

Testwood School Internal Scrutiny Annual Report FY2020-21

For the attention of: The Trustees of the Buildings and Finance Committee

From: Nick Whitcher, Internal Scrutineer and Testwood Trustee

Date: 7th November 2021.

Exec Summary:

The overall state of the systems and processes reviewed in what has been another difficult year to maintain continuity in internal scrutiny, is “good”.

The primary gap identified in 2019-20 – the lack of recent assessment of the School Risk Register (SRR) and therefore the availability of a baseline to evaluate the overall risk appetite of the School and Trustees which in turn determines the program of work for internal scrutiny – was resolved at the beginning of the year with the complete re-assessment of the Risk Register.

Across the three main areas reviewed this year, the existence and application of controls was clear and the performance of the School across a year heavily impacted by closure and the switch to online teaching (whilst vulnerable and key worker children remained at school) and/or COVID outbreaks when students were in School, is to be commended.

Introduction:

The SRR was reviewed by the Buildings and Finance Panel on 18th November 2020. At the subsequent Panel meeting on 3rd March 2021, the Internal Scrutineer proposed a sub-set of risks from the SRR for review in FY2020-21. This report forms the review of these risks by the Internal Scrutineer. The agreed Risks for scrutiny are described on **Tab 3 Review Log of Risk Register 201303.xlsx** which is available separately.

The Internal Scrutineer is required under the Academies Financial Handbook 2020 to review and report to the Trustees of the Testwood School Buildings & Finance Panel the robustness of the financial and other systems and processes which take place in School. This is then summarised in a report which accompanies the annual accounts of the School on submission to the ESFA (Academies Financial Handbook section 3.15).

This report will be presented to the Buildings & Finance Panel at the Autumn 2021-22 Panel meeting on 17th November 2021, and the Full Trustee Body meeting on 8th December.

Approach & Opinion

Where possible meetings are held face to face in School. This has proved to be challenging during COVID restrictions; over-the-shoulder reviews of systems only available in School isn't easy to replicate in a video meeting, even with screen-sharing. Therefore, the assessment was carried out over two sessions in School on 27th August and 1st September 2021, COVID restrictions having been eased which allowed face to face sessions. Scrutiny was carried out through enquiry and review, with the School Director of Finance (DoF). It is the opinion of the Internal Scrutineer that a concentrated review at the end of the year is more beneficial than spreading across the year, unless of course a time-sensitive concern or activity is highlighted for review.

The Trustees agreed to internal scrutiny review across two key themes:

- COVID response: which includes the SRR Category 2 risks of **digital divide** and **facility management including cleaning** under the Category 1 risk of **Academy/Strategic**, and across the full Category 1 risk of **Health & Safety**.
- CIF build: which took in the full range of Category 2 and Category 3 risks under the Category 1 risks of **Financial Management** and **Financial Management – Ledger**.

Opinion in this financial year has been categorised as “good” or “requires improvement”. Recommendations under each system/process reviewed have been prioritised using High/Medium/Low to indicate urgency.

Summary of #1 COVID Response:

Opinion

My opinion is “good”. Throughout the COVID pandemic and the various states of lockdown, including maintaining on-site teaching for vulnerable and key worker children, the School documented and maintained a COVID response plan – **Recovery Plan Version 7.docx** (the latest available version) – which is owned by a member of the School SLT. This was subject to continual update following changing guidance from the DfE and the situation regarding local and national restrictions. It has focused on the curriculum and learning aspects of coping with COVID but equally the on-site aspects of student and staff health and safety as the School remained open at all times, including some school holidays where additional support for students was required. This living document was reviewed at FTB meetings during the year.

The continuation of the COVID response has shifted to the COVID Protocol (**Covid Protocol version 1.2.docx**)

Recommendations

- The School should continue to review its COVID management guidelines, including a potential shift to remote learning, in accordance with local and national guidance. **No specific follow up action.**
- Recovery of learning and education and returning to pre-pandemic activities should be documented in the School Improvement Plan. This document already exists, is reviewed regularly and is subject to oversight by a Trustee sub-panel. **H**

Management Response

Not required.

Summary of #2 CIF Build/Ongoing Financial Control

Opinion

My opinion is “good”. The CIF Build is project managed by Kendall Kingscott, appointed by the School to oversee its interests. The main contractor is Building Integrated Systems (BIS) Ltd. All construction cost invoices are paid to BIS Ltd, once approved by Kendall Kingscott. The School pays separate professional fees to Kendall Kingscott for protecting its interests. The School receives disbursements from the DfE in agreed milestone payments, which occasionally lag such that the DoF must ensure the School’s cashflow can support these short gaps between outgoing and incoming monies. Overall budgetary control resides with the DfE.

The Category 2 and 3 level risks under the Financial Management and Financial Management – Ledger Category 1 risks were reviewed in detail. See Appendix One for the notes from the review sessions. My opinion is “good”. The School’s financial operations are well-controlled by the DoF, with additional scrutiny, oversight and approvals required from the HT, DHT and the Chair of Trustees. Also, the bulk of the School budget is spent on staff costs, therefore “discretionary” spend is limited as is therefore the potential for mismanagement and fraud.

Recommendations

- Continue to review the progress and budgetary documentation of the CIF build which is due to finish at the end of 2021. Ensure documented evidence is provided at B&F Panel and FTB meetings, as required. **M**
- All staff contracts require disclosure of related party interests. These disclosures are to be added as a record field in the Single Central Register and updated in the School Finance Regulations handbook. **M**

Management Response

Not required.

Follow Up Reviews/Outstanding Actions

- Other Trustees should take the opportunity to review the SCR when in School (Covid-19 restrictions permitting). **L amber**
 - C/f: should become standard practice and will be easier as COVID restrictions allow.
- Review by the Internal Scrutineer should take place, at least once a School year if not once a term. The ability to do this depends on Covid-19 lockdown restrictions. **M green**
 - CLOSE: should be standard practice; Internal Scrutineer reviewed the SCR during the fieldwork to compile this report.
- Create a new Excel version of the Risk Register which will form the basis of a controls review, and which in turn will create recommendations for the Internal Scrutineer program in FY2020-21. **H green**
 - CLOSE: complete.
- All systems and processes should be linked to controls that reduce inherent risks to a manageable level and/or an acknowledgement that a certain level of risk exists and is accepted (risk appetite). **H green**
 - CLOSE: complete.
- The BCP/DR will be reviewed and revised as a result of the controls assessment and risk management requirement which will be clearly stated in the Risk Register (see above). **M red**
 - This was not scrutinised during 2020-21 – the recommendation for the 2021-22 internal scrutiny programme will include the BCP/DR.

Overall Opinion of School Control Environment

My overall opinion is “good”. With the SRR in place, internal scrutiny can be clearly directed and the stated risk appetite of the School and Trustees challenged accordingly.

Fraud

No fraud was identified.

Cost of Work

Internal Scrutiny was carried out on a voluntary basis by a suitably experienced Trustee.

Looking Forward

The 2021-22 programme of internal scrutiny will be agreed with Trustees at the Buildings & Finance Panel on 17th November 2021 and ratified by the Full Trustee Body on 8th December 2021.

Actions from last year’s report that haven’t been completed satisfactorily will be included in the 2021-22 programme.

Appendix One – notes from reviews

School Income

Income is separate from main income AWPU (budget share), PP is where the main costs including staff are paid out. Paid monthly by bank transfer on the 1st. Notified to DoF and scrutinised for the following shares being correct. Based on Number on Roll (NoR) for: KS3, KS4, deprivation allowance, FSM, KS2 catch up where not achieved expected results in Y6, English not first language.

Mobility (new pupils) where join after year started, but don't see anything here.

Fixed lump sum from HCC.

PP comes separately from budget share; based on FSM numbers. Budget at School's discretion but must be justified to Trustees (managed by PW). Subsidies received from other counties where a student was LAC there. Unlike mobility where linked only to NoR. Managed by CS.

Debtors

HT & CoT will review outstanding debts where school invoiced but not yet paid, e.g., hire of the Astro turf pitches.

Payment of membership fees can be slow.

Volumes are very low but has slipped slightly due gap between finance assistants.

However, values are low too so no impact to cashflow.

Net off insurance costs as bulk-bought through the DfE scheme - £20 per pupil 2021/22 – see Insurance Minibus & plant & occasional car for business use insurance bought directly by the school.

Tax

VAT only but doesn't apply yet as just below the £85k VAT income level; if go over, will need to add 20% which will put club membership fees up.

Do get VAT relief on school purchases including the CIF grant – which is paid net by the ESFA. Therefore, paid out at purchase of services and then claim back, so need to monitor cashflow impact against reserves and balance in bank.

Expenditure/Reconciliation of invoices

PO raised – only if in budget; if out, will be confirmed with budget holder and adjust it or wait to next FY if going over budget.

Invoice reconciled against the PO.

Codes are traceable back to ledger.

Some might be purchases ahead of next FY where costs haven't yet been moved into that year's budget.

Head Teacher (HT) reviews the general ledger monthly, queries reviewed, challenged & updated.

The results of this are reviewed by the Chair of Trustees (CoT).

Will check supplier detail changes with a trusted contact (fraud). Purchases by staff members are vetted at source as above.

Payment is made independently by DoF on review of BACS paperwork – segregation of duties.

Payroll

Need x2 extra signatories (stress tested by DHT being out of contact for Aug 21 payroll approval).

Staff payroll controls. Balanced continually against budget share.

Contingent liabilities.

Outgoings controlled as per expenditure.

Small amt of petty cash on site.

Insurance covers other risks including fraud.

Bank account reconciliation

Petty cash written down and handed out.

Paperwork given to DoF to post and reconcile including return of receipts.

If expenses over threshold £25 then will be paid by bank xfer rather than cash.

At spenders' risk if not checked with DoF first.

Tends to be science & food tech who use petty cash.

Bank accounts – monthly statements reconciled to general ledger

August (year-end) run of unreconciled for auditors.

Reviewed & approved by HT.

Wages, energy, running costs main impacts to cashflow.

Detailed review of CIF outgoings vs income from ESFA. Cashflow Audited by ESFA & school external auditors.

Asset register

Single items +£1k (insurance & depreciation) including land & buildings. Receipt, date, then reason for removal & date.

Single items of value under £1k.

Register is held by Asset Manager online.

Register maintained by FA and IT Network Team (as have the most items).

Photocopiers & minibuses leased so not on register.

Fraud

Usually, minimal external expenditure so monitored on a case-by-case basis.

CIF bid – project manager is independent of the school so arranging bids through their tender process which is monitored by ESFA.

Wings provide FM so they manage contractors.

Contractual disclosure by staff of related party interests – could be added to School Finance Regs and to the SCR.

Procurement & suppliers

Suppliers – mostly contracted on an ongoing basis.

Exception of new laptops using the Crescent Purchasing Consortium (Govt framework approved suppliers) to which a selection were invited to Tender.

Excess stationery bought from HCC suppliers' catalogue.

Catering – tender to Bidvest & 3663 etc but usually buy locally.

Zenergy – energy broker (compared to other brokers such as Northern Power). 31st Oct renewal is being consolidated with other Zenergy school customers.

Photocopiers through HCC framework.

Benchmarking across Schools Business Managers forum.

Any building mgt costs through Wings (tendered 2019).

CIF suppliers managed by DfE (via Kendall Kingscott – project managers).

Staff costs

High because of long-servers. 80% teaching & 15% support staff benchmarks aren't accurate. Performance-related pay has driven costs up as teachers head to top of scale. Not much churn – tend to be retirees. Growth in staff costs related to additional NoR. Also taking on Quickstart apprentices and dedicated apprenticeships. Providing employment opportunities. End of FY 20-21 ratio to be confirmed with accounts.

DoA

FTB dictates HT DoA - £50k per new recruit. Just about covers top of scale plus extras.

Anything over £10k to tender & brought to the B&F.

DoF – approving PO's. Not a signatory on the school bank accounts. £500 authority to collect petty cash but must be signed by cheque signatories.

Anything over £50k would come to FTB & would be reviewed as an agenda item & the outcome recorded in the minutes.

New laptops to B&F. New IT suite units to B&F to agree lease (lower cost) – through the Govt framework.

Internal scrutiny

Risk register in place.

2020-21 report based on agreed areas of review.

Identified further measures to protect e.g., related parties.

Review of controls.

Report submitted to the external auditors & noted in the Accounts Trustees' Report.

Aware that external auditors will need to be re-tendered & Trustees will need to review and agree how and which organisation is appointed.

External audit

2021-22 audit will need to be re-tendered. School can run the process but must present options to the Trustees. To be discussed at the first FTB of the 2021-22 year.

Audits currently provided Moore South LLP.

Audit last year – management letter – suggested x3 findings. Which the School has evidenced it's completed. On the School website.

And of course, it is again independent. Follow the rules of the Annual Accounts Direction and Handbook (both ESFA).

ESFA requirements

2020 Handbook.

Adherence to the Must Do's.

External audit.