Report Status

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

The Children and Young People's Service

Report to Haringey Schools Forum – 13 July 2017

Report Title: The schools internal audit programme 2016/17 feedback.

Author: Head of Audit and Risk Management

Purpose:
To advise the Schools Forum of the outcomes of the 2016/17 audit programme and formal follow up audits for 2015/16 audits.

Recommendations

I. That the Schools Forum note the feedback on the work completed in 2016/17, including the results of the follow up audits on 2015/16 audits (Appendix A).

---

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, issued in 2007; and to confirm the risks associated with the key financial and non-financial processes are appropriately managed.

1.2 Internal audit are 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.

2. Feedback on 2016/17 audit work

2.1 This report:
- Summarises the overall outcomes and assurance levels provided to individual schools from 2013/14 to 2016/17;
- Provides information on the results of the formal follow up programme;
- Provides a summary of assurance and recommendations made; and

- Highlights some of the issues relating to non-compliance with the Schools Finance Manual 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 – Summary of assurance ratings provided 2013/14 to 2016/17

	Number of audits planned	Substantial Rating assurance	Limited Assurance rating	Nil Assurance rating
2013/14				
Primary Schools (incl. nursery/special)	15	8	6	1
Secondary Schools	3	1	2	0
Sub-total	18	9	8	1
2014/15				
Primary Schools (incl. nursery/special)	12	4	8	0
Secondary Schools	1	1	0	0
Sub-total	13	5	8	0
2015/16				
Primary Schools (incl. nursery/special)	12	8	2	0
Secondary Schools	1	1	0	0
Sub-total	13	9	4	0
2016/17				
Primary Schools (incl. nursery/special)	21	6	12	3
Secondary Schools	3	2	1	0
Sub-total	24	8	13	3
Total	68	31	33	4

2.3 School audits have shown significant weaknesses across all schools and 2016/17 has seen a rise in the number of primary and secondary schools with limited or nil assurance ratings. More schools in the 2016/17 audit programme were included as a result of previous poor audit assurance ratings, or non implementation of audit recommendations at follow up, but the outcomes reported are worse than anticipated.

2.4 The fact that 67% of schools audited in 2016/17 returned limited or nil assurance ratings is of serious concern to the Council and the issue has been included in the statutory Annual Governance Statement, which will be reported to the Corporate Committee on 25 July 2017 as part of the Council's annual accounts.

2.5 For the school audits completed in 2016/17, **a total of 289 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	Adequacy of Controls	Effectiveness of Controls	Recommendations Raised		
			Priority 1	Priority 2	Priority 3
Management organisation	Green	Amber	5	50	14
School improvement plan & OFSTED inspections	Green	Amber	0	13	1
Budget setting, monitoring & control	Green	Amber	4	18	2
Staffing	Green	Amber	0	24	8
Expenditure & accounting records	Green	Amber	15	42	6
Asset Management & Inventory Records	Green	Amber	2	40	18
School unofficial fund	Green	Amber	1	4	1
Income & Lettings	Green	Amber	2	8	3
School meals	Green	Amber	4	2	2
Total			33	201	55

2.4 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.

2.5 The column headed **'Effectiveness of Controls'** is an assessment of whether the controls which should be in place are working as intended. There were no areas where controls were reported to be working effectively in 2016/17.

2.6 Overall, the proportion of schools receiving 'limited' and 'nil' assurance has increased, which is reflected in the numbers of recommendations raised. The number of Priority 1 recommendations – those which identify serious control weaknesses – has increased from 2015/16 when only one Priority 3 recommendations were raised. A summary of the outcomes and the details of Priority 1, 2 and 3 recommendations raised is shown in Appendix A.

2.7 Table 2 shows that significant areas of non-compliance with the Schools Finance Manual found in 2016/17 were within the key financial areas reviewed by audit: **management organisation; budget setting,**

monitoring and control; staffing; expenditure and accounting records; and asset management.

2.8 Serious weaknesses identified in these key financial processes and areas indicate that basic financial controls were weak or non-existent which puts the school at a greater risk of fraud and poor long term financial stability. Key findings in 2016/17 included the following:

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; 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; weekly school meals income and banking reconciliation not completed; debt recovery processes not taking place; budget monitoring not undertaken; VAT returns not submitted regularly; receipts not issued for income received; income not banked regularly.

Items missing or non-existent:
- Asset/inventory register (regular checks not completed); Policies not in place e.g. lettings; 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:
- School budget not approved by Governing Body; use of Pupil Premium not signed off by Governing Body; no sign off of Governing Body and Committee minutes; SFVS self assessment not approved; results of inventory and asset management reviews not approved.

3. Follow up programme for 2015/16 audits

3.1 Internal Audit completed formal follow up audits of all school audits which were undertaken in 2015/16. 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.

3.2 The Schools Forum will note that of the 108 original recommendations, only 62 (57%) had been implemented at the time of the follow up visit; 2 of the 3 high priority (Priority 1) recommendations originally made remained outstanding at the time of the follow up visit. Twenty of the 75 Priority 2 recommendations originally made remained outstanding at the time of the follow up audit.

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.

4.2 A workshop session was again offered to all schools with audits planned during 2017/18; the session was held on 15 March 2017 and the majority of schools due to be audited in 2017/18 attended the session.

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 23 March 2017 as part of the annual governor training package. The training session is offered every academic year.

5. Internal Audit schools audit and follow up programme 2017/18

5.1 Internal Audit has started the 2017/18 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 2016/17 audit work and recommendations. All schools will be visited during 2017/18; where 'nil' assurance reports were issued, a full audit will be undertaken. Any schools where high priority recommendations (Priority 1) remain outstanding may be included in the 2018/19 school audit programme for further review.

6. Recommendations.

6.1 That the Schools Forum notes the feedback on audit work completed in 2016/17.

Outcomes and recommendations raised for 2016/17 school audits

School	Type	Assurance	Recommendations Raised			Total
			Priority 1	Priority 2	Priority 3	
Ferry Lane	Primary	None	5	14	0	19
Lordship Lane	Primary	Limited	0	8	1	9
North Harringay	Primary	Substantial	0	5	2	7
Our Lady of Muswell	Primary	Substantial	0	7	0	7
Seven Sisters	Primary	Limited	2	12	2	16
St Aidan's Voluntary Controlled	Primary	Limited	0	7	3	10
St John Vianney Catholic	Primary	Limited	0	10	6	16
St Michael's CE Highgate	Primary	Limited	2	6	6	14
Stamford Hill	Primary	None	9	18	2	29
Stroud Green	Primary	None	12	13	1	26
Tetherdown	Primary	Substantial	0	6	1	7
West Green	Primary	Substantial	0	6	1	7
Weston Park	Primary	Limited	0	12	1	13
Pembury House	Nursery	Limited	0	12	2	14
Woodlands Park	Nursery	Substantial	0	5	1	6
Blanche Nevile Special	Special	Limited	0	10	1	11
Riverside Special	Special	Substantial	0	6	2	8
The Brook Special	Special	Limited	1	6	3	10
The Vale	Special	Limited	1	8	1	10
Belmont Junior	Junior	Substantial	0	6	3	9
Rokesley Junior	Junior	Substantial	0	4	8	12
Primary & Special Sub-total			**32**	**181**	**47**	**260**
Fortismere	Secondary	Substantial	0	1	3	4
Highgate Wood	Secondary	Limited	1	13	2	16
Northumberland Park Community	Secondary	Substantial	0	6	3	9
Secondary Sub-total			**1**	**20**	**8**	**29**
Total			**33**	**201**	**55**	**289**

The results of internal audit's follow-up work on the 2015/16 school audits

Follow up of 2015/16 audits School	Type	Assurance	Recommendations raised				Recommendations Implemented				Partly Impl.	N/A	Not Impl.	Priority 1 O/S
			Priority 1	Priority 2	Priority 3	Total	Priority 1	Priority 2	Priority 3	Total	Total	Total	Total	Total
Belmont	Infants	Substantial	0	4	2	6	0	3	2	5	0	1	0	0
Campsbourne	Primary	Substantial	0	5	3	8	0	3	1	4	0	1	3	0
Coleridge	Primary	Substantial	0	7	2	9	0	5	1	6	1	0	2	0
Earlham	Primary	Limited	2	2	1	5	0	0	0	0	0	0	5	2
Earlsmead	Primary	Limited	1	12	3	16	1	6	1	8	0	0	8	0
Highgate	Primary	Limited	0	13	1	14	0	6	1	7	1	1	5	0
Lea Valley	Primary	Substantial	0	7	2	9	0	5	1	6	3	0	0	0
Muswell Hill	Primary	Substantial	0	1	1	2	0	1	1	2	0	0	0	0
St Gildas' Catholic	Junior	Substantial	0	7	2	9	0	5	2	7	1	1	0	0
St Ignatius Catholic	Primary	Limited	0	9	6	15	0	2	1	3	2	2	8	0
St Mary's Catholic Priory	Primary	Substantial	0	3	3	6	0	3	2	5	0	0	1	0
The Willow	Primary	Substantial	0	3	3	6	0	3	3	6	0	0	0	0
Primary/Special Total			**3**	**73**	**29**	**105**	**1**	**42**	**16**	**59**	**8**	**6**		**2**
Gladesmore Community	Secondary	Substantial	0	2	1	3	0	2	1	3	0	0	0	0
Secondary Total			**0**	**2**	**1**	**3**	**0**	**2**	**1**	**3**	**0**	**0**	**0**	**0**
Overall Total			**3**	**75**	**30**	**108**	**1**	**44**	**17**	**62**	**8**	**6**	**32***	**2**

* 32 recommendations not implemented:
- Priority 1 – 2
- Priority 2 – 20
- Priority 3 – 10