



London Borough of Enfield

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| Report Title: | Annual School Internal Audit Report 2023-24 |
| Report to: | General Purposes Committee |
| Date of Meeting: | 24 July 2024 |
| Cabinet Member: | Cllr Tim Leaver, Cabinet Member for Finance and Procurement |
| Directors: | Terry Osborne, Director of Law & Governance |
| Report Author: | Marion Cameron, Head of Internal Audit Marion.Cameron@Enfield.gov.uk |
| Wards affected: | All |
| Classification: | Part I Public |

Purpose of Report

1. This report summarises the findings from school audits undertaken in 2023-24. **Annex A** contains a draft letter due to be sent to the Headteachers, Chairs of Governors and Chairs of Finance/Resources highlighting key statistics and areas for improvement identified during the audits.
2. This letter provides Headteachers and Governors with information on common audit findings which can be used to identify risks in their own schools and helps as a prompt when completing their 2024-25 Schools Financial Value Standard returns for submission to the Department for Education (DfE).

Recommendations

- | |
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| <ol style="list-style-type: none">I. To note the contents on the Annual School Audit Report 2023-24. The report will be shared with Headteachers and Governors at the start of the new academic year. |
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Appendices

Annex A –Annual School Internal Audit Report 2023-24

Background Papers

None

CE24/010



All Headteachers
All Chairs of Governors
All Chairs of Finance/Resources

Please reply Marion Cameron
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Your Ref:

Date: July 2024

Dear Headteacher, Chair of Governors and Chair of Finance/Resources

Annual School Internal Audit Report 2023-24

As part of the 2023-24 Internal Audit Plan approved by the Council's General Purposes Committee, Internal Audit carried out 6 full scope governance and financial audits in schools across the borough.

In addition, we conducted 2 school grant certifications.

Full scope audits

The full scope audits reviewed major processes in schools to ensure:

- compliance with the Scheme for Financing Schools,
- compliance with the Council's Finance Manual for Schools, including the Contract Procedure Rules (CPRs),
- good financial, data security, asset management and business continuity practices were in place.

The Council's school internal audit programme follows the Department for Education's Schools Financial Value Standard (SFVS) headings. The scope areas are detailed in **Appendix 1** and can also be viewed on the School Audit Framework ('Framework') available on the Schools' HUB.

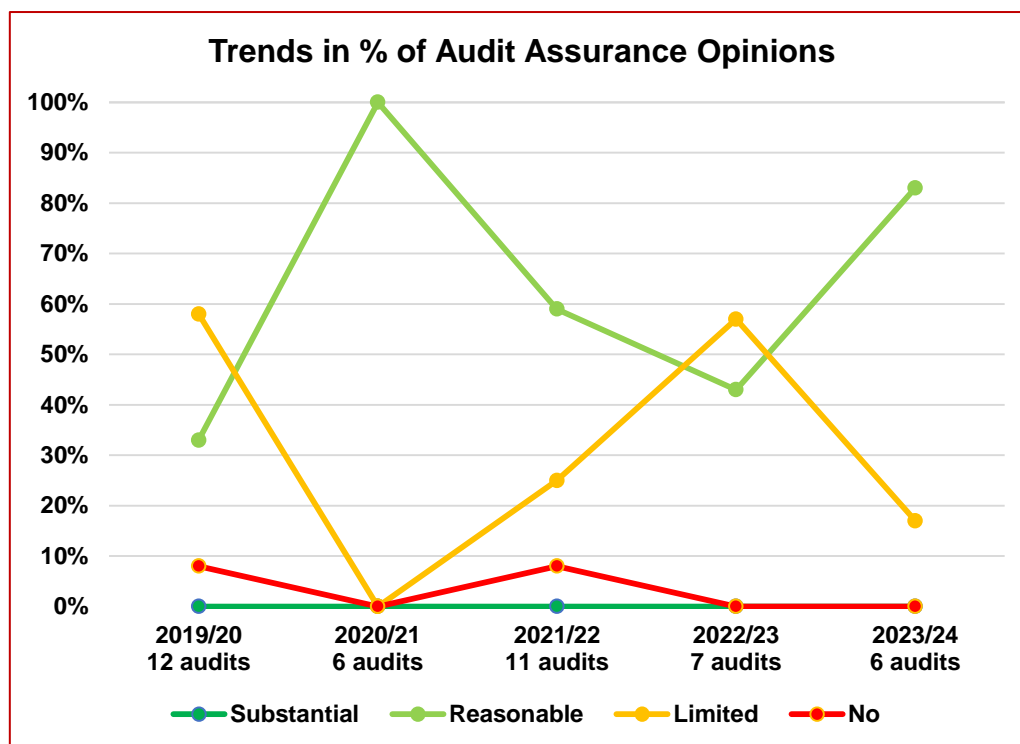
We hope schools continue to find the Framework useful and that School Leadership Teams will use the Annual School Internal Audit Report 2023-24 to identify potential risk areas in their school, or opportunities to make improvements. It may also help as a prompt when completing the 2024-25 SFVS return for submission to the

Department for Education.

The Framework is updated annually to ensure it remains a relevant and useful reference for schools.

Full scope audits - overall report opinions

The trends in assurance opinions over the past five years, are shown in the charts below:



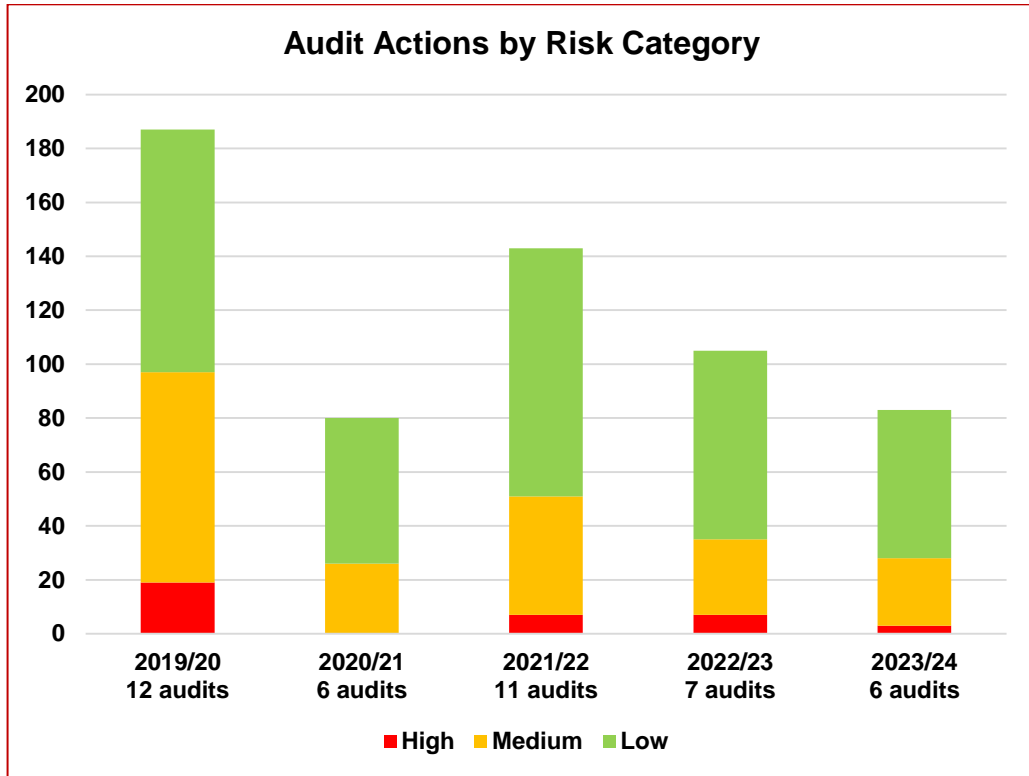
The increase in positive assurance opinions during 2024-25 reflects the good level of control and practices present in the schools reviewed.

Definitions of risk categories and assurance opinions are detailed in **Appendix 2**

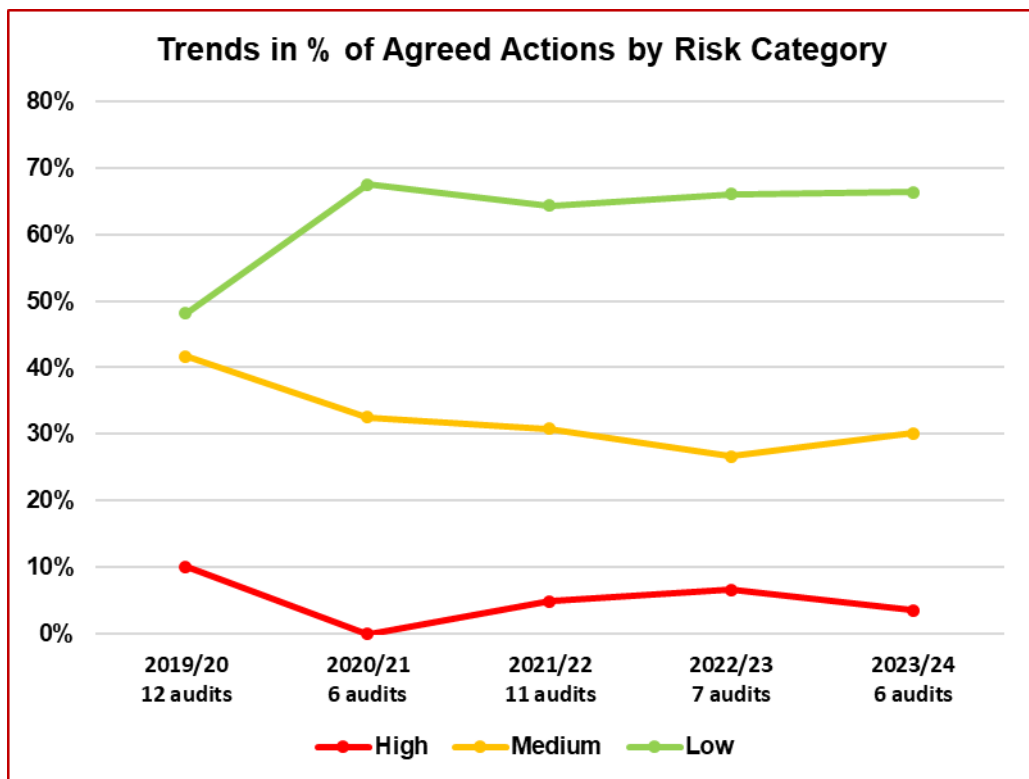
Full scope audits - analysis of actions

As part of our process, actions to address the risks identified by our audits are agreed with Headteachers and School Business Managers. The total number of actions agreed in 2023-24 decreased to 83 from 105 in 2022-23. This is partly due to the fact that one fewer review was carried out in 2023-24 but is also a reflection of the good standard of control and processes that were present in the schools reviewed.

The number of audit actions raised in full scope audits since 2019-2020 is shown in the chart below:

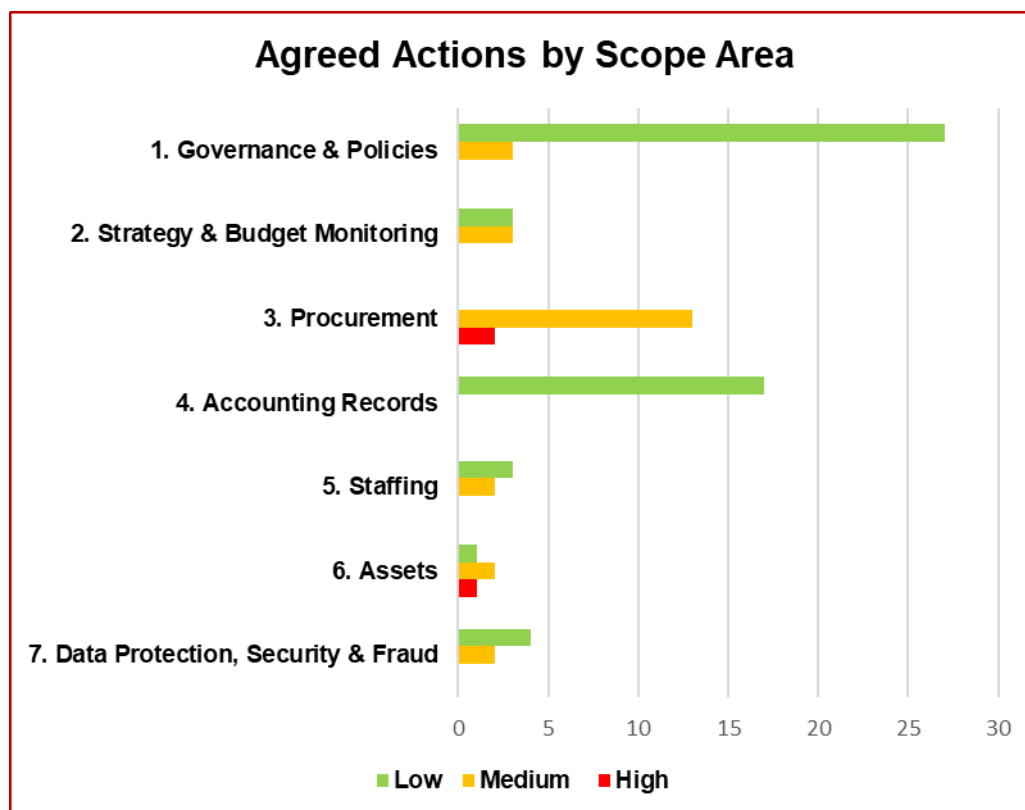


The graph below demonstrates that over the past 5 years, the proportion of agreed high risk actions has fallen with a greater emphasis on low risk actions. This again demonstrates the good levels of control and practices in the schools reviewed.



Full scope audits - summary of findings

The chart below summarises the number of agreed actions identified during 2023-24 by scope area:



The main themes and key exceptions identified during our 2023-24 audits are detailed below. We recommend that Governing Bodies review this table against current practices in their schools to ensure, with respect to these common areas, there is compliance with the SFVS requirements.

| Theme | Key exceptions identified |
|---|---|
| Governance | |
| Business Continuity Plan and Disaster Recovery plan | <ul style="list-style-type: none"> Business Continuity plans were either not in place, not approved or regularly reviewed, or were lacking in key details and review dates. |
| Delegated Authority | <ul style="list-style-type: none"> <i>Organisational Arrangements</i> were not completed fully, were out of date or were still in draft form and not properly approved. <i>Schemes of Delegation</i> (SoD) did not cover all financial responsibilities such as the authorisation of staff reimbursement and monitoring and reviewing the school's commercial card. |
| Register of Business | <ul style="list-style-type: none"> Governor business interest forms were not completed or |

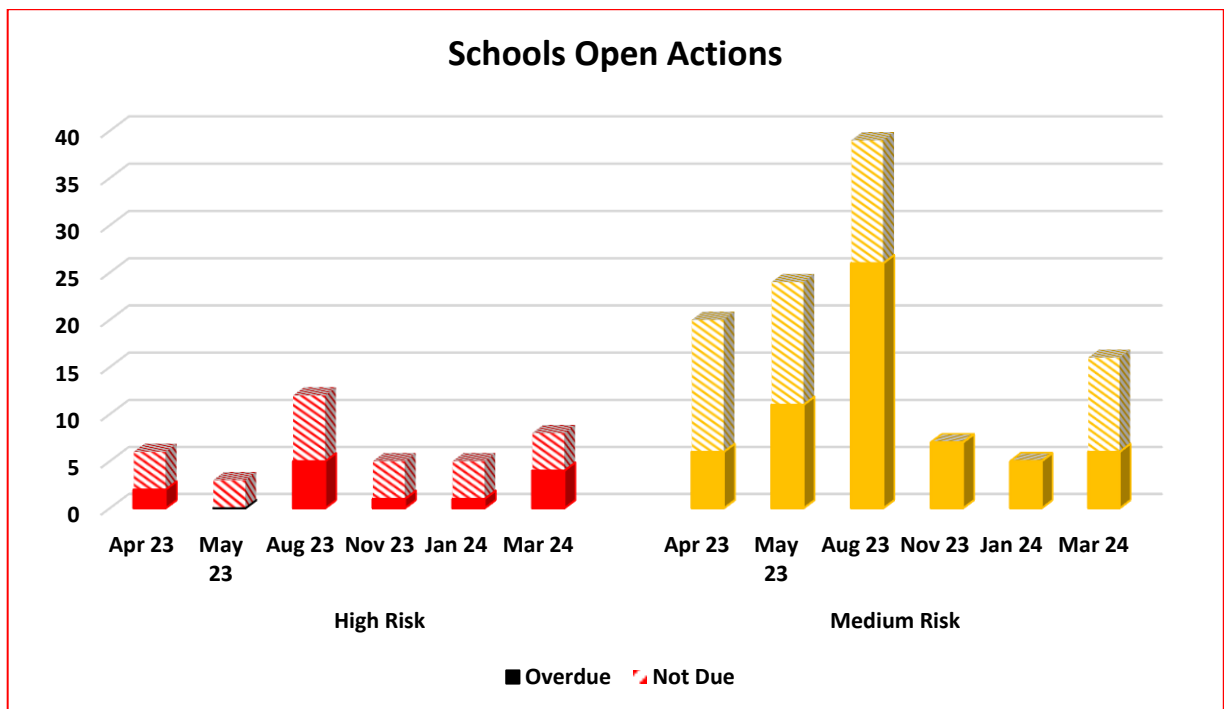
| Theme | Key exceptions identified |
|------------------------------|---|
| Interests | <p>were out of date.</p> <ul style="list-style-type: none"> Information published on the school website was out of date |
| Governors' Financial Skills | <ul style="list-style-type: none"> Comprehensive review of governors' financial skills had not been undertaken. |
| Policies | <ul style="list-style-type: none"> Policies that schools are required to have in place had not been reviewed and approved in line with the requirements. Information that the Department for Education (DfE) requires to be published was not available on the school website. |
| Strategy & Budget | |
| School Development Plan | <ul style="list-style-type: none"> The Plan did not cover at least a three year period. The Plan did not include sufficient financial information to demonstrate that it was aligned to the three year budget. |
| Procurement | |
| Vendor Change Request | <ul style="list-style-type: none"> Vendor change requests were not subject to additional checks in order to confirm the validity of the bank details before changes were made. |
| Contracts | <ul style="list-style-type: none"> The Council's Contract Procedure Rules had not been adhered to. Contracts were rolled over after expiry of the contract without competitive tendering exercises being undertaken. Contracts, signed by both parties, were not in place. |
| Purchase Testing | <ul style="list-style-type: none"> Order forms had not been raised or were raised retrospectively. Agency invoices did not have the corresponding timesheets to provide an adequate audit trail. |
| Accounting records | |
| Reconciliations | <ul style="list-style-type: none"> Reconciliations were not completed regularly or where completed there was no evidence of independent review. Unrepresented transaction listings had not been retained as part of the reconciliation process. |

| Theme | Key exceptions identified |
|---|---|
| Staff reimbursements | <ul style="list-style-type: none"> • Petty Cash vouchers were not signed by the claimant to self-certify that the amounts being claimed were accurate and that the goods purchased were for the benefit of the school. |
| Staffing | |
| Starters and leavers | <ul style="list-style-type: none"> • Pre-employment checks were not completed in full prior to employment commencing. • A staffing structure was not in place. • Videpay forms for leavers and starters were not available for review and there were instances where the forms had not been appropriately authorised. |
| Additional hour claims | <ul style="list-style-type: none"> • Additional hours claim forms were not appropriately authorised and dated. |
| Assets | |
| Fixed Assets | <ul style="list-style-type: none"> • The fixed asset register did not capture key information including acquisition dates, purchase costs or disposal details. • There was no evidence that annual fixed assets checks had been carried out. • Formal records of assets loaned to staff were not kept or were not up to date. • Assets were not found at the location that was specified on the Asset Register • Assets had inconsistent serial numbers or were not appropriately security marked. |
| Information Security, GDPR & Fraud | |
| Physical and data security | <ul style="list-style-type: none"> • Records of fob access to the school were not up to date with staff who had left the school still being included in the records. • No process or mechanism was in place to prevent staff |

| Theme | Key exceptions identified |
|-------|--|
| | <p>from using unencrypted removable media on school equipment.</p> <ul style="list-style-type: none"> • There was no requirement to ensure were sufficiently complex. |

Full scope audits - action implementation

Schools have continued to make progress on action implementation. Progress made is shown in the following chart:



The Council takes the implementation of internal audit actions seriously and overdue actions are reported to both the Assurance Board and the General Purposes Committee.

Therefore we follow up with schools to confirm that all actions are implemented within the agreed target dates. Also:

- findings from the internal audit reports given a Limited or No assurance opinion are reported to the Assurance Board and the Council's General Purposes Committee
- follow up emails and/or visits are undertaken in accordance with the target dates agreed in the report
- if responses are not received, this is escalated to the Director of Education

Training

We offer audit and fraud training for both Governors and School Business Managers. The training includes an overview of the Council's Internal Audit and Counter Fraud services. Training is delivered by experienced officers and provides:

- an overview of internal audit scope areas
- the importance of good controls
- key fraud risks faced by schools, with a particular focus on cybercrime.

Further information can be found on the Schools' HUB.

Acknowledgement

We would like to take this opportunity to thank those schools who were included in the 2023-24 internal audit programme. We recognise the additional work and effort involved during an internal audit and the support of you and your teams in ensuring the process runs smoothly is appreciated.

Should you have any comments on this report, require further clarification, or wish to raise any concerns, the Internal Audit team would be happy to discuss these with you (please see below for contact details).

Yours sincerely,

Marion Cameron
Head of Internal Audit






APPENDIX 1 – Internal Audit Scope Areas

| Scope area: | To ensure that: |
|----------------------------|---|
| Governance | <ul style="list-style-type: none"> • Appropriate Governance structures are in place; are appropriately resourced; and operate in line with Council regulations and best practice. • Relevant policies are in place; are reviewed and up to date; and are available on the school’s website. Website content complies with DfE requirements. • The school has up to date business continuity and disaster recovery plans in place. |
| Strategy and Budget | <ul style="list-style-type: none"> • The school has a realistic, sustainable and flexible financial strategy in place for at least the next 3 years which has a demonstrable link to the school development plan. • The school sets a well-informed and balanced budget each year and this budget is scrutinised and approved by the Governing Body. The budget includes realistic assumptions and can be flexed if required. • Performance against budget is monitored throughout the year; variances are investigated; and remedial actions are taken where necessary. |
| Procurement | <ul style="list-style-type: none"> • All expenditure incurred: <ul style="list-style-type: none"> ○ Is necessary for the running of the school; ○ Complies with the Council’s Finance Manual for Schools’ and the Council’s Contract Procedure Rules (CPRs); and ○ Is appropriately authorised and is supported by appropriate documentation. |
| Accounting Records | <ul style="list-style-type: none"> • All transactions are authorised and are supported by appropriate documentation. • Regular reconciliations are made between the accounting records and supporting information. • Payments are made within agreed timescales; are made in line with policy; and are appropriately authorised. • All adjustments to the financial records are appropriately recorded and authorised. • VAT is appropriately accounted for. |

| Scope area: | To ensure that: |
|---|--|
| | <ul style="list-style-type: none"> • Income is fully accounted for and is banked promptly. • Debts are reviewed to ensure t payment is received promptly. |
| Private Fund | <ul style="list-style-type: none"> • The standard for the governance of the private fund is as rigorous as that for the administration of the school's delegated budget and complies with the Council's Finance Manual for Schools |
| Staffing | <ul style="list-style-type: none"> • The school reviews and challenges its staffing structure regularly to ensure it is the best structure to meet the needs of the school whilst maintaining financial integrity. • Staff are adequately vetted to ensure their suitability for employment. • Payments to permanent, supply and agency staff are valid and are appropriately authorised. • IR35 assessments are carried out as necessary. |
| Assets | <ul style="list-style-type: none"> • Fixed assets and stock are properly accounted for; are kept securely; and are periodically checked for existence and condition. |
| Information Security, GDPR and Fraud | <ul style="list-style-type: none"> • Access to the school's systems and data is well controlled. • The school complies with GDPR legislation and best practice. • All appropriate steps are taken to reduce the likelihood of fraud. |
| SVFS and Risk Assessment Returns | <ul style="list-style-type: none"> • The Governing Body has approved the final checklist and dashboard. • Follow up actions have been identified and actioned. • Approved returns are submitted to the Council by the required deadlines. |

APPENDIX 2 - DEFINITION OF ASSURANCE CATEGORIES AND PRIORITIES

| RISK RATING | |
|---------------------------------|---|
| <p>Critical</p> <p>●</p> | <ul style="list-style-type: none"> Life threatening or multiple serious injuries or prolonged workplace stress. Severe impact on morale and service performance. Mass strike actions etc. Critical impact on the reputation or brand of the organisation which could threaten its future viability, ability to generate inward investment whether that be public funding or capital investment, or trust in ability to deliver required change. Intense political and media scrutiny i.e. front-page headlines, TV. Possible criminal, or high profile, civil action against the Council, members or officers. Cessation of core activities, strategies not consistent with government's agenda, or regulatory standards, trends show service is degraded. Failure of major projects – elected Members and senior management boards are required to intervene Major financial loss – significant, material increase on project budget/cost. Statutory intervention triggered. Impact the whole Council; critical breach in laws and regulations that could result in material fines or consequences |
| <p>High</p> <p>●</p> | <ul style="list-style-type: none"> Serious injuries or stressful experience requiring medical intervention, many workdays lost. Major impact on morale and performance of staff Significant impact on the reputation or brand of the organisation; scrutiny required by external agencies, e.g. Care Quality Commission, Ofsted, Regulator for Social Housing and sanctions arising leading to unfavourable external media coverage. Noticeable impact on public opinion Significant disruption of core activities. Key targets missed; some services compromised. Management action required to overcome medium term difficulties forcing a reactive, remedial response. High financial loss. Significant increase on project budget/cost. Service budgets exceeded. Significant breach in laws and regulations resulting in significant fines and consequences |
| <p>Medium</p> <p>●</p> | <ul style="list-style-type: none"> Injuries or stress level requiring some medical treatment, potentially some workdays lost. Some impact on morale and performance of staff. Moderate impact on the reputation or brand of the organisation; Scrutiny required by internal committees or internal audit to prevent escalation. Probable limited unfavourable media coverage. Significant short-term disruption of non-core activities. Standing Orders occasionally not complied with, or services do not fully meet needs. Service action will be required. Medium financial loss - Small increase on project budget/cost. Handled within the team. Moderate breach in laws and regulations resulting in fines and consequences |
| <p>Low</p> <p>●</p> | <ul style="list-style-type: none"> Minor injuries or stress with no workdays lost or minimal medical treatment. No impact on staff morale Internal Review, unlikely to have impact on the corporate image. Minor impact on the reputation of the organisation Minor errors in systems/operations or processes requiring action or minor delay without impact on overall schedule. Handled within normal day to day routines. Minimal financial loss – minimal effect on project budget/cost. Minor breach in laws and regulations with limited consequences |

| LEVEL OF ASSURANCE | |
|---|--|
| Substantial  | No significant improvements are required. There is a sound control environment with risks to key service objectives being well managed. Any deficiencies identified are not cause for major concern. |
| Reasonable  | Scope for improvement in existing arrangements has been identified and action is required to enhance the likelihood that business objectives will be achieved. |
| Limited  | The achievement of business objectives is threatened and action to improve the adequacy and effectiveness of the risk management, control, and governance arrangements is required. Failure to act may result in error, fraud, loss or reputational damage. |
| No  | There is a fundamental risk that business objectives will not be achieved, and urgent action is required to improve the control environment. Failure to act is likely to result in error, fraud, loss or reputational damage. |
| Advisory  | Advisory findings or observation that would help to improve the system or process being reviewed or align it to good practice seen elsewhere. Does not require a formal management response. Minimal financial loss – Minimal effect on project budget/cost. Minor breach in laws and regulations with limited consequences |