditure limits. No invoices have a goods received note attached, and few had a purchase order attached to the invoice.	- A purchase order should be attached to each invoice - A goods received note should be attached to every invoice (if available) along with the purchase order and signed by the budget holders. Per the financial regulations dated 18/10/2018 it is not necessary for a GRN to be attached, the budget holder can sign the invoice as recognition of the goods being received. Therefore no action is required.
3	Invoices are checked for arithmetic mistakes (e.g. VAT calculation)	Yes		All checked when invoice is received	None
4	Electronic payments should be checked and authorised	Yes		BACs payments are being correctly authorised	None
5	Expenditure limits for the Business Manager, Headteacher and F&F Committee should be complied with. - Business Manager < £5,000 - Headteacher < £10,000 - F&F Committee > £10,000	Yes		Academy is ensuring that adequate authorisation is in place and complies with the expenditure limits when dealing with larger payments and contracts	None
6	Cheques should be signed by two of the following: - Headteacher - Deputy Headteacher - Assistant Headteacher - Chair of Governors - Vice Chair of Governors - Chair of Curriculum Committee - Chair of Facilities and Finance Committee - Chair of Staff and Student Matters Committee	Yes		Cheque signatories are being correctly applied to relevant expenditure limits.	None

### A REVIEW OF EXPENDITURE AND AUTHORISATION LIMITS

	Expectation	In Place?	Grading	Comments / Findings	Recommendations
	If the cheque is for over £10,000 one of the two signatories must be from the Chair of Governors, Vice Chair of Governors or Chair of Facilities and Finance Committee				
7	Expense claim forms should be checked for business use and authorised	Yes		Expense forms are correctly signed by the employee. Expenses are then checked to ensure they are business related and signed by the business manager	None
8	When expenditure is entered onto the system it should be dated as the date on the invoice	Yes		Agreed	None
9	The use and existence of school charge cards have been approved by the Governing Body	Yes		Agreed	None
10	Independent authorisation of charge card expenditure	Yes		Senior Finance Officer reconciles each charge card statement. Correct authorisation is in place for the Finance Officer and Headteacher cards.	None
11	All expenditure in excess of £50,000 must be subject to formal tendering procedures to identify the best source of the goods/services and the best value for money	Part		<p>Formal tendering procedures are being followed for orders in excess of £50,000. The accepted candidate for the expenditure we selected for testing was the the one that was economically most advantageous to the Academy.</p> <p>The electricity contract was renewed in the year with a value in excess of £50,000. Although we can see that Zenergi were approached to find the best price for the contract, it doesn't appear that any additional work was done by the Academy to ensure these suppliers were indeed the most economically advantageous for the school.</p>	<p>Reference should be given in the tender report to the candidates technical competence and sustainability, including their experience and qualifications. A decision on which candidate to select shouldn't be based solely on cost.</p> <p>The academy should not place sole reliance on a third party such as Zenergi who could be selecting certain suppliers for their own economic benefit (i.e commission). The academy should do their own checks into other possible suppliers to ensure value for money is being achieved.</p>

### A REVIEW OF THE ACCOUNTING TREATMENT OF PAYROLL DATA AND SYSTEM

	Expectation	In Place?	Grading	Comments / Findings	Recommendations
1	Staff files included confirmation of a satisfactory CRB/DBS check	Yes		For the employees we sampled, CRB & ID's were kept in the personnel files	None
2	Pay is paid only in respect of independently authorised salaries. Payroll reports should be checked to spinal point pay ranges regularly	Yes		Personnel folders and spinals are checked to the payroll throughout the year	None
3	Payroll reconciliations and payments should be authorised	Yes		Payroll reconciliations are being authorised. Payment does not have to be authorised as Prospects Service payroll are an authorised agent of the Academy and may submit payroll payments directly to BACS without further authorisation.	None
4	The payroll provider should be updated regularly with any information regarding any starting or leaving employees	Yes		Finance manager sends any updates to their personal contact at the external payroll provider	None
5	All staff overtime forms should be kept and authorised	Yes		Overtime pay is approved by the Headteacher	None
6	All staff deductions (e.g. pension contributions) should be checked on a regular basis	Yes		Monthly checks and a variance analysis to the previous months' payroll are being carried out.	None



## OTHER AREAS

	Expectation	In Place?	Grading	Comments / Findings	Recommendations
1	All key members of staff, Governors, Directors and Trustees should fill out declaration of interest forms each year.	Yes		All Governors and key members of staff have completed a declaration of interests.	None
2	All transactions with connected parties should be made at cost if individually they exceed £2,500.	Yes		No transactions with related parties exceeded £2,500 in the year	None
3	All transactions with connected parties should be authorised correctly	Yes		No issues were found during related party testing	None
4	The academy maintains a Fixed Asset register	Yes		An asset register is kept up to date	None
5	All assets costing more than the capitalisation limit should be capitalised	Yes		Capitalisation limits are being complied with as per a review of the expenditure codes.	None
6	Governing body must be made up of the following: - up to 10 nominated Governors - 2 staff Governors - at least 2 and up to 4 parent Governors - the principal	Yes		Agreed constitution to the articles	None
7	Governors should not serve for a term of longer than 4 years, unless re-elected (N/A for Accounting Officer)	Yes		Mr M Worboys's term of office expired in March 18. Mr M Worboy was re-elected by the management committee in February 18.	None
8	Risk Register should be maintained and updated on a yearly basis	Yes		The individual committee's review their sections termly, with the risk register being updated annually and approved by the full GB	None
9	Committees (Finance, Governors, Directors / Trustees) should meet at least once a term and minutes should be kept on file	Yes		The Facilities and Finance Committee held five meetings in the year, and the Governing Body held three meetings.	None
10	A high interest or deposit account will be maintained. Surplus balances will, as far as possible, be transferred to a high interest or deposit account.	Yes		Fixed term deposit account held for the whole year.	None

### OTHER AREAS

	Expectation	In Place?	Grading	Comments / Findings	Recommendations
11	Free reserves should be maintained at a minimum level of £200,000.	Yes		Free reserves did not fall below the minimum level during the year.	None
12	VAT threshold should not be exceeded at any point in the year.	Yes		VAT threshold was exceeded. The Academy obtained an exemption from HMRC.	Turnover should be calculated on a 12 month rolling basis to ensure they are not exceeding the VAT threshold.
13	Management accounts should be prepared on a monthly basis.	Yes		Management accounts are being prepared monthly.	Management accounts must be shared with the chair of governors every month and with the other governors six times a year. The board must consider these when it meets.
14	Non business VAT percentage to be updated on a regular basis.	Part		The rate being used is still based on the 2017 accounts.	Assess non business percentage on a quarterly regular basis.
15	Alcohol purchases should be kept to a minimum and if possible avoided.	Part		Although no alcohol was purchased in the financial year for use at parents evenings etc, it is evident that alcohol is purchased from time to time.	ESFA have issued their view point that no alcohol should be purchased by Academies. Events such as parent evenings would be considered as spending not for the purposes intended by Parliament.