



## Agenda Item

8

## Report Status

For information/note    
For consultation & views   
For decision

The Children and Young People's Service

Report to Haringey Schools Forum – 30 June 2016

**Report Title:** The schools internal audit programme 2015/16 feedback.

**Author:** Head of Audit and Risk Management

**Purpose:**

To advise the Schools Forum of the feedback on the 2015/16 audit programme and follow up visits for 2014/15 audits.

**Recommendations**

1. That the Schools Forum note the feedback on the work completed in 2015/16, including the results of the follow up audits on 2014/15 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 Whilst some of the content has been superseded, the principles of the financial and non-financial processes and procedures remain valid, including e.g. budgetary control, income and expenditure systems,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 Corporate Finance also provides 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). However, the programme of routine audit work should assist schools in providing assurance to Governing Bodies for the SFVS.

## 2. Feedback on 2015/16 audit work

2.1 This report:

- Summarises the overall outcomes and assurance levels provided to individual schools from 2011/12 to 2015/16;
- Provides a summary of assurance and recommendations made; and
- Highlights some of the issues relating to non-compliance with the Schools Finance Manual in 2015/16 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

	Number of audits planned	Substantial Rating assurance	Limited Assurance rating	Nil Assurance rating
<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>2015/16</b>				
Primary Schools (incl. nursery/special)	12	8	2	0
Secondary Schools	1	1	0	0
<b>Sub-total</b>	<b>13</b>	<b>9</b>	<b>2</b>	<b>0</b>
<b>Total</b>	<b>83</b>	<b>36</b>	<b>42</b>	<b>3</b>

2.3 Two school audits due to be undertaken in 2015/16 were deferred to Quarter 1 of 2016/17. The remaining 11 school audits were completed as planned: no 'nil' assurance ratings were given in the year; and 22% (2 out of 9) of schools audited received a 'limited' level of assurance. This is a substantially improved outcome than was achieved in 2014/15, where 62% of schools audited received a 'limited' assurance rating.

2.4 For the 11 school audits completed in 2015/16, a total of 88 recommendations were raised; this is compared to a total of 145 recommendations raised in 2014/15. 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
Management organisation	Green	Amber	0	16	11
School improvement plan & OFSTED inspections	Green	Green	0	1	0
Budget setting, monitoring & control	Green	Amber	0	7	1
Staffing	Green	Amber	1	8	2
Disbursement accounting records	Green	Amber	0	15	3
Asset Management & Inventory Records	Green	Amber	0	6	5
School unofficial fund	Green	Green	0	2	0
Income & Lettings	Green	Green	0	2	1
School meals	Green	Amber	0	6	2
<b>Total</b>			<b>1</b>	<b>63</b>	<b>24</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.

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 three areas where identified

controls are operating as intended – this is in line with the findings from 2014/15, although fewer recommendations overall were raised.

2.7 Overall, the proportion of schools receiving ‘limited’ assurance has decreased and the numbers of recommendations raised has fallen from 2014/15, when 145 recommendations were raised. In addition, the number of Priority 1 recommendations raised has fallen from 18 in 2014/15 to one in 2015/16.

2.8 Most common areas of non-compliance with the Schools Finance Manual in 2015/16 were as follows:

**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; no valid invoice or receipts to support payments; no official orders raised for expenditure; inventory check not completed annually; weekly school meals income and banking reconciliation not always completed, completed in full or certified by an independent officer.

**Items missing or non-existent:**

- Evidence of List 99 checks being completed; discrepancies between Scheme of Delegation and other documents; Register of Business Interests in that not all Governors and staff with financial responsibility completed an entry; incomplete Terms of Reference for committees in that process to appoint Chair and Clerk not stated. No Statement of Acceptance (Contract) for new staff; overtime claim forms do not state reason for hours worked.

**Non-ratification/minuting:**

- Use of Pupil Premium not signed off by Governing Body; sign off of Governing Body and Committee minutes; SFVS self assessment not approved; results of inventory and asset management reviews.

**3. Follow up programme for 2014/15 audits**

3.1 Internal Audit completed formal follow up audits in 2015/16 of all school audits which were undertaken in 2014/15. Appendix A sets out the overall results of the follow up work completed. The follow up visits were arranged in advance with the individual schools.

3.2 The Schools Forum will note that of the 145 original recommendations, 97 (84%) had been implemented at the time of the follow up visit; 2 (11%) of the 18 high priority (Priority 1) recommendations originally made remained outstanding. This represents a substantial improvement compared with the results of previous years’ follow up outcomes.

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 three 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 workshop session for the 2016/17 financial year was held on 16 March 2016.

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 2016 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 23 March 2017.

#### **5. Internal Audit schools audit and follow up programme 2016/17**

5.1 Internal Audit has started the 2016/17 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 2015/16 audit work and recommendations the 13 schools. All schools will be visited during 2016/17. Any schools where high priority recommendations (Priority 1) remain outstanding may be included in the 2017/18 school audit programme for further review.

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

6.1 That the Schools Forum notes the feedback on audit work completed in 2015/16 for both the main programme of audits and follow up visits.

## Appendix A

The results of internal audit's follow-up work on the 2014/15 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	2	8	2	12	1	5	1	7	4	1	0	1
Primary School	Limited	5	10	1	16	4	9	1	14	1	0	1	1
Primary School	Substantial	1	6	1	8	1	4	1	6	1	0	1	0
Primary School	Limited	3	4	2	9	3	3	2	8	0	0	1	0
Primary School	Substantial	1	2	0	3	1	1	0	2	1	0	0	0
Primary School	Limited	2	8	0	10	2	7	0	9	0	0	1	0
Primary School	Substantial	0	4	3	7	0	3	0	3	1	2	1	0
Primary School	Substantial	1	6	0	7	1	6	0	7	0	0	0	0
Primary School	Limited	1	15	1	17	1	8	1	10	5	1	1	0
Primary School	Limited	1	12	2	15	0	9	1	10	2	2	1	0
Primary School	Substantial	0	9	2	11	0	5	2	7	1	2	1	0
Primary School	Substantial	0	12	5	17	0	4	3	7	8	2	0	0
Primary School	Substantial	1	11	1	13	1	6	0	7	2	4	0	0
<b>Total</b>		18	107	20	145	15	70	12	97	26	14	8	2