

Audit and Risk Management

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2020/21 – Schools Audit Annual Report

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, and to confirm the risks associated with the key financial and non-financial processes are appropriately managed.
- 1.2 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.
- 1.3 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.

2. Feedback on Audit Work

- 2.1 This report:
 - Summarises the overall outcomes and assurance levels provided to individual schools from 2017/18 to 2020/21;
 - 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.
- 2.2 Table 1 below summarises the overall outcomes and assurance ratings for the previous financial years of all internal audits completed.
- 2.3 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 2017/18 to 2020/21

	Number of audits planned	Substantial Assurance rating	Adequate Assurance rating	Limited Assurance rating	Nil Assurance rating
2017/18					
Primary Schools (incl. nursery/special)	19	10	N/A	7	2
Secondary Schools	1	1	N/A	0	0
Sub-total	20	11	0	7	2
2018/19					
Primary Schools (incl. nursery/special)	11	7	N/A	4	0
Secondary Schools	1	1	N/A	0	0
Sub-total	12	8	0	4	0
2019/20					
Primary Schools (incl. nursery/special)	17	1	10	4	2
Secondary Schools	2	1	0	0	0
Sub-total	19*	2	10	4	2
2020/21					
Primary Schools (incl. nursery/special)	18	4	11	2	0
Secondary Schools	1	0	0	0	0
Sub-total	19**	4	11	2	0
Total	70**	25	21	17	4

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

**Two audits were deferred to 2021/22, one primary and one secondary.

- 2.4 The table above shows 88% of schools audited in 2020/21 returned above 'adequate' assurance ratings. This is improved performance on earlier years.
- 2.5 The percentage of schools receiving limited and nil assurance has been following a downward trend, no schools received 'Nil Assurance' in 2020/21. The two schools that received 'Nil Assurance' in 2019/20 were both re-visited and were assigned 'Limited Assurance' in the current audit cycle.

- 2.6 Mazars have outlined the results of the individual school audits in Appendix A of this report.
- 2.7 For the 2020/21 school audits, a total of 81 recommendations were raised. Appendix A outlines the recommendations raised in each school audit as well as an analysis of which areas of the audit programme the recommendations related to. Most were raised under the accounting records and governance areas of the programme.
- 2.8 The number of recommendations raised has fallen significantly. This is in part due to efforts to focus the audit programme on the key controls and highest risk areas in schools. The improvement in audit assurances will also have impacted as the lower the assurance the more recommendations will have been raised.
- 2.9 Five priority one recommendations were raised in 2020/21. This compares to six in 2019/20. The percentage of priority one recommendations has therefore increased as a percentage of the overall total raised from circa 3% to 6%.
- 2.10 Key findings in 2020/21 included the following:
- Register of Interests forms have not been completed by employees / Governors;
 - Governors have not provided evidence of their enhanced DBS certificate;
 - No or insufficient numbers of written quotations or tenders obtained or retained for high value expenditure;
 - Contracts have been rolled over for several years / waivers have been granted / have not been approved by governors;
 - Purchase orders not raised for high value/routine expenditure; and
 - Segregation of duties on reconciliations not evident.

3. Follow up programme for 2020/21 audits

- 3.1 In 2020/21 our approach to follow up has been updated. This year we revisited the schools from 2018/19 who still had recommendations outstanding in 2019/20, this work was performed to gain some additional assurance that the agreed actions had been implemented and is part of our added value work to support schools to achieve enhanced governance and financial control. Five schools were audited, and the results were positive for all. The two schools who had received 'Nil Assurance' in 2019/20 were revisited and full audits performed. For schools assigned a 'Substantial Assurance or Adequate Assurance' a lighter touch approach focussing on the priority one and two recommendations was deployed. Schools assigned 'Limited Assurance' were asked to engage in a more robust process of evidencing implementation of all recommendations.
- 3.2 Appendix B sets out the overall results of the follow up work completed. Letters were issued to all schools outlining the results of the follow up. There are no schools noted where further follow up work is required. Some additional follow up for two of the schools will be completed in 2021/22 to gain additional

assurance. Follow up work will also be completed for the two 2020/21 schools who received 'Limited Assurance'.

- 3.3 It is noted that of the 144 original recommendations, 122 (85%) had been fully implemented at the time of the follow up visits. This is a significant improvement on what we reported last year.

4. Training for Schools and Governors

- 4.1 The audit team worked with the Haringey Education Partnership to deliver training sessions on risk, audit and internal control. Sessions have been provided for officers (finance staff, bursars, and head teachers) over the last five financial years to further assist schools in identifying key risk areas and control processes.
- 4.2 Annually sessions are offered to assist schools in the preparation for the audits. In 2020/21 the communications that are sent to schools in advance of the audits was also updated to ensure they were more efficient to respond to.
- 4.3 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.
- 4.4 The 2020/21 outcomes will be shared with the Chair of the Schools Forum and included on the agenda for the forums September meeting. In 2021/22 Mazars have introduced a newsletter for schools, this will be issued periodically and flag both audit and fraud related issues.