



## Agenda Item

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The Children and Young People's Service

## Report Status

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

Report to Haringey Schools Forum – 12 July 2018

**Report Title:** The schools internal audit programme 2017/18 feedback.

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**Purpose:**

To advise the Schools Forum of the outcomes of the 2017/18 audit programme and formal follow up audits for 2016/17 audits.

**Recommendations**

1. That the Schools Forum note the feedback on the work completed in 2017/18, including the results of the follow up audits on 2016/17 audits (Appendix B).

## 1. Background

1.1 Internal Audit undertakes a programme of school audit reviews to ensure that schools are complying with the requirements of the Schools Finance Manual, issued in 2007; and to confirm the risks associated with the key financial and non-financial processes are appropriately managed.

1.2 Internal audit are not required to audit the School Financial Value Standard (SFVS), but the audit programme does check that the SFVS has been completed and whether it aligns with the audit findings. The programme of routine audit work should assist schools in providing assurance to Governing Bodies for the SFVS.

## 2. Feedback on 2017/18 audit work

2.1 This report:

- Summarises the overall outcomes and assurance levels provided to individual schools from 2014/15 to 2017/18;
- Provides information on the results of the formal follow up programme;
- Provides a summary of assurance and recommendations made; and

- Highlights some of the common issues relating to non-compliance with the Schools Finance Manual and good control where recommendations were made.

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

**Table 1 – Summary of assurance ratings provided 2013/14 to 2016/17**

	<b>Number of audits planned</b>	<b>Substantial Rating assurance</b>	<b>Limited Assurance rating</b>	<b>Nil Assurance rating</b>
<b>2014/15</b>				
Primary Schools (incl. nursery/special)	12	4	8	0
Secondary Schools	1	1	0	0
<b>Sub-total</b>	<b>13</b>	<b>5</b>	<b>8</b>	<b>0</b>
<b>2015/16</b>				
Primary Schools (incl. nursery/special)	12	8	2	0
Secondary Schools	1	1	0	0
<b>Sub-total</b>	<b>13</b>	<b>9</b>	<b>4</b>	<b>0</b>
<b>2016/17</b>				
Primary Schools (incl. nursery/special)	21	6	12	3
Secondary Schools	3	2	1	0
<b>Sub-total</b>	<b>24</b>	<b>8</b>	<b>13</b>	<b>3</b>
<b>2017/18</b>				
Primary Schools (incl. nursery/special)	19	10	7	2
Secondary Schools	1	1	0	0
<b>Sub-total</b>	<b>20</b>	<b>12</b>	<b>6</b>	<b>2</b>
<b>Total</b>	<b>70</b>	<b>33</b>	<b>32</b>	<b>5</b>

2.3 School audits showed significant weaknesses across all schools in 2016/17. While 2017/18 has seen a fall in the number of primary and secondary schools with limited or nil assurance ratings performance is still not at a level where we can see performance as satisfactory and risks are being robustly managed across all schools. Some schools in the 2017/18 audit programme were included as a result of previous poor audit assurance ratings and while some of these schools are on an improvement arc this improvement is slow and other schools remain a cause for concern.

2.4 The fact that nearly half the schools visited (40%) of schools audited in 2017/18 returned limited or nil assurance ratings is still of concern to the Council and the issue has been included in the statutory Annual Governance Statement, which will be reported to the Corporate Committee on 24 July 2018 as part of the Council's annual accounts.

2.5 For the school audits completed in 2017/18, **a total of 211 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 – Overall assessment of control and recommendations raised**

Area of Scope	Adequacy of Controls	Effectiveness of Controls	Recommendations Raised		
			Priority 1	Priority 2	Priority 3
<b>Management organisation</b>	<b>Green</b>	<b>Amber</b>	3	26	4
School improvement plan & OFSTED inspections	Green	Amber	1	9	3
<b>Budget setting, monitoring &amp; control</b>	<b>Green</b>	<b>Amber</b>	5	14	3
<b>Staffing</b>	<b>Green</b>	<b>Amber</b>	0	17	13
<b>Expenditure &amp; accounting records</b>	<b>Green</b>	<b>Amber</b>	13	26	8
<b>Asset Management &amp; Inventory Records</b>	<b>Green</b>	<b>Amber</b>	4	21	14
School unofficial fund	Green	Amber	0	2	0
Income & Lettings	Green	Amber	1	12	5
School meals	Green	Amber	1	4	2
<b>Total</b>			<b>28</b>	<b>131</b>	<b>52</b>

2.4 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.

2.5 The column headed '**Effectiveness of Controls**' is an assessment of whether the controls are in place are working as intended. There were no areas where controls were reported to be working effectively in 2017/18.

2.6 Overall, the proportion of schools receiving 'limited' and 'nil' assurance has decreased, which is reflected in the numbers of recommendations raised. The number of Priority 1 recommendations – those which we identify as

fundamental control weaknesses, have decreased slightly from 2016/17 but is still high due to a handful of schools where we raised a number of recommendations. A summary of the outcomes and the details of Priority 1, 2 and 3 recommendations raised is shown in Appendix A.

- 2.7 Appendix A shows that significant areas of non-compliance with the Schools Finance Manual found in 2017/18 were within the key financial areas reviewed by audit: **management organisation; budget setting, monitoring and control; staffing; expenditure and accounting records; and asset management**. These are the same areas as last year.
- 2.8 Serious weaknesses identified in these key financial processes and areas indicate that basic financial controls were weak or non-existent, which puts the school at a greater risk of fraud and poor long term financial stability. Key findings in 2017/18 included the following:

**Non-compliance with financial regulations:**

- No or insufficient numbers of written quotations or tenders obtained or retained for high value expenditure; high value expenditure not approved by Governing Body; purchase orders not raised for high value/routine expenditure; no valid invoice or receipts to support payments; bank mandate out of date; bank reconciliations not completed; debt recovery processes not taking place; budget monitoring not undertaken; VAT returns not submitted regularly.

**Items missing or non-existent:**

- Asset/inventory register (regular checks not completed); Policies not in place e.g. lettings; Register of Business Interests in that not all Governors and staff with financial responsibility completed an entry; incomplete; No Statement of Acceptance (Contract) for new staff; overtime claim forms do not state reason for hours worked. Recruitment checks not undertaken in a timely fashion.

**Non-ratification/minuting:**

- Budget not approved by Governors: use of Pupil Premium not signed off by Governing Body; no sign off of Governing Body and Committee minutes; SFVS self assessment not approved; results of inventory and asset management reviews not approved.

### **3. Follow up programme for 2015/16 audits**

- 3.1 Internal Audit completed formal follow up audits of all school audits, which were undertaken in 2016/17 that received limited assurance or better. School receiving No assurance to subject to a revisit and full audit. Appendix B sets out the overall results of the follow up work completed. The follow up visits were all arranged in advance with the individual schools and took account of the deadlines confirmed by schools for the implementation of recommendations.

3.2 The Schools Forum will note that of the 172 original recommendations, only 111 (58%) had been fully implemented at the time of the follow up visit. This is a similar level as we reported last year (57%). This includes 80 significant issues, which were raised as priority 2 recommendations, which have not been fully addressed. This will lead to increased risk at these schools of fraud, error or inappropriate practice going uncorrected.

#### **4. Training for Schools and Governors**

4.1 In addition to circulating the school audit test programme, workshop sessions have been provided for school staff (finance staff, bursars, and head teachers) over the last four financial years to further assist schools in identifying key risk areas and control processes.

4.2 A workshop session was again offered to all schools with audits planned during 2018/19 as well as where key staff have changed in the last twelve months; the session was held on 19 April 2018 and some schools due to be audited in 2018/19 attended the session although attendance was lower than in previous years.

4.2 A training session on audit and risk management, covering governor roles and responsibilities in relation to audit and risk management, as well as providing advice and guidance on key risk/control areas, was provided on 23 March 2017 as part of the annual governor training package. The training session is offered every academic year and will be scheduled for this financial year.

#### **5. Internal Audit schools audit and follow up programme 2017/18**

5.1 Internal Audit has started the 2018/19 programme of school audit visits; and all schools have been contacted and agreed dates for their respective audit visits.

5.2 Internal Audit will also arrange to follow up the 2017/18 audit work and recommendations. Both schools will be visited during 2018/19; where 'nil' assurance reports were issued and a full audit will be undertaken at these schools. Any schools where high priority recommendations (Priority 1) remain outstanding may be included in the 2019/20 school audit programme for further review.

#### **6. Recommendations**

6.1 That the Schools Forum notes the feedback on audit work completed in 2017/18.

## Appendix A

### Outcomes and recommendations raised for 2017/18 school audits

School	Type	Assurance	Recommendations Raised			Total
			Priority 1	Priority 2	Priority 3	
Primary School	Primary	Substantial	0	4	4	8
Primary School	Primary	Substantial	0	0	4	4
Primary School	Primary	Limited	3	9	5	17
Primary School	Primary	None	10	10	1	21
Primary School	Primary	Substantial	0	4	0	4
Primary School	Primary	Limited	3	14	1	18
Primary School	Primary	Limited	1	6	4	11
Primary School	Primary	Limited	0	9	5	14
Primary School	Primary	Substantial	0	4	0	4
Primary School	Primary	Substantial	0	4	2	6
Primary School	Primary	Substantial	0	6	2	8
Primary School	Primary	Substantial	0	6	1	7
Primary School	Primary	Substantial	0	5	2	7
Primary School	Primary	None	6	13	2	21
Primary School	Primary	Limited	4	7	4	15
Primary School	Primary	Substantial	0	7	2	9
Primary School	Primary	Substantial	0	6	7	13
Infants School	Infants	Substantial	0	5	5	10
Infants School	Infants	Limited	0	9	1	10
<b>Primary &amp; Special Sub-total</b>			<b>27</b>	<b>128</b>	<b>52</b>	<b>207</b>
Secondary School	Secondary	Substantial	1	3	0	4
<b>Secondary Sub-total</b>			<b>1</b>	<b>3</b>	<b>0</b>	<b>4</b>
<b>Total</b>			<b>28</b>	<b>131</b>	<b>52</b>	<b>211</b>

Appendix B

The results of internal audit's follow-up work on the 2017/18 school audits

Follow up of 2016/17 audits	Type	Assurance	Recommendations raised				Recommendations Implemented				Partly Impl.	N/A	Not Impl.	Priority 1 O/S
			Priority 1	Priority 2	Priority 3	Total	Priority 1	Priority 2	Priority 3	Total				
<b>School</b>														
Primary School	Primary		2	12	2	16	2	7	1	10	6	0	0	0
Primary School	Primary		0	7	3	10	0	5	1	6	2	0	2	0
Primary School	Primary		0	12	1	13	0	4	0	4	4	0	4	0
Primary School	Primary		0	10	6	16	0	8	6	14	2	0	0	0
Primary School	Primary		0	6	1	7	0	3	0	3	1	0	3	0
Primary School	Primary		0	8	1	9	0	2	0	2	5	0	2	0
Primary School	Primary		0	5	2	7	0	5	2	7	0	0	0	0
Primary School	Primary		0	7	0	7	0	6	0	6	1	0	0	0
Primary School	Primary		0	6	1	7	0	4	0	4	3	0	0	0
Junior School	Junior		0	6	3	9	0	1	0	1	6	0	2	0
Junior School	Junior		0	3	9	12	0	1	8	9	2	0	1	0
Nursery School	Nursery		0	12	2	14	0	6	1	7	5	0	2	0
Nursery School	Nursery		0	5	1	6	0	4	1	5	1	0	0	0
Special School	Special		0	6	2	8	0	3	2	5	2	0	1	0
Special School	Special		1	8	1	10	1	7	0	8	1	0	1	0
Special School	Special		1	6	3	10	1	5	1	7	3	0	0	0
Special School	Special		0	10	1	11	0	7	1	8	3	0	0	0
<b>Primary/Special Total</b>			<b>4</b>	<b>129</b>	<b>39</b>	<b>172</b>	<b>4</b>	<b>78</b>	<b>24</b>	<b>106</b>	<b>47</b>	<b>0</b>	<b>18</b>	<b>0</b>
Secondary School	Secondary		1	13	2	16	0	1	0	1	11	1	0	0
Secondary School	Secondary		0	1	3	4	0	1	3	4	0	0	0	0
<b>Secondary Total</b>			<b>1</b>	<b>14</b>	<b>5</b>	<b>20</b>	<b>0</b>	<b>2</b>	<b>3</b>	<b>5</b>	<b>11</b>	<b>1</b>	<b>0</b>	<b>0</b>
<b>Overall Total</b>			<b>5</b>	<b>143</b>	<b>44</b>	<b>192</b>	<b>4</b>	<b>80</b>	<b>27</b>	<b>111</b>	<b>58</b>	<b>1</b>	<b>18</b>	<b>0</b>