



## Agenda Item

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## Report Status

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

### The Children and Young People's Service

### Report to Haringey Schools Forum – 8 July 2015

**Report Title:** The schools internal audit programme 2014/15 feedback.

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**Purpose:**

To advise the Schools Forum of the feedback on the audit work undertaken in 2014/15.

**Recommendations**

1. That the Schools Forum note the feedback on the work completed in 2014/15, including the results of the follow up audits on 2013/14 audits (Appendix A).

#### 1. Background.

1.1 The Council's Corporate Finance service issued the Schools Finance Manual to all schools in 2007. The Manual sets out the financial regulations and procedures that schools should follow and covers all key financial and non-financial processes. Whilst some of the content has been superseded, the principles of the financial and non-financial processes and procedures remain valid, including e.g. budgetary control, income and expenditure systems, recruitment and asset management.

1.2 In addition, Corporate Finance provides regular guidance and information to all schools in respect of the key financial and non-financial processes at schools.

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

1.4 Internal audit are not required to audit the School Financial Value Standard (SFVS), where schools undertake a self-assessment of, or provide an opinion of schools' compliance with this standard. However, the programme of routine audit work should assist schools in providing appropriate assurance to Governing Bodies for the SFVS.

## 2. Feedback on 2014/15 audit work

2.1 This report:

- Summarises the overall outcomes and assurance levels provided to individual schools from 2011/12 to 2014/15;
- Provides a summary of assurance and recommendations made; and
- Highlights some of the issues relating to non-compliance with the Schools Finance Manual in 2014/15 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**

	<b>Number of audits planned</b>	<b>Substantial Rating assurance</b>	<b>Limited Assurance rating</b>	<b>Nil Assurance rating</b>
<b>2011/12</b>				
Primary Schools (incl. nursery/special)	17	7	9	1
Secondary Schools	2	1	1	0
<b>Sub-total</b>	<b>19</b>	<b>8</b>	<b>10</b>	<b>1</b>
<b>2012/13</b>				
Primary Schools (incl. nursery/special)	19	5	13	1
Secondary Schools	1	0	1	0
<b>Sub-total</b>	<b>20</b>	<b>5</b>	<b>14</b>	<b>1</b>
<b>2013/14</b>				
Primary Schools (incl. nursery/special)	15	8	6	1
Secondary Schools	3	1	2	0
<b>Sub-total</b>	<b>18</b>	<b>9</b>	<b>8</b>	<b>1</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>Total</b>	<b>70</b>	<b>27</b>	<b>40</b>	<b>3</b>

2.3 The completed 2014/15 audit programme shows that, although there were no 'nil' assurance ratings given in the year, which is an improved

position on the previous year, over 60% of schools audited received a 'limited' level of assurance. This is a worse outcome than 2013/14, where 50% of schools audited received a 'substantial' assurance rating.

2.4 However, for the 13 school audits completed in 2014/15, a **total of 145 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**

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>	<b>4</b>	<b>35</b>	<b>1</b>
School improvement plan & OFSTED inspections	Green	Green	0	3	0
<b>Budget setting, monitoring &amp; control</b>	<b>Green</b>	<b>Amber</b>	<b>3</b>	<b>9</b>	<b>1</b>
<b>Staffing</b>	<b>Green</b>	<b>Amber</b>	<b>1</b>	<b>12</b>	<b>6</b>
<b>Disbursement accounting records</b>	<b>Green</b>	<b>Amber</b>	<b>8</b>	<b>19</b>	<b>2</b>
Asset Management & Inventory Records	Green	Amber	0	14	7
School unofficial fund	Green	Green	0	3	0
Income & Lettings	Green	Amber	0	8	1
School meals	Green	Amber	2	4	2
<b>Total</b>			<b>18</b>	<b>107</b>	<b>20</b>

2.5 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. From Table 2 above, the Schools Forum will note that, overall, schools had identified adequate controls to cover all areas under review. In 2013/14, three areas overall were adjudged to have inadequate controls, so this is an improving trend.

2.6 The column headed '**Effectiveness of Controls**' is an assessment of whether the controls which should be in place are working as intended. Table 2 highlights that, overall, there are only two areas where identified controls are operating as intended – this is in line with the findings from 2013/14 and a slightly improved position from 2012/13, where no areas were judged to be operating their controls effectively.

2.7 Overall, whilst the proportion of schools receiving 'limited' assurance has increased, the numbers of recommendations raised has fallen from 2013/14, when **220 recommendations** were raised. In addition, the number of Priority 1 recommendations raised has fallen from 62 in 2013/14 to 18 in 2014/15.

2.8 The report highlights four areas overall where the majority of high priority recommendations were raised: management organisation, budget setting, staffing and disbursement accounting records. These represent areas where there is substantial financial expenditure made and committed and, although the numbers of recommendations has fallen, internal audit and corporate finance remain concerned that high priority recommendations are still being made.

2.9 Most common areas of non-compliance with the Schools Finance Manual in 2014/15 were as follows:

**Items out of date:**

- Scheme of Delegation; Inventory; Audit of Unofficial Funds

**Non-compliance with financial regulations:**

- No quotations or tenders obtained for high value expenditure; high value expenditure not approved by Governing body; receipts not issued for income received; using income to fund petty cash and other expenditure; no official orders raised for expenditure; overtime payments made without supporting documentation

**Items missing or non-existent:**

- Scheme of Delegation; Register of Business Interests; budget monitoring reports to committee/ governing body; Terms of Reference for committees; Employment references for new starters; write off policy

**Non-ratification/minuting:**

- Terms of Reference for Committees; Budget/Revised Budget; Internal Scheme of Delegation; Use of Pupil Premium; Lettings policy; Pay Policy; SFVS self assessment; results of inventory and asset management reviews

**Non-signature:**

- Monthly Bank Reconciliation; Weekly Meals Reconciliation

### **3. Follow up programme for 2013/14 audits**

3.1 Internal Audit completed formal follow up audits in 2014/15 of all school audits which were undertaken in 2013/14. Appendix A sets out the overall

results of the follow up work completed. The follow up visits were arranged in advance with the schools.

3.2 The Schools Forum will note that of the 220 original recommendations, only 115 (52%) had been implemented at the time of the follow up visit. In addition, 28 (48%) out of the 58 Priority 1 recommendations originally made remained outstanding. Internal Audit considers that Priority 1 recommendations represent serious control or compliance failures.

3.3 The results of the audit and follow up visits are reported to and picked up within the School Improvement Programme to ensure that appropriate focus on areas of control weakness are addressed.

#### **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 two financial years to further assist schools in identifying key risk areas and control processes. All schools with audits planned during the year are invited to the workshop session – the last workshop session was held on 12 March 2015.

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 9 February 2015 as part of the annual governor training package. The training session is offered every academic year and the next session is scheduled to take place on 9 February 2016.

#### **5. Internal Audit schools audit and follow up programme 2015/16**

5.1 Internal Audit has started the 2015/16 programme of school audit visits; and all schools have been contacted and agreed dates for their respective audit visits.

5.2 Internal Audit have also arranged dates to follow up the 2014/15 audit work with eight of the 13 schools. All schools will be visited during 2015/16 and dates for the remaining five schools will be confirmed as soon as possible.

#### **6. Recommendations.**

6.1 That the Schools Forum notes the feedback on audit work completed in 2014/15 for both the main programme of audits and follow up visits.

## Appendix A

The results of internal audit's follow-up work on the 2013/14 school audits are summarised below.

School	Assurance Level (original audit report)	Recommendations											
		Category				Implemented				Partly Impl.	Not Impl.	N/A	Priority 1 Recs. Outstanding
		1	2	3	Total	1	2	3	Total				
Secondary School	Substantial	1	5	1	<b>7</b>	1	0	0	<b>1</b>	5	0	1	0
Secondary School	Limited	6	6	1	<b>13</b>	4	5	1	<b>10</b>	3	0	0	2
Secondary School	Limited	7	12	1	<b>20</b>	4	5	1	<b>10</b>	6	4	0	3
Primary School	Substantial	0	7	1	<b>8</b>	0	4	1	<b>5</b>	2	1	0	0
Primary School	Substantial	0	1	5	<b>6</b>	0	1	5	<b>6</b>	0	0	0	0
Primary School	Substantial	0	8	1	<b>9</b>	0	5	1	<b>6</b>	2	1	0	0
Primary School	Substantial	2	3	3	<b>8</b>	1	2	3	<b>6</b>	2	0	0	1
Primary School	Substantial	0	6	4	<b>10</b>	0	5	4	<b>9</b>	1	0	0	0
Primary School	Substantial	2	10	1	<b>13</b>	2	4	1	<b>7</b>	4	2	0	0
Primary School	Substantial	1	10	1	<b>12</b>	1	7	1	<b>9</b>	3	0	0	0
Primary School	Limited	4	10	4	<b>18</b>	3	5	4	<b>12</b>	5	1	0	3
Primary School	Limited	5	14	2	<b>21</b>	2	4	2	<b>8</b>	7	6	0	3
Primary School	Limited	3	16	0	<b>19</b>	0	7	0	<b>7</b>	11	0	1	3
Primary School	Limited	5	11	0	<b>16</b>	3	5	0	<b>8</b>	3	4	1	1
Primary School	Limited	9	1	0	<b>10</b>	4	0	0	<b>4</b>	4	0	2	3
Primary School	Nil	13	17	0	<b>30</b>	3	4	0	<b>7</b>	9	11	3	9
Total		58	137	25	<b>220</b>	28	63	24	<b>115</b>	67	30	8	<b>28</b>