

Internal controls self-assessment for schools

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**Introduction**

**Internal audit approach**

The approach of the Internal Audit Service when auditing schools is based on a risk assessment. The following risk assessment factors are taken into consideration:

* Outcome of Ofsted inspections
* Data from the Local Authority
* Previous Internal Audit reports
* Schools Financial Value Standard (SFVS) Returns
* **Internal Controls Self-Assessment document to be completed by Schools**

These factors will feed into a risk assessment that will determine the degree of coverage by Internal Audit, in terms of the depth, breadth and frequency of the audit reviews.

**Internal controls self-assessment for schools**

This document will assist Headteachers and Governors to undertake an internal controls self-assessment on the school’s governance and financial management arrangements.

The document sets out a clear framework of good practice to enable schools to establish and maintain a robust control environment; and to identify any gaps or weaknesses in controls. It is based on best practice guidance, and the standards set out in the current versions of Financial Regulations and Standing Orders for Schools issued by the Local Authority.

**Applying the standards**

This document has been produced to cover all schools and it should be borne in mind that the extent to which this document is applicable will vary depending on the size and organisation of the school.

A small primary school, for example, may find it difficult to apply some of the controls which may be typical procedures in large schools, particularly in the separation of duties. In such cases, the standard must be interpreted within the context of the school and the school must assess whether controls in place are sufficient to meet the principles behind the standards.

When undertaking the self-assessment, schools may find it helpful to refer to the following documents which can be found in “The School Financial Handbook” issued by the LMS team:

* Scheme for Financing Schools
* Financial Regulations for Schools
* Local Bank Account Scheme
* VAT guidance notes
* Insurance guidance notes
* Voluntary Funds guidance notes

**Basic information required**

Name of school:

Questionnaire completed by:

Headteacher (please print name):

Signature of Headteacher:

Date:

School Roll:

School budget for current financial year:

#### School surplus / (deficit) balance brought forward from previous financial year:

Please state if the Headteacher or Business Manager / Bursar has taken up post within the last year or if staff changes are imminent:

In respect of the current pandemic could you please state:

* the impact of Covid-19 on the school’s governance and financial management arrangements;
* how the risks associated with Covid-19 are being managed and mitigated; and
* if there have been any significant changes to processes / internal controls; or instances where controls have been relaxed or overridden.

Other comments: **Internal controls self-assessment questionnaire**

For each question please indicate a YES/NO answer and written comments where applicable.

| **No.** | **Internal Control Questions** | **Yes** | **No** | **Comments** |
| --- | --- | --- | --- | --- |
| **A: Governance** |
| A1 | Are the membership and roles of the Governing Body and its committees clearly defined in writing? (i.e. Terms of Reference detailing roles and accountability for financial matters). |  |  |  |
| A2 | Are Terms of Reference reviewed on an annual basis? Please list all committees and the date Terms of Reference were last reviewed. |  |  |  |
| A3 | Are the financial roles and responsibilities of the Headteacher and staff with financial responsibilities clearly laid out in their job descriptions and the school’s finance manual? |  |  |  |
| A4 | Does the Governing Body and its committees meet on a regular basis?Please state how often they meet. |  |  |  |
| A5 | Over the past year, have all meetings held been quorate? |  |  |  |
| A6 | Are meeting minutes produced to document discussions and key decisions? |  |  |  |
| A7 | Are committee decisions reported at the next Full Governing Body meeting?  |  |  |  |
| A8 | Is the Clerk to the Governing Body independent?  |  |  |  |
| A9 | Does the Governing Body have an annual agenda to ensure that all key financial decisions are made within specific deadlines? |  |  |  |
| A10 | Is the Headteacher’s Scheme of Delegation formally approved by the Governing Body? Please state the limits and the date this was last reviewed / approved. |  |  |  |
| A11 | Do new Governors receive an induction pack and relevant training, which covers roles and responsibilities?  |  |  |  |
| A12 | Do Governors and staff with financial responsibilities complete financial management skills matrices on an annual basis?Please state the date the competency matrices were last completed and whether any gaps in training have been identified. |  |  |  |
| A13 | Does the Governing Body as a whole have adequate financial skills to fulfil its role of challenge and support? |  |  |  |
| A14 | Does the school maintain a register of pecuniary interests for the Governing Body and staff with financial responsibilities? |  |  |  |
| A15 | Is the register of pecuniary interest held on school premises and open to inspection? |  |  |  |
| A16 | Are pecuniary interest forms completed and reviewed on an annual basis?Please state the date of the last review. |  |  |  |
| A17 | Do Governors minutes demonstrate that Governors are provided with the opportunity to declare interests at each meeting held? |  |  |  |
| **B: Financial planning and monitoring** |
| B1 | Does the school have an Improvement Plan in place, which has been formally approved by the Governing Body?Please state the period covered by the School Improvement Plan and when this was last reviewed / approved by Governors. |  |  |  |
| B2 | Does the School Improvement Plan have:* Clear objectives?
* Financial links to the budget plan?; and
* Evidence of outcomes achieved?
 |  |  |  |
| B3 | Are there formal timetables and procedures in place to prepare and approve the annual and 3-year school budget plans? |  |  |  |
| B4 | Has the Governing Body approved:* Annual budget plan for current financial year?
* 3-year budget plan?
* Final CFR report for previous financial year?
* Closure of accounts for previous financial year?
* Analysis of revenue balances for previous financial year?

Please state the date these documents were formally approved by Governors. |  |  |  |
| B5 | Were the documents listed in question B4 above submitted to the Local Authority within the specified deadlines for the current financial year?Please state date of submission.  |  |  |  |
| B6 | Was this year’s budget based upon realistic estimates of income and expenditure and have the main elements of the budget been fundamentally reviewed (i.e. staffing)? |  |  |  |
| B7 | Did the school carry forward a surplus balance from the end of the last financial year?If yes, has the surplus been earmarked for specific future needs (please specify)? |  |  |  |
| B8 | Has the school set a deficit budget?If yes, did the school apply for a licensed deficit; and an appropriate recovery plan is in place which has been approved by Governors? |  |  |  |
| B9 | Have there been any changes to the original budget plan?  |  |  |  |
| B10 | Are all budget revisions / virements approved by Governors? |  |  |  |
| B11 | Do staff with financial responsibilities and Governors receive regular budget monitoring information? Please state how often they receive this information. |  |  |  |
| B12 | Does the school benchmark its financial performance against other schools and are results reported to Governors?Please state when this exercise was last completed and the outcome. |  |  |  |
| **C: Financial controls** |
| C1 | Does the school hold the most recent versions of the Scheme for Financing Schools and Financial Regulations for Schools?  |  |  |  |
| C2 | Are the policies listed in question C1 above formally adopted by Governors?Please state the date these were last adopted. |  |  |  |
| C3 | Is the school’s finance manual based on the Local Authority template and covers all relevant areas? |  |  |  |
| C4 | Is the finance manual formally approved by Governors?Please state the date the finance manual was last updated and approved by Governors. |  |  |  |
| C5 | Does the school have whistleblowing and anti-fraud policies in place? |  |  |  |
| C6 | Are the policies listed in question C5 above formally adopted by Governors?Please state the date these were last reviewed and adopted by Governors. |  |  |  |
| C7 | Do staff and Governors have access to and are aware of key financial policies and procedures to follow? |  |  |  |
| C8 | Please state how financial control is maintained in the event of key staff absences? |  |  |  |
| C9 | Are staffing levels adequate to ensure effective segregation of internal financial controls within the school and that all financial transactions involve at least two people? |  |  |  |
| C10 | Are financial records and cheque books held securely and retained in accordance with Local Authority requirements? |  |  |  |
| C11 | Does the school complete the School Financial Value Standard (SFVS) return on an annual basis and are the weaknesses identified addressed? |  |  |  |
| C12 | Does the school complete an annual internal controls self-assessment and are the weaknesses identified addressed?  |  |  |  |
| **D: Purchasing** |
| D1 | Does the school have a formalised purchasing policy in place which covers:* Steps taken by the school to obtain best value in procurement?
* Quotations / tenders?
* Ordering procedures?
* Receipt of goods?
* Certification of invoices?
* Payment procedures?
* Statement forbidding private purchasing?
 |  |  |  |
| D2 | Have Governors approved the following, (in conjunction with the Local Authority’s Contract Standing Orders):* Levels at which formal tenders should be obtained?
* Predetermined limits for number of quotations required and threshold limits?
 |  |  |  |
| D3 | Are manual requisitions raised by Budget Holders?  |  |  |  |
| D4 | Are orders raised on the school’s financial system at the time funds are committed? |  |  |  |
| D5 | Are orders approved by an authorised signatory? |  |  |  |
| D6 | Do authorised signatories check:* Appropriateness of the order?
* Quotations / tenders have been obtained?
* Budget availability?
 |  |  |  |
| D7 | Are copies of authorised and cancelled orders filed in numerical order to provide a complete audit trail?  |  |  |  |
| D8 | Are goods received checked to the delivery note and copy order? |  |  |  |
| D9 | Are invoices checked for accuracy prior to authorisation? |  |  |  |
| D10 | Are invoices approved for payment by an authorised signatory who is independent from the person approving the order? |  |  |  |
| D11 | Are invoices paid timely and in accordance with the supplier’s payment terms? |  |  |  |
| D12 | For purchases which exceed the Headteacher’s delegated limit is Governor approval obtained and is this minuted? |  |  |  |
| D13 | To ensure compliance with HMRC Regulations is the employment status of self-employed individuals confirmed prior to payment and evidence of the checks performed retained? |  |  |  |
| D14 | Are all payments to staff processed through payroll? |  |  |  |
| D15 | Does the school hold any credit cards?If yes, please state the number of cards held, who are the cardholders, card limit, and single transaction limit in place. |  |  |  |
| D16 | How is the use of and access to the credit card controlled? |  |  |  |
| D17 | Are purchases, made using the credit card, authorised in advance and this is documented? |  |  |  |
| D18 | Are all credit card transactions supported by valid receipts? |  |  |  |
| D19 | Is there monthly reconciliation of credit card expenditure, which is independently reviewed? |  |  |  |
| D20 | Does the school hold a petty cash float?If yes, please state level of petty cash held and reimbursement limit in place. |  |  |  |
| D21 | Are appropriate controls in place over the use of petty cash and regular reconciliation is undertaken? |  |  |  |
| **E: Income and banking** |
| E1 | Please state the sources of income the school receives. |  |  |  |
| E2 | Does the school have a charging policy, lettings policy, and debt recovery procedures which have been approved by Governors?Please state the date these were last reviewed and approved by Governors. |  |  |  |
| E3 | Does school policy forbid the encashment of personal cheques? |  |  |  |
| E4 | Are adequate income and banking records maintained to identify and provide an audit trail of all income received and banked? |  |  |  |
| E5 | Does the school issue receipts for all income received, and are invoices raised promptly?  |  |  |  |
| E6 | Is the school’s financial system promptly updated with details of income received? |  |  |  |
| E7 | Are there at least two people involved in the identification, invoicing, recording and banking of income?  |  |  |  |
| E8 | Is income held securely until it is banked and access to the locked receptacle or safe is restricted?  |  |  |  |
| E9 | The cash held within the locked receptacle or safe does not exceed the school’s insurance limit? |  |  |  |
| E10 | Is income banked promptly and intact? |  |  |  |
| E11 | Are all hirers approved by the Headteacher or delegated member of staff? |  |  |  |
| E12 | Are all hirers required to complete application forms agreeing to the terms and conditions of the letting on an annual basis?  |  |  |  |
| E13 | Are appropriate checks completed before the hire begins, i.e. adequate insurance cover to ensure the school / hirer is covered for any risks of injury to third parties and damage to the premises during the lettings period? |  |  |  |
| E14 | Has the Governing Body or Headteacher arranged any overdrafts, leasing, loans, credit arrangements or any form of deferred payment deal?If yes, please specify. |  |  |  |
| E15 | Is the school’s bank mandate up to date with current members of staff listed as authorised signatories? |  |  |  |
| E16 | Does the school carry out monthly reconciliations between bank statements and the school’s accounting records and is this independently reviewed?Please state the date of the most recent reconciliation. |  |  |  |
| E17 | Are there any unreconciled items over 6 months old? |  |  |  |
| E18 | Is the school’s cash flow monitored on a monthly basis? |  |  |  |
| E19 | Has the school’s bank account been overdrawn in the last 12 months? |  |  |  |
| E20 | Do school procedures require supporting documentation to be provided to signatories when cheque / BACS payments are approved?  |  |  |  |
| **F: Payroll and personnel** |
| F1 | Is an up to date authorised signatory list maintained detailing members of staff who can authorise payroll and personnel documents? |  |  |  |
| F2 | Does the school ensure that there is sufficient segregation of duties within the payroll and personnel processes? |  |  |  |
| F3 | Are payroll and personnel documents (i.e. timesheets, expense claims, new starter forms, leaver forms, amendments to pay) checked for accuracy and approved by an authorised signatory prior to the documents being processed? |  |  |  |
| F4 | Are payroll and personnel documents processed in a timely manner? |  |  |  |
| F5 | Are the school’s monthly payroll reports checked for accuracy and independently reviewed? |  |  |  |
| F6 | Have all recruitment panel members received training in safer recruitment? |  |  |  |
| F7 | Are all relevant pre-employment checks, including immigration status and right to work, evidence of qualifications, references and DBS clearance, undertaken prior to new starters commencing work? |  |  |  |
| F8 | Is a current staff list maintained and kept up to date?  |  |  |  |
| F9 | Are honorarium payments made to members of staff, i.e. for taking on additional duties, only paid on a short term basis, and have been approved by Governors with the decision minuted?  |  |  |  |
| F10 | Is the school’s Single Central Record up to date, accurate and complete? |  |  |  |
| F11 | For schools with children under 8 years old, have all staff completed a Childcare Disqualification Certificate? |  |  |  |
| **G: Tax** |
| G1 | Is tax correctly accounted for and monthly VAT returns submitted to the Local Authority in accordance with stipulated deadlines? |  |  |  |
| **H: Voluntary funds** |
| H1 | Are voluntary funds accounted for separately from the school’s delegated budget and procedures are in place to ensure funds are not mixed? |  |  |  |
| H2 | Are monthly reconciliations undertaken between the school’s records and bank statements for voluntary funds, which are independently reviewed?  |  |  |  |
| H3 | Are voluntary funds audited by an independent auditor on an annual basis?Please state the date of the last audit and the period covered. |  |  |  |
| H4 | Have the audited accounts for the voluntary funds been presented to the Governing Body? |  |  |  |
| **I: Asset and data management** |
| I1 | Does the school maintain an up to date asset register, which also records portable / desirable assets?  |  |  |  |
| I2 | Are annual stock checks undertaken of the asset register and results documented? |  |  |  |
| I3 | Are procedures in place for disposal of assets and approval is sought from Governors? |  |  |  |
| I4 | Are all assets security marked? |  |  |  |
| I5 | For all equipment taken off site is a log maintained or are user agreements in place (i.e. for laptops / ipads)? |  |  |  |
| I6 | Do staff/pupils sign user agreement forms for laptops/ipads to confirm they are aware of terms and conditions of use? |  |  |  |
| I7 | Does the school have a documented Buildings Plan in place for the maintenance and development of its buildings? |  |  |  |
| I8 | Does the school comply with Data Protection Regulations? |  |  |  |
| I9 | Is access to the school’s financial management system restricted according to user needs and individual log-ins and passwords are required? |  |  |  |
| I10 | Are passwords to the school’s financial management system changed on a regular basis? |  |  |  |
| I11 | Is financial data backed up on a regular basis and held securely?Please state frequency of back-ups. |  |  |  |
| I12 | Are the school’s systems protected with the use of anti-virus software? |  |  |  |
| I13 | Does the school maintain an up to date business continuity plan? |  |  |  |
| **J: Insurance** |
| J1 | Does the school have appropriate insurance cover in place? |  |  |  |