



Haringey Council

Agenda Item

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Report Status

For information/note ☒
For consultation & views ☐
For decision ☐

The Children and Young People's Service

Report to Haringey Schools Forum – 3 July 2014

Report Title: Schools 2013/14 internal audit programme – outcome of work.

Author: Head of Audit and Risk Management

Purpose: To advise the Schools Forum of the outcomes of the 2013/14 audit programme of primary and secondary schools.

Recommendations

- I. That the Schools Forum notes the results of the 2013/14 audit programme.

1. Background and results of audit programme.

1.1 Internal Audit undertakes an annual programme of school audit reviews to ensure that schools are complying with the requirements of the Schools Finance Manual; and to provide assurance that the risks associated with the key financial and non-financial processes are appropriately managed.

1.2 Internal audit are not required to audit the SFVS, or provide an assessment of schools' compliance with this. However, the programme of routine audit work should assist schools in providing the required assurance to Governing Bodies for SFVS.

1.3 This report:

- Summarises the overall outcomes and assurance levels provided to individual schools from 2010/11 to 2013/14;
- Provides a further analysis of the assessment of controls in place at schools for those audits completed in 2013/14; and the numbers of related recommendations made; and
- Highlights some of the areas of non-compliance where recommendations were made.

1.4 Table 1 below summarises the overall outcomes and assurance ratings for the previous four financial years of all internal audits completed.

Table 1

	Number of audits planned	Substantial Rating assurance	Limited Assurance rating	Nil Assurance rating
2010/11				
Primary Schools (incl. nursery/special)	10	4	6	0
Secondary Schools	4	3	1	0
Sub-total	14	7	7	0
2011/12				
Primary Schools (incl. nursery/special)	17	7	9	1
Secondary Schools	2	1	1	0
Sub-total	19	8	10	1
2012/13				
Primary Schools (incl. nursery/special)	19	5	13	1
Secondary Schools	1	0	1	0
Sub-total	20	5	14	1
2013/14				
Primary Schools (incl. nursery/special)	15	8	6	1
Secondary Schools	3	1	2	0
Sub-total	18	9	8	1
Total	71	29	39	3

1.5A report was made to the Schools Forum on 23 May 2013 by the Head of Audit and Risk Management. The Schools Forum endorsed the recommendations to:

- Circulate the audit test programme to all schools for their use to assist in improving governance and controls. This was done via the fortnightly Schools Bulletin on 13 June 2013 and issued subsequently to any individual school on request; and
- Provide a number of pre-audit workshops for school staff. The workshops were delivered by Internal Audit in September 2013 and January 2014 and positive feedback was received on the workshops from those schools attending.

1.6 The additional support to schools provided during 2013/14 has started to address the poor performance of schools in relation to the application of controls over their key financial and non-financial systems.

1.7 The results of the 2013/14 schools programme have shown a reduction in the number and proportion of schools receiving a 'limited assurance' rating, although 50% of schools audited still received a limited or nil rating.

1.8 For the 18 school audits for 2013/14, **a total of 237 recommendations** were raised. Table 2 below summarises the recommendations made and groups them into the areas which are contained within the individual audit reports issued to schools.

Table 2

Area of Scope	Adequacy of Controls	Effectiveness of Controls	Recommendations Raised		
			Priority 1	Priority 2	Priority 3
Management organisation	Amber	Amber	19	47	5
School improvement plan & OFSTED inspections	Green	Green	1	3	1
Budget setting, monitoring & control	Green	Amber	4	14	1
Staffing	Green	Amber	3	14	6
Disbursement accounting records	Amber	Amber	23	24	4
Asset Management & Inventory Records	Amber	Amber	3	29	3
School unofficial fund	Green	Green	2	3	0
Income & Lettings	Green	Amber	4	7	2
School meals	Green	Amber	3	7	5
Total			62	148	27

1.9 The areas reported as 'Green' under 'Adequacy of Controls' indicate that, overall, schools have identified appropriate controls which, if put into practice, would be adequate to manage the risks for that area. From Table 2 above, it can be seen that there are three areas – management organisation, disbursement accounting records and inventory records – where overall there weren't adequate controls in place. In 2012/13, only two areas overall were adjudged to have inadequate controls.

1.10 The column headed 'Effectiveness of Controls' is an assessment of whether the controls which should be in place are working as intended. Table 2 highlights that, overall, there are only two areas where identified controls are operating as intended. This is a slightly improved position from 2012/13, where no areas were judged to be operating their controls effectively, but remains a serious concern from internal audit and corporate finance's point of view.

1.11 Three areas overall have been adjudged as not having any effective controls in place: management organisation, disbursement accounting records and asset management and inventory records. As these represent areas where there is substantial financial expenditure, internal audit and corporate finance remain concerned at the high number of recommendations made.

1.12 Most common areas of non-compliance with the Schools Finance Manual in 2013/14 were as follows:

Items out of date:

- Scheme of Delegation; Bank Mandate; Inventory; Audit of Unofficial Funds

Non-compliance with financial regulations:

- No quotations or tenders obtained for high value expenditure; using income to fund petty cash and other expenditure; lack of authorisation of invoices for payment; expenses paid without supporting receipts; invoices authorised for payment by staff who were not budget holders; no official orders for expenditure

Items missing or non-existent:

- Formal governance arrangements; School Improvement Plan; Scheme of Delegation; Register of Business Interests; budget monitoring reports to committee/ governing body; Terms of Reference for committees; evidence of DBS Clearance; contracts/licenses for services received and/or provided

Non-ratification/minuting:

- Budget/Revised Budget; Internal Scheme of Delegation; School Development Plan; Use of Pupil Premium; high value virements

Non-signature:

- Monthly Bank Reconciliation; Weekly Meals Reconciliation

1.13 The Council's Corporate Committee receive details of the outcome of school audits in summary form – the name of the school, the assurance rating and the number of Priority 1, 2 and 3 recommendations made – on a quarterly basis. The last report was presented to Corporate Committee in June 2013.

2. Recommendations.

2.1 That the Schools Forum notes the results of the 2013/14 audit programme.