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The Children and Young People's Service

Report to Haringey Schools Forum – <mark>11 July 2019</mark>

Report Title: The schools internal audit programme 2018/19 feedback

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Purpose:
To advise the Schools Forum of the outcomes of the 2018/19 audit programme and formal follow up audits for 2017/18 audits

Recommendations

I. That the Schools Forum note the feedback on the work completed in 2018/19, including the results of the follow up audits on 2017/18 audits (Appendix A).

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 2018/19 audit work

2.1 This report:

- Summarises the overall outcomes and assurance levels provided to individual schools from 2015/16 to 2018/19;
- 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 2015/16 to 2018/19

	Number of audits planned	Substantial Rating assurance	Limited Assurance rating	Nil Assurance rating
2015/16				
Primary Schools (incl. nursery/special)	12	8	2	0
Secondary Schools	1	1	0	0
Sub-total	**13**	**9**	**4**	**0**
2016/17				
Primary Schools (incl. nursery/special)	21	6	12	3
Secondary Schools	3	2	1	0
Sub-total	**24**	**8**	**13**	**3**
2017/18				
Primary Schools (incl. nursery/special)	19	10	7	2
Secondary Schools	1	1	0	0
Sub-total	**20**	**11**	**7**	**2**
2018/19				
Primary Schools (incl. nursery/special)	**11**	**7**	**4**	**0**
Secondary Schools	**1**	**1**	**0**	**0**
Sub-total	**12**	**8**	**4**	**0**
Total	**69**	**36**	**28**	**5**

2.3 School audits showed significant weaknesses across all schools in 2016/17. While 2017/18 and 2018/19 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 2018/19 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.

2.4 For the school audits completed in 2018/19, **a total of 120 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
Management organisation	Green	Amber	0	16	18
School improvement plan & OFSTED inspections	Green	Amber	0	4	0
Budget setting, monitoring & control	Green	Amber	0	9	2
Staffing	Green	Amber	0	2	4
Expenditure & accounting records	Green	Red	2	17	3
Asset Management & Inventory Records	Green	Amber	0	11	19
School unofficial fund	Green	Green	0	1	2
Income & Lettings	Green	Amber	0	2	4
School meals	Green	Green	0	1	0
Data Protection	Green	Green	0	1	2
Total			**2**	**64**	**54**

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 which should be in place are working as intended. While we have marked three areas as controls were reported to be working largely effectively in 2018/19 these areas are still not without their issues at some schools.

2.6 Overall, the proportion of schools receiving 'limited' and 'nil' assurance has decreased again this year which is reflected in the numbers of recommendations raised. The number of Priority 1 recommendations – those which identify fundamental control weaknesses – has decreased from 2017/18 and this is also encouraging. 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 2018/19 were within the key financial areas reviewed by audit: **management organisation; budget setting,**

monitoring and control; expenditure and accounting records; and asset management. These areas were reported as weak 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 2017/18 audits
3.1 Internal Audit completed formal follow up audits of all school audits which were undertaken in 2017/18 who received limited assurance or better. School receiving No assurance are 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 169 original recommendations, y 122 (72%) had been fully implemented at the time of the follow up visit. This is a significant improvement on last year (58%). This does, however include 28 significant issues which were raised as priority 2 recommendations which have not been fully addressed. This will lead to increased risk at our 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 few 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 2019/20 9as well as where key staff have changed in the last twelve months; the session was held on 7 March 2019 and some schools due to be audited in 2019/20 attended the session.

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 26 February 2019 and 25 September 2018 as part of the annual governor training package. The training session is offered every academic year.

4.3 We also participated in training days organised for new Head Teachers and School Business Managers and training for clerks on 14 January 2019. The Fraud Manager provided training to schools on areas of fraud risk on 6 February 2019.

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

5.1 Internal Audit has started the 2019/20 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 2018/19 audit work and recommendations.

6. Recommendations.

6.1 That the Schools Forum notes the feedback on audit work completed in 2018/19.

Outcomes and recommendations raised for 2018/19 school audits

School	Type	Assurance	Recommendations Raised			
			Priority 1	Priority 2	Priority 3	Total
School A	Primary	Limited	0	9	6	15
School B	Primary	Substantial	0	1	2	3
School C	Primary	Substantial	0	3	0	3
School D	Primary	Substantial	0	3	2	5
School E	Primary	Substantial	0	4	8	12
School F	Primary	Limited	1	15	5	21
School G	Nursery	Substantial	0	1	5	6
School H	Infant	Substantial	0	6	4	10
School I	Infant & Junior	Substantial	0	3	5	8
School J	Primary	Limited	3	9	3	15
School K	Primary	Limited	1	12	4	17
School L	Primary	Substantial	0	2	6	8
Primary & Special Sub-total			**5**	**68**	**50**	**123**
School M	Secondary	Substantial	0	5	7	12
Secondary Sub-total			**0**	**5**	**7**	**12**
Total			**5**	**73**	**57**	**135**

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

Follow up of 2017/18 audits / School	Type	Assurance	Recommendations raised				Recommendations Implemented				Partly Impl.	N/Accepted	Not Impl.	N/A	Priority 1 O/S	Unable to Verify
			Priority 1	Priority 2	Priority 3	Total	Priority 1	Priority 2	Priority 3	Total	Total	Total	Total	Total	Total	Total
School a	Primary	Substantial	0	4	4	8	0	3	3	6	1	1	0	0	0	0
School b	Primary	Substantial	0	4	0	4	0	3	0	3	0	1	0	0	0	0
School c	Primary	Limited	3	9	5	17	3	9	3	15	2	0	0	0	0	0
School d	Primary	Limited	3	14	1	18	1	9	1	11	6	0	0	1	0	0
School e	Primary	Substantial	0	6	1	7	0	5	0	5	0	1	0	0	0	1
School f	Junior	Substantial	0	0	4	4	0	0	3	3	1	0	0	0	0	0
School g	Primary	Substantial	0	7	2	9	0	7	2	9	0	0	0	0	0	0
School h	Primary	Limited	0	10	4	14	0	8	4	12	1	0	1	0	0	0
School i	Primary	Substantial	0	4	2	6	0	4	2	6	0	0	0	0	0	0
School j	Infants	Substantial	0	5	5	10	0	4	2	6	3	0	0	0	0	1
School k	Primary	Substantial	0	6	2	8	0	2	1	3	4	0	0	0	0	1
School l	Primary	Substantial	0	4	0	4	0	4	0	4	0	0	0	0	0	0
School m	Primary	Substantial	0	6	7	13	0	4	6	10	2	0	1	0	0	0
School n	Primary	Limited	1	6	4	11	1	5	4	10	0	0	1	0	0	0
School o	Infant	Limited	0	9	1	10	0	4	1	5	2	0	1	0	0	2
School p	Primary	Limited	4	7	4	15	2	4	2	8	6	0	1	0	0	0
School q	Primary	Substantial	0	5	2	7	0	3	1	4	3	0	0	0	0	0
Primary/Special Total			**11**	**106**	**48**	**165**	**7**	**78**	**35**	**120**	**31**	**3**	**5**	**1**	**0**	**5**
School r	Secondary	Substantial	1	3	0	4	0	2	0	2	2	0	0	0	0	0
Secondary Total			**1**	**3**	**0**	**4**	**0**	**2**	**0**	**2**	**2**	**0**	**0**	**0**	**0**	**0**
Overall Total			**12**	**109**	**48**	**169**	**7**	**80**	**35**	**122**	**33**	**3**	**5**	**1**	**0**	**5**