

**Report for:** Corporate Committee – 30 July 2020

**Title:** Annual Schools Audit Report – 2019/20

**Report authorised by :** Assistant Director of Corporate Governance

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**Ward(s) affected:** N/A

**Report for Key/  
Non Key Decision:** Information

- 1. Describe the issue under consideration**
  - 1.1 This report advises the Corporate Committee of the outcomes of the 2019/20 schools audit programme and of the follow up of 2018/19 audits carried out in 2019/20 by Mazars.
- 2. Cabinet member introduction**
  - 2.1 Not applicable.
- 3. Recommendations**
  - 3.1 The Corporate Committee is recommended to note the report.
- 4. Reasons for decision**
  - 4.1 The Corporate Committee is responsible for monitoring the adequacy and effectiveness of internal controls. The Committee receives regular reports highlighting findings from audits, this report provides an overview of findings arising from the audit of schools in 2019/20 by Mazars and sets out thematic issues that may impact on the governance at schools.
- 5. Alternative options considered**
  - 5.1 Not applicable.
- 6. Background information**
  - 6.1 The information in this report has been compiled from information held within Audit & Risk Management service.

## 7. Contribution to strategic outcomes

7.1 The work of the internal audit team provides independent assurance over the effectiveness of the control environment at schools. The primary responsibility for governance of schools rests with the Governing Body with oversight from the local authority over maintained schools. The work of the internal audit team is an important element of how the local authority can demonstrate it has discharged its statutory responsibility.

## 8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

### 8.1 Finance and Procurement

The findings contained in this report confirm that 67% of schools audited in 2019/20 returned an adequate or a substantial rating. This is a consistent performance to the prior year, however, two schools received a nil assurance and the Priority 1 recommendations identified across all schools continue to be focused on governance, income and budget management and procurement. Serious weaknesses identified in key financial processes indicate that basic financial controls were weak or non-existent in some schools, which puts the school at a greater risk of fraud and poor long-term financial stability. This must continue to give rise to concern.

It is noted that the approach to following up recommendations is being amended for 2020/21 to a more proactive on-going approach which should provide more relevant and timely assurance to key stakeholders and help to ensure action is taken in a more timely fashion. This must be a positive change as will continuing to report to the wider Schools Forum on audit outcomes and offering training.

### 8.2 Legal

The Council's Assistant Director of Corporate Governance has been consulted in the preparation of this report and has no comments.

### 8.3 Equality

The Council has a public sector equality duty under the Equality Act (2010) to have due regard to:

- tackle discrimination and victimisation of persons that share the characteristics protected under S4 of the Act. These include the characteristics of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex (formerly gender) and sexual orientation;
- advance equality of opportunity between people who share those protected characteristics and people who do not;
- foster good relations between people who share those characteristics and people who do not.

## 9. Use of Appendices

None

## 10. Local Government (Access to Information) Act 1985

Not applicable.

## 11. Background

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

11.2 Internal audit is 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.

11.3 The maintained schools in the Borough are audited on a four-year rolling programme. The outcomes of audits and the assurances provided have improved in recent years, however 'Schools Finance and Governance' remains an issue on the Council's Annual Governance Statement.

## 12. Feedback on Audit Work

12.1 This report:

- Summarises the overall outcomes and assurance levels provided to individual schools from 2017/18 to 2019/20;
- 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 where recommendations were made.

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

12.3 Prior to 2019/20 the four levels assurance: Full, Substantial, Limited and Nil. The 'Full Assurance' assurance was rarely applied. As a result, in 2019/20 a new criteria for assurance was implemented to provide more distinction in the outcomes of audit work. The assurance is provided based on the number and priority of recommendations raised.

Table 1 – Summary of assurance ratings provided 2016/17 to 2019/20

	Number of audits planned	Substantial Assurance rating	Adequate Assurance rating	Limited Assurance rating	Nil Assurance rating
<b>2017/18</b>					
Primary Schools (incl. nursery/special)	19	10	N/A	7	2
Secondary Schools	1	1	N/A	0	0
<b>Sub-total</b>	<b>20</b>	<b>11</b>	<b>0</b>	<b>7</b>	<b>2</b>
<b>2018/19</b>					
Primary Schools (incl. nursery/special)	11	7	N/A	4	0
Secondary Schools	1	1	N/A	0	0
<b>Sub-total</b>	<b>12</b>	<b>8</b>	<b>0</b>	<b>4</b>	<b>0</b>
<b>2019/20</b>					
Primary Schools (incl. nursery/special)	17	1	10	4	2
Secondary Schools	2	1	0	0	0
<b>Sub-total</b>	<b>19*</b>	<b>2</b>	<b>10</b>	<b>4</b>	<b>2</b>
<b>Total</b>	<b>74</b>	<b>29</b>	<b>10</b>	<b>28</b>	<b>4</b>

\*one audit was deferred to 2020/21 as fieldwork was not completed before COVID-19.

12.4 The table above shows 67% of schools audited in 2019/20 returned above ‘adequate’ assurance ratings. This is consistent performance to 2018/19 but a noted improvement on 2017/18.

12.5 The percentage of schools receiving limited and nil assurance is following a downward trend, two schools received ‘Nil Assurance’ in 2019/20, although this is obviously a concern. Our expectation is that when a follow up audit is carried out in 20/21, the schools will have put in place adequate measures to improve their rating to a satisfactory level.

12.6 For the 2019/20 school audits, a total of 190 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	Recommendations Raised		
	Priority 1	Priority 2	Priority 3
Management organisation	0	26	25
School improvement plan & OFSTED inspections	0	7	2
Budget setting, monitoring & control	1	15	3
Staffing	0	5	5
Expenditure & accounting records	4	24	6
Asset Management & Inventory Records	0	16	24
School unofficial fund	0	2	3
Income & Lettings	0	4	6
School meals	0	2	2
Data Protection	0	2	3
<b>Total</b>	<b>6</b>	<b>105</b>	<b>79</b>

- 12.7 The table shows six issues were felt to be fundamental weakness with the bulk of issues being significant (105 recommendations) and many minor issues being identified (79 recommendations) which relate to good practice or housekeeping actions.
- 12.8 Key areas of weakness include governance (mainly issues about proper constitution and recording of Governor decisions), income and budget management and procurement.
- 12.9 As noted above the proportion of schools receiving ‘limited’ and ‘nil’ assurance has decreased over time, which is reflected in the fewer numbers of recommendations raised. The number of Priority 1 recommendations – those which we identify as fundamental control weaknesses, have also decreased. A summary of the outcomes and the details of Priority 1, 2 and 3 recommendations raised is shown in Appendix A.
- 12.10 Serious weaknesses identified in key financial processes and areas indicate that basic financial controls were weak or non-existent in some schools, which puts the school at a greater risk of fraud and poor long-term financial stability.

12.11 Key findings in 2019/20 included the following:

- 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; and
- VAT returns not submitted regularly.

**13. Follow up programme for 2018/19 audits**

13.1 Internal Audit completed formal follow up audits of all school audits, which were undertaken in 2018/19. No school received “Nil assurance” consequently, no schools required a revisit to undertake a 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.

13.2 It is noted that of the 135 original recommendations, 87 (67%) had been fully implemented at the time of the follow up visits. This is a significant improvement on what we reported last year (55%). This does, however, include 30 significant issues which were raised as priority 2 recommendations which have not been fully addressed. Some additional follow up work is planned in quarter two to revisit schools where priority 1 and 2 recommendations remained outstanding at the time of follow up to ensure they are now implemented.

13.3 For 2020/21 we are reviewing our approach to follow up. The plan is to move from a point in time update to a more proactive on-going monitoring approach that tracks recommendations to closure. This will provide more relevant and timely assurances to key stakeholders.

## 14. Training for Schools and Governors

- 14.1 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.
- 14.2 A workshop session was again offered to all schools with audits planned during 2020/21 as well as where key staff have changed in the last twelve months; the session was held on 17<sup>th</sup> March 2020 and some schools due to be audited in 2020/21 attended the session. In addition, four further training sessions were provided to bursars and school business managers, head teachers, governors, and other members of staff.
- 14.3 Training sessions 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 were provided as part of the annual governor training package. These training sessions are offered every academic year.
- 14.4 The 2019/20 outcomes were reported to the Schools Forum on 25 June 2020 and key messages from the Head of Audit and Risk were shared with members of the forum. This report included an analysis of audit recommendations which will be shared with all schools.

## Appendix A

### Outcomes and recommendations raised for 2019/20 school audits

School	Type	Assurance	Recommendations Raised			Total
			Priority 1	Priority 2	Priority 3	
Blanche Nevile	Special	Adequate	0	2	3	5
Weston Park	Primary	Adequate	0	2	7	9
Muswell Hill	Primary	Adequate	0	4	5	9
St. John Vianney	Primary	Adequate	0	6	4	10
St. Mary's Priory	Infant & Junior	Adequate	0	6	1	7
St. Michael's C of E	Primary	Substantial	0	1	5	6
The Vale	Special	Adequate	1	4	0	5
Belmont	Infant	Limited	0	6	9	15
Coleridge	Primary	Adequate	0	5	4	9
Lordship Lane	Primary	Limited	0	8	6	14
Pembury	Nursery	Limited	2	6	3	11
St. Gilda's Catholic	Junior	Adequate	0	4	7	11
Stroud Green	Primary	Nil	3	18	5	26
The Brook Special	Primary	Limited	0	7	5	12
St. Aidan	Primary	Adequate	0	5	3	8
Seven Sisters	Primary	Adequate	0	5	6	11
Lea Valley	Primary	Nil	0	14	6	20
<b>Primary &amp; Special Sub-total</b>			<b>6</b>	<b>103</b>	<b>79</b>	<b>188</b>
Gladesmore	Secondary	Substantial	0	2	0	2
<b>Secondary Sub-total</b>			<b>0</b>	<b>2</b>	<b>0</b>	<b>2</b>
<b>Total</b>			<b>6</b>	<b>105</b>	<b>79</b>	<b>190</b>



## The results of internal audit's follow-up work on the 2018/19 school audits

Follow up of 2018/19 audits	Type	Assurance	Recommendations raised				Recommendations Implemented				Partly Impl.	Not Impl.	N/A	Priority 1 O/S
			Priority 1	Priority 2	Priority 3	Total	Priority 1	Priority 2	Priority 3	Total				
School														
Chestnuts	Primary	Limited	0	9	6	15	0	5	4	9	4	2	0	0
Devonshire Hill	Primary	Substantial	0	1	2	3	0	1	2	3	0	0	0	0
Earlham	Primary	Substantial	0	3	0	3	0	3	0	3	0	0	0	0
Earlsmead	Primary	Substantial	0	3	2	5	0	3	2	5	0	0	0	0
Highgate	Primary	Substantial	0	4	8	12	0	0	6	6	2	4	0	0
Risley Avenue	Primary	Limited	1	15	5	21	1	8	0	9	12	0	0	0
Rowland Hill	Nursery	Substantial	0	1	5	6	0	1	3	4	1	1	0	0
South Haringay	Infant	Substantial	0	6	4	10	0	4	3	7	1	2	0	0
St. Francis de Sales	Infant & Junior	Substantial	0	3	5	8	0	2	5	7	1	0	0	0
St. Ignatius RC	Primary	Limited	3	9	3	15	1	4	2	7	4	3	1	2
St. James C of E	Primary	Limited	1	12	4	17	0	8	2	10	7	0	0	1
The Willow	Primary	Substantial	0	2	6	8	0	2	6	8	0	0	0	0
<b>Primary/Special Total</b>			<b>5</b>	<b>68</b>	<b>50</b>	<b>123</b>	<b>2</b>	<b>41</b>	<b>35</b>	<b>78</b>	<b>32</b>	<b>12</b>	<b>1</b>	<b>3</b>
Park View	Secondary	Substantial	0	5	7	12	0	5	4	9	3	0	0	0
<b>Secondary Total</b>			<b>0</b>	<b>5</b>	<b>7</b>	<b>12</b>	<b>0</b>	<b>5</b>	<b>4</b>	<b>9</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Overall Total</b>			<b>5</b>	<b>73</b>	<b>57</b>	<b>135</b>	<b>2</b>	<b>46</b>	<b>39</b>	<b>87</b>	<b>35</b>	<b>12</b>	<b>1</b>	<b>3</b>