

Governors Briefing

Internal Audit

4th March 2020

Briefing for Governors

- Governor's role in governance
- Audit of schools; Schools Finance Manual
- Audit programme and process
- Scope of internal audit
- What internal audit look for
- Reporting and follow up arrangements
- Highlights from 2018/19 annual report

A Governor's Role

- Hold the main responsibility for **governance** in schools by: -
 - Monitoring the adequacy of the system of internal control within the school.
 - Considering Audit Reports.
 - Approving action plans in response to Audit Reports.
 - Monitoring the implementation of such action plans.

Why are Schools audited?

- To provide assurance to the Governing Body and the Leadership team over governance at school
- All Community School assets must be included in Haringey's Annual Statement of Accounts
- Council Chief Financial Officer's statutory duties (1972 LGA – s151) to ensure good financial management
- DfE statutory financial information submissions

What are audits based on?

Schools Finance Manual, issued in hard copy to all schools in 2007. A copy of the Manual is also online on the Council's website at:

<http://www.haringey.gov.uk/children-and-families/schools-and-education/projects-consultations-and-inspections/financial-regulations-schools>

Internal Audit aims to ensure that schools are complying with the principles and requirements of the Schools Finance Manual.

Schools Finance Manual

- Currently being updated – series of guidance manuals – first batch already issued to schools
 - Schools in Financial Difficulties,
 - Purchasing,
 - Petty cash,
 - Budgets forecasting,
 - Payroll and
 - Risk Management.

Audit Programme and Process

- Schools Audit Programme presented annually at Schools Forum (February 2020) and agreed by Corporate Committee
- Schools are audited on average every three/ four years – based on risk
- Final Audit Report issued to the Head Teacher and Chair of Governors
- Formal follow up visit undertaken by audit with a report issued to the Head Teacher and Chair of Governors

Scope of All School Audits

- Management Organisation;
- School Improvement Plan & OFSTED Inspections;
- Budget Setting, Monitoring & Control;
- Staffing;
- Disbursement Accounting Records;
- Asset Management & Inventory Records;
- School Unofficial Fund Accounting;
- Income & Lettings;
- School Meals; and
- Data Security.

What internal audit look for

Governing Body Meetings

Regular (at least annual) items on the agendas for:

- Review of Terms of Reference;
- Register of Business Interests;
- Scheme of Delegation;
- School budget approval;
- Budget monitoring; and
- School Development Plan.

What internal audit look for

Governing Body agendas and minutes:

- Agenda item to allow governors to declare an interest in any item on that agenda
- Minutes specify the decision taken at the end of each item e.g. approval of policies, award of contracts
- Minutes are signed by the Chair

- # What internal audit look for
- ## School Development Plan and Budget:
- Does the SDP cover key priorities
 - Is there evidence to show how priorities were determined?
 - Has the SDP been approved – do the minutes record this?
 - Are the resources clearly identified for each area in the SDP – do these agree with the budget allocations?

What internal audit look for

School Budget:

- Is there a balanced budget, or licensed deficit, which you have approved?
- Is the approved budget the same as that loaded on the finance system?
- Are regular budget monitoring reports produced and evidenced?
- Are they sufficient?

What internal audit look for

School operational processes:

- Documentary evidence to support approval and/or transactions e.g. Income and expenditure; recruitment
- Appropriate authorisation for expenditure – in line with the School's scheme of delegation

What internal audit look for

School operational processes:

- Budget spend in accordance with approved limits e.g. Pupil Premium
- Processes in accordance with national and local requirements e.g. Recruitment, Salary and Allowances
- Up to date policies and procedures

The role of your Clerk

The purpose* of the clerk to Governor's role is to:

- Provide advice to the governing body on governance, constitutional and procedural matters.
- Provide effective administrative support to the governing body and its committees.
- Ensure the governing body is properly constituted.
- Manage information effectively in accordance with legal requirements.

**National Governors Association*

Reporting to the School

- Audit reports provided to Head teachers
– there is a draft and final version
- Governor Services provide a copy to the Chair of the Governing Body
- Quarterly reports to Council's Corporate Committee with summary of school outcomes

Follow up reports

- All schools have a formal follow up visit
- Report is provided to the school and Chair of Governors
- Failure to provide a response (or an adequate response) will mean the issue will be escalated to senior management
- Process approved by Corporate Committee November 2015

Review of audit and follow up reports by Governors

- Was the last audit report and follow up audit presented to Governors for review?
- Has the Governing Body taken responsibility for ensuring recommendations are implemented?
- Has the Governing Body scheduled further reviews if there were outstanding items?

Key Highlights from Annual Report – 2018/19

- Of the 20 Schools audited
 - 9 Substantial Assurance
 - 4 Limited Assurance
- Weaknesses in the following areas
 - Non compliance with financial regulations
 - Items missing or non- existents
 - Non-ratification / minuting
- Follow up audits
 - Recommendations not implemented in a timely manner
 - 24% not implemented from 2017/18 audits

Key Message

- Governors have an important role in overseeing internal controls at schools
- Internal Audit provides an independent assurance of a school's internal controls
- The auditors annual report has identified gaps in schools audited in 2017/18
- Check to make sure your school has the right control environment in place

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