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

All Headteachers	Please reply to:	Gemma Young
All Chairs of Governors		
All Chairs of Finance/Resources		
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	My Ref:	
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	Date:	June 2021

2020/21 Annual School Audit Report

As part of the 2020/21 Internal Audit Plan approved by the Council's General Purposes Committee, Internal Audit carried out reviews in nine schools across the borough, six of which were full scope governance and financial reviews. Of the remaining three, two were targeted procurement audits and one was a grant certification. Due to the impact of the Covid-19 restrictions, this is a relatively lower number of reviews when compared to previous years.

Our work involved carrying out targeted internal audit testing to assess the adequacy and effectiveness of financial management within each school visited.

We examined major processes to assess compliance with the Scheme for Financing Schools and the Council's Finance Manual for Schools, including the Contract Procedure Rules, General Data Protection Regulations and to confirm that good governance, operational and financial practices were applied throughout.

In 2020/21, the Council's school audit programme was revised so that it follows the SFVS headings. We also prepared a framework (the School Audit Framework) providing an outline of the areas that will be covered in audits and key documentation that will be required as part of the audit. The Framework is available on the Schools' HUB and we hope schools will find this useful.

We hope that School Leadership Teams will use this report to identify potential risk areas or opportunities and to make improvements as necessary. It may also help as a prompt when completing the 2021/22 SFVS return.

Overall report opinions

The six full scope reviews undertaken covered the operating effectiveness of processes and controls falling under 9 scope areas. These scope areas are detailed in **Appendix 1.**

The trend in assurance opinions over four years, are shown in the charts below:
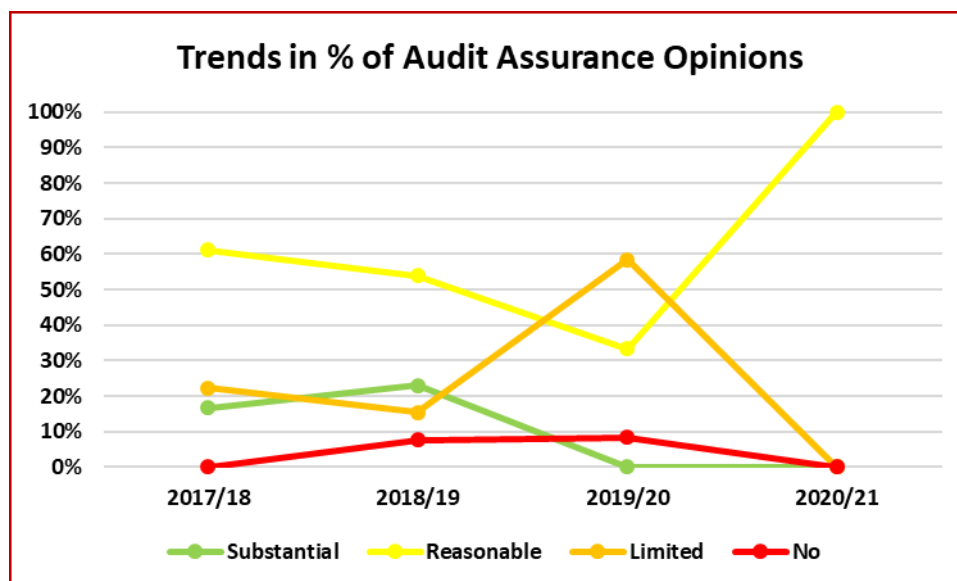

Whilst it is difficult to compare 2020/21 results to previous years, given the reduced number of audits, it should be noted that all six schools reviewed received a Reasonable Assurance, demonstrating good control over the associated risks identified within the relevant scope areas.

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

Analysis of agreed actions

As part of our process, actions to address the risks identified by our audits are agreed with Headteachers. The total number of actions agreed in 2020/21 decreased to 80 from 187 in 2019/20. Although the number of schools reviewed in 2020/21 decreased by 50% over 2019/20, this shows an improvement on a pro rata basis. Also, as can be seen from the following graph, no high risk actions were agreed in 2020/21. This is a significant improvement over previous years where there was an upward trend in terms of high risk actions agreed.

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Audit Actions by Risk Category
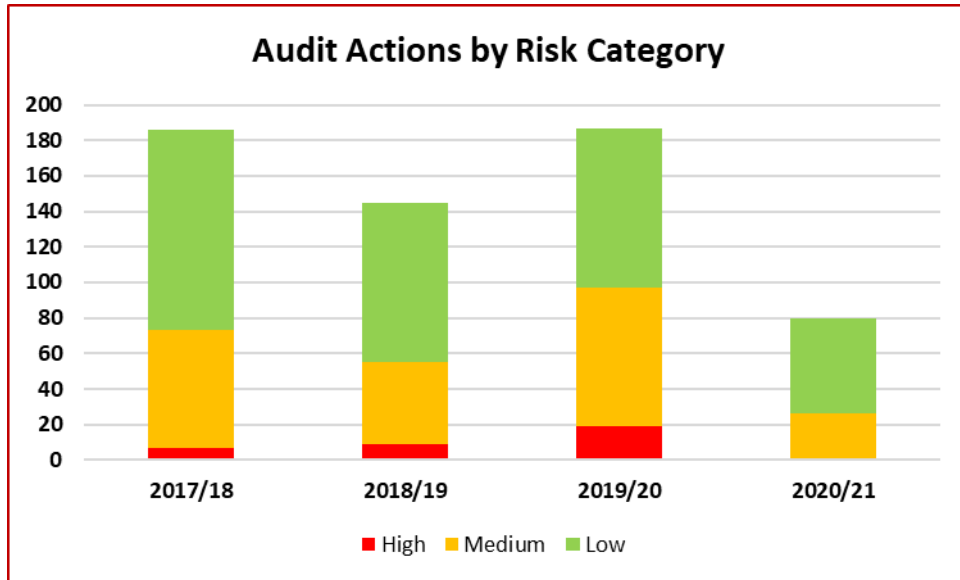
Summary of findings

Local Authority maintained schools are required to complete an annual Schools Financial Value Standard (SFVS) return. Governing Bodies are responsible for ensuring appropriate controls are in place to meet the regulatory framework for finance and financial management as required by statute and detailed in the local Scheme for Financing.

The chart below summarises the number of 2020/21 agreed actions categorised under the audit scope areas, better which have been aligned with the SFVS headings:

Agreed Actions by Finding 2020/21
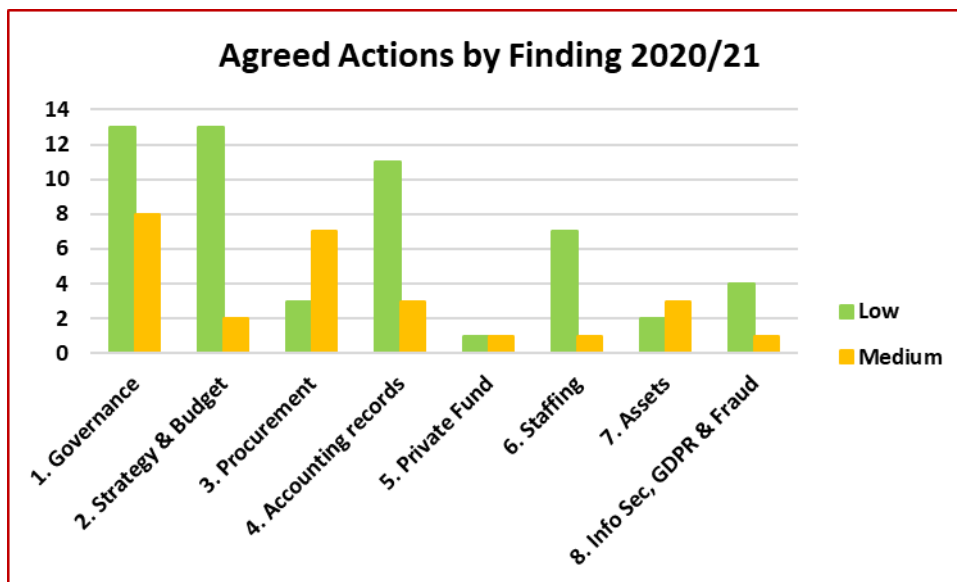
The main themes and key exceptions identified during our 2020/21 audits are detailed below. We recommend that Governing Bodies review this table against current practices in their schools to ensure, with respect to these common areas, compliance with the SFVS requirements.

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Theme	Key exceptions identified:
Governance	
Business Continuity and Disaster Recovery Plan	• Disaster recovery plans were either not in place, not regularly reviewed or were lacking in key details and review dates.
Delegated Authority	• Organisational Arrangements were out of date or still in draft form and not properly approved. • Schemes of Delegation (SoD) lacked clear segregation of duties for some key financial processes. • Several key financial processes were not included in the SoD.
Governor Attendance Register	• Out of date Governors' attendance registers were published online.
Minutes of Governing Body Meetings	• Several key decisions were not clearly recorded in Governing Body Meeting Minutes.
Governing Body Skills Assessment	• A comprehensive review of governors' skills had not been undertaken.
Strategy & Budget	
Pupil Premium	• Pupil premium reviews and discussions were not approved by the Governing Body. • Pupil premium information published on the school's website was not up to date.
Benchmarking	• No benchmarking exercises were completed or carried out.
Procurement	
Lettings	• Signed agreements for all long-term and ad hoc lets were not in place. • Signed agreements for long term and ad hoc lets were not available for review. As a consequence, we could not confirm appropriate insurance arrangements were in place. • Agreements were not signed by the school's delegated officer.
Purchase Testing	• Order forms had not been raised or were raised retrospectively. • Order forms did not record key information including date,

| Theme	Key exceptions identified:
	order number and goods/ service receipt.
Contracts	• The Council's Contract Procedure Rules had not been adhered to. • Minutes did not reflect that the Governing Body had approved high value contracts.
Accounting records	
ParentPay Debts	• Outstanding ParentPay debts were not being pursued in line with the Debt Recovery Policy.
Reconciliations	• Reconciliations were not completed in full, and had no evidence of independent review.
Private fund	
Accounting records	• Monthly bank reconciliations were not completed monthly. • The audit statement for the private fund had not been approved by the Governing Body.
Staffing	
New starters	• There were delays in issuing contracts of employment. These should be issued by day one of permanent employment.
Assets	
Fixed Asset Register	• The fixed asset register did not capture key information including the date assets were acquired, the purchase costs or disposal details. • There was no evidence that annual fixed assets checks were carried. • Assets were loaned to staff without completion of an asset loan form.
Information Security, GDPR & Fraud	
Security of Data	• No process or mechanism in place to prevent staff from using unencrypted removable media on school equipment.

Action Implementation

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

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Where an adverse internal audit assurance opinion is received by a school, (Limited or No Assurance), the following process is applied:

- Findings from the internal audit are reported to the Assurance Board and the Council's General Purposes Committee.

- Follow up emails and/or visits will be undertaken in accordance with the target dates agreed within the report.

- If timely and appropriate responses are not received to the initial request this will be escalated to the Audit and Risk Manager and if necessary, to the Director of Education.

- If it is deemed during the follow up process/visit that sufficient responses have not been received, and/or satisfactory progress has not been made to implement the agreed actions, this will be followed up with the Director of Education. Actions taken will be reported to the Assurance Board.

The Director of Education will also consider whether the Headteacher and/or the Chair of Governors should attend a future Assurance Board meeting. Attendance would be to advise the Assurance Board of action being taken to address the findings from the internal audit report.

Schools have continued to make progress on action implementation, and the escalation process has not been needed this year. Progress made can be seen in the following chart:

Open Audit Actions at 31 March 2021
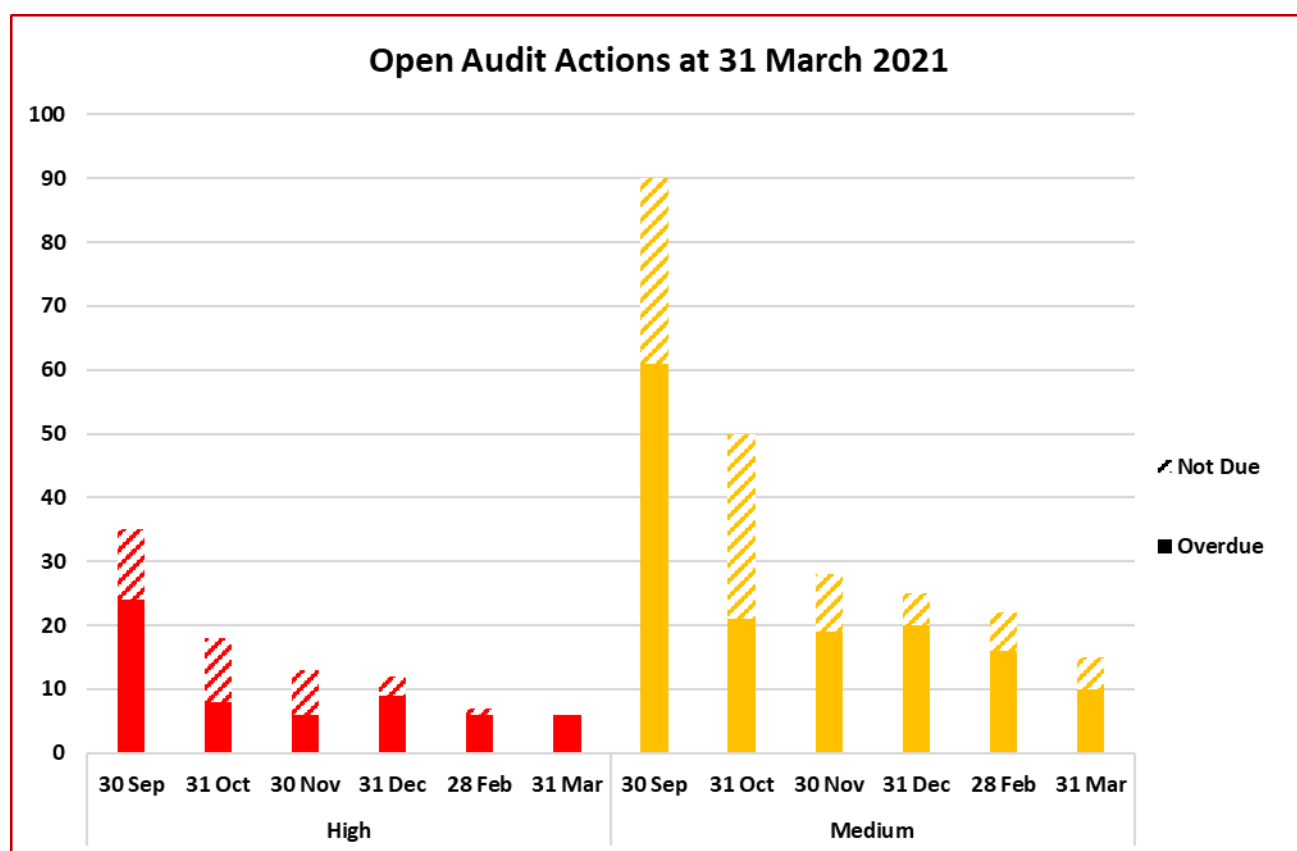
The outstanding high risk actions have been carried forward from previous years.

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This next chart demonstrates the significant improvement in action implementation made during the year:

Overdue Audit Actions at 31 March 2021
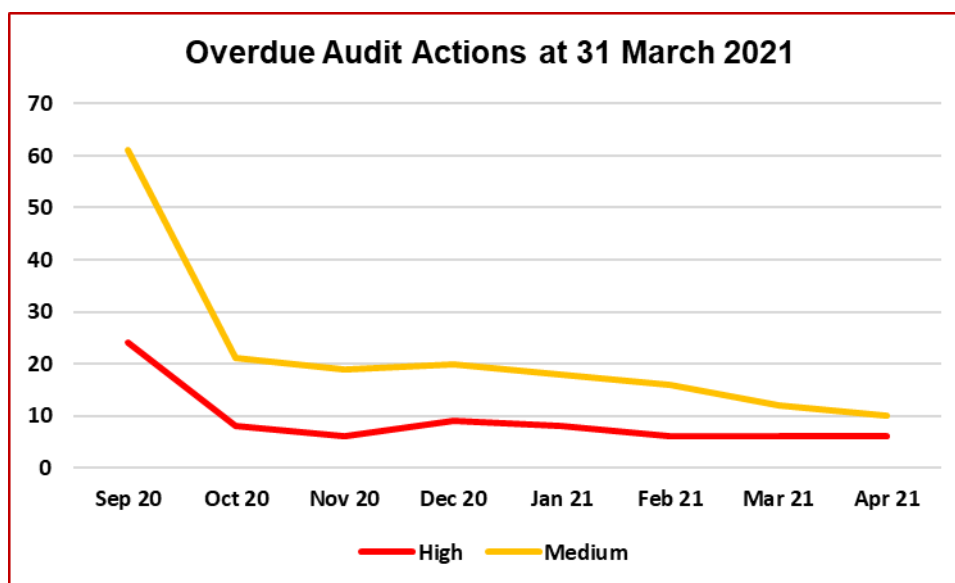
Training

We offer audit and fraud training for both Governors and School Business Managers (SBMs). The training will provide an overview of the Council's Internal Audit and Counter Fraud services. Training will be delivered by experienced officers and will provide:

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

Further information on the audit and fraud training can be found on the Schools' HUB.

Acknowledgement

We would like to take this opportunity to thank those schools who were included in the audit programme in 2020/21. We recognise and appreciate the additional work and effort involved during this difficult period due to Covid-19 restrictions.

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,

Gemma Young
Head of Internal Audit and Risk Management

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Internal Audit Contact Details

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APPENDIX 1 – Audit Scope Areas

Scope area:	To ensure that:
Governance	• 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	• 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	• All expenditure incurred:
	   o Is necessary for the running of the school;
	   o Complies with the Council's Finance Manual for Schools' and the Council's Contract Procedure Rules (CPRs); and
	   o Is appropriately authorised and is supported by appropriate documentation.

Accounting Records	• 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.

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Scope area:	To ensure that:
	• Income is fully accounted for and is banked promptly. • Debts are reviewed to ensure prompt payment is received.
Private Fund	• 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	• 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	• Fixed assets and stock are properly accounted for; are kept securely; and are periodically checked for existence and condition.
Information Security, GDPR and Fraud	• 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	• 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.

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APPENDIX 2 - Definition of Risk and Assurance Ratings

Risk rating	
Critical ●	Life threatening or multiple serious injuries or prolonged workplace stress. Severe impact on morale & service performance. Mass strike actions etc.
	Critical impact on the reputation or brand of the organisation which could threaten its future viability. 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, trends show service is degraded. Failure of major Projects – elected Members & SMBs 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
High ●	Serious injuries or stressful experience requiring medical many workdays lost. Major impact on morale & performance of staff.
	Significant impact on the reputation or brand of the organisation; Scrutiny required by external agencies, Audit Commission etc. 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 med – term difficulties High financial loss Significant increase on project budget/cost. Service budgets exceeded. Significant breach in laws and regulations resulting in significant fines and consequences
Medium ●	Injuries or stress level requiring some medical treatment, potentially some workdays lost. Some impact on morale & 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
Low ●	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
Advisory ●	Advisory findings or observation that would help to improve the system or process being reviewed or align it to good practice seen elsewhere.

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APPENDIX 2 (cont'd) - Definition of Risk and Assurance Ratings

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.

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