

AUDIT COMMITTEE

25 June 2014

Subject Heading:	Internal Audit School Report Summaries 19.03.2014 to 27.05.2014
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Policy context:	To inform the Committee of the findings and recommendations made in school audit reports.
Financial summary:	N/a

The subject matter of this report deals with the following Council Objectives

Clean, safe and green borough	X
Excellence in education and learning	X
Opportunities for all through economic, social and cultural activity	X
Value and enhance the life of every individual	X
High customer satisfaction and a stable council tax	X

SUMMARY

This report provides the Audit Committee with summaries of school internal audit reports issued during the period 19th March 2014 to 27th May 2014. Information on recommendations made by audit and managements' response to the recommendations is provided for reports where limited assurance was given. This will provide the Committee with assurance that appropriate plans to mitigate risk have been put in place.

At the time of producing this report there are no school audits outstanding from 2013/14. Discussions around the audit approach for 14/15 are underway to ensure efficient use of resources.

RECOMMENDATIONS

1. To note the contents of the report.
2. To raise any issues of concern and ask specific questions of officers where required.

REPORT DETAIL

1.1 School Audit Programme

- 1.1 Local Authority maintained schools are subject to triennial audit. The purpose of the audit is to provide the Governing Body and Head Teacher with audit assurance on the appropriateness and effectiveness of the systems of internal control in operation within the school.
- 1.2 In order to assess the systems of internal control, the audit team has developed a risk based audit programme covering the following key risk areas:
 - Corporate Governance & Risk Management;
 - Strategic Planning;
 - Information Governance;
 - Safeguarding;
 - Financial Management; and
 - Procurement & Capital Projects.
- 1.3 The audit programme includes a follow up of recommendations raised at the schools most recent Audit Health Check, which is available to schools as a tradable service from the LMS Team in Learning and Achievement.
- 1.4 Three school audits were finalised during the period 19th March 2014 to 27th May 2014.

SCHOOL

- Squirrels Heath Infants School
- Benhurst Primary School
- Towers Junior School

ASSURANCE

Full
Substantial
Substantial

- 1.5 The summary of the school audit report is provided in Section 2 below.
- 1.6 There are four possible assurance levels which comprise:

Full: There is a sound system of control designed to achieve the system objectives and the controls are being consistently applied.

Substantial: While there is a basically sound system, there are limitations that may put some of the system objectives at risk, and/or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

Limited: Limitations in the systems of control are such as to put the system objectives at risk, and/or the level of non-compliance puts the system objectives at risk.

No Assurance: Control is generally weak, leaving the system open to significant error or abuse, and/or significant non compliance with basic controls leaves the system open to error or abuse.

- 1.7 All school audits carried out within 2013/14 have now been issued as final reports.
- 1.8 Due to some schools becoming academies there are reduced numbers due for audit in 14/15. The Internal Audit Team is discussing with colleagues in Learning and Achievement how to utilise resources to ensure robust assurances received and an efficient approach is applied.

2. SQUIRRELS HEATH INFANTS SCHOOL

Summary of Audit Findings

- 2.1 The internal audit review found:
- Staff not using their car for work purposes had not completed a declaration;
 - The School Improvement Plan approval could not be located within the Governing Body minutes.

Audit Opinion

- 2.2 **Full Assurance** on the system of internal control operating at the time of audit is given. This reflects the fact that there is a sound control environment in place to achieve the system objectives and that controls are being consistently applied.

Recommendations

- 2.3 The audit makes one medium and one low priority recommendation which comprise:
- Formal checks and declarations completed for staff not with Business use insurance;
 - Governing Body minutes to be clear when policies/ plans are being approved.

Audit Health Check Progress

- 2.4 The school have chosen to not buy-in the annual Health Check.

3 BENHURST INFANTS SCHOOL

Summary of Audit Findings

- 3.1 The internal audit review found:
- The approval of the schools Finance Policy could not be located within Governing Body minutes;
 - The Emergency Plan included contact information for the previous Head Teacher;
 - The date the School Improvement Plan was last reviewed could not be determined;
 - The staff with Financial Management in Schools access did not match the Finance Policy;
 - The School Fund had not been audited for 2012/13;
 - Orders were being raised retrospectively.

Audit Opinion

- 3.2 A **Substantial Assurance** has been given as the audit found that while there is a basically sound system, there are limitations that may put some of the system objectives at risk, and/ or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

Recommendations

- 3.3 The audit makes one high, three medium and two low priority recommendations which comprise:
- The Schools Finance Policy should be taken to Governing Body for approval on an annual basis;
 - The Schools Emergency Plan should be updated to include contact information and responsibilities for the change in Head Teacher;
 - The School Improvement Plan is to be version controlled to allow for a consistent level of review.
 - The Schools Finance Policy should include the current staff access rights to the Schools Information Management System (SIMS).
 - The school should appoint a new auditor of the school fund, and ensure these audits are completed for each financial year within a timely manner.
 - Orders should be raised on SIMS before the invoices are received wherever possible to ensure that expenditure is committed and budget availability is up to date.

Audit Health Check Progress

- 3.4 There were six priority two and one priority three recommendations made at the Annual Audit Health Check undertaken in March 2013.

- 3.5 A review of progress made to implement recommendations found that five of the recommendations had been implemented at the time of the audit.
- 3.6 In the remaining cases, implementation of the recommendations could not be evidenced. One related to the need for the school to reduce the level of retrospective orders, this recommendation is being reiterated as part of this audit.
- 3.7 The second outstanding recommendation related to the school moving their inventory records to Financial Management System (FMS). At the time of the audit this was underway, however had not been completed.

4 TOWERS JUNIOR SCHOOL

Summary of Audit Findings

- 4.1 The internal audit review found:
- The schools School Financial Value Standard (SFVS) and skills matrix are due to be recompleted;
 - The school has agreed to have a federated Governing Body with the infant school on the same site;
 - Staff not using their car for work purposes had not completed a declaration;
 - The School Improvement Plan approval could not be located within the Governing Body minutes; and
 - Orders were being raised retrospectively.

Audit Opinion

- 4.2 A **Substantial Assurance** has been given as the audit found that while there is a basically sound system, there are limitations that may put some of the system objectives at risk, and/ or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

Recommendations

- 4.3 The audit makes five medium priority recommendations which comprise:
- A skills matrix to be undertaken for the new federated Governing Body;
 - The Finance Policy to be updated with the details for the new governors;
 - Formal checks and declarations completed for staff not with Business use insurance;
 - Approval of the School Improvement Plan should be adequately minuted; and
 - Orders to be raised on the system in advance of invoices being received.

Audit Health Check Progress

- 4.4 There were seven priority two recommendations made at the Annual Audit Health Check undertaken in March 2013.
- 4.5 A review of progress made to implement recommendations found that five of the recommendations had been implemented at the time of the audit.
- 4.6 One of the outstanding recommendations related to the need for the school to raise orders on the Financial Management System before invoices are received. This recommendation has been reiterated as part of this audit.

- 4.7 In the remaining case it was recommended that banking be carried out fortnightly. Due to the lack of staff office cover and the small amount of income the school receives the banking is carried out monthly by the School Business Manager and Site Manager.

IMPLICATIONS AND RISKS

Financial implications and risks:

By maintaining an adequate audit service to serve the Council, management, Head Teachers and Governing Bodies are supported in the effective identification and efficient management of risks. Failure to maximise the performance of the service may lead to losses caused by insufficient or ineffective controls or even failure to achieve objectives where risks are not mitigated. In addition recommendations may arise from any audit work undertaken and Head Teachers and Governing Bodies have the opportunity of commenting on these before they are finalised. In accepting audit recommendations, Head Teachers and Governing Bodies are obligated to consider financial risks and costs associated with the implications of the recommendations. Head Teachers and Governing Bodies are also required to identify implementation dates and then put in place appropriate actions to ensure these are achieved. Failure to either implement at all or meet the target date may have control implications, although these would be highlighted by any subsequent audit work.

Legal implications and risks:

There are no apparent legal implications or risks from noting the content of this report

Human Resources implications and risks:

None arising directly from this report

Equalities implications and risks:

None arising directly from this report

BACKGROUND PAPERS

None