



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

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Date: July 2021

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

### **2021/22 Annual School Audit Report**

As part of the 2021/22 Internal Audit Plan approved by the Council's General Purposes Committee, Internal Audit carried out reviews in 11 schools across the borough, which were full scope governance and financial reviews.

In addition, we also conducted the physical asset verification testing we unable to complete in 2020/21 due to COVID-19 restrictions. During most of 2020/21 school audits were carried out remotely, meaning we were unable to complete the on-site physical asset verification testing required. Given the limited scope of these reviews in 2021/22, management letters were issued to the schools concerned and therefore no assurance opinion was given. We have included the individual findings from this testing in the overall summaries and charts below.

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 and General Data Protection Regulations, to confirm that good governance and operational and financial practices were applied throughout. Our work involved carrying out targeted internal audit testing to assess the adequacy and effectiveness of financial management within each school visited.

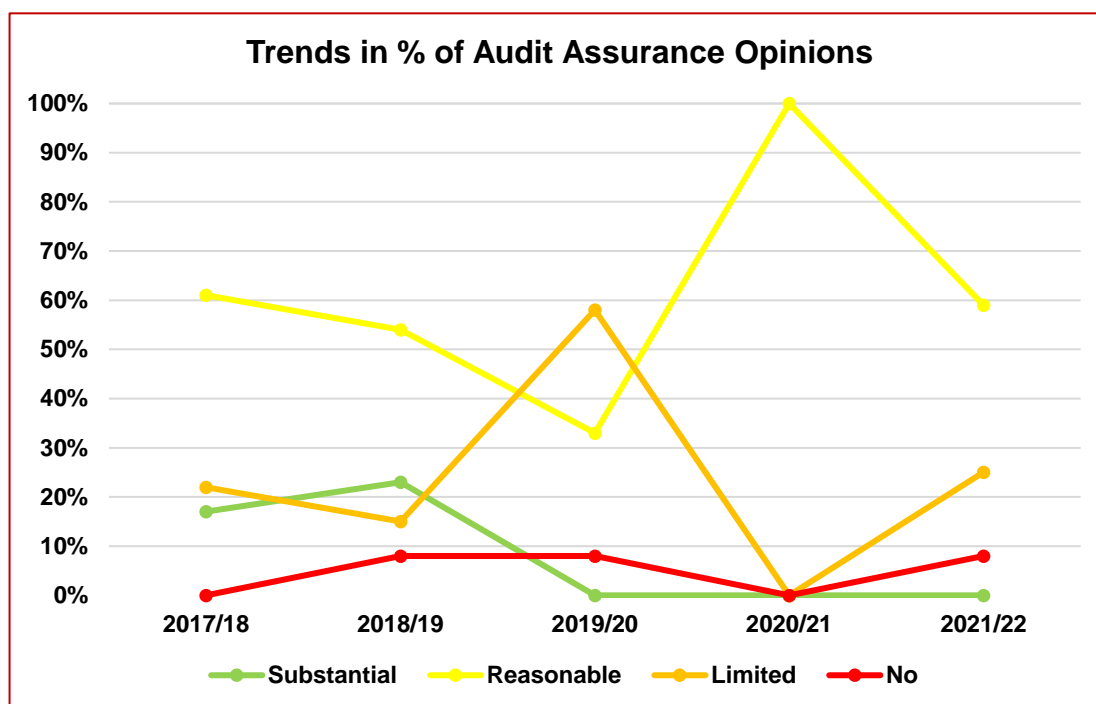
The Council's school audit programme follows the SFVS headings. This can be viewed on the School Audit Framework ('Framework') available on the Schools' HUB. The Framework outlines the areas covered in audits and key documentation that will be required as part of the audit. We hope schools continue to find the Framework useful and that School Leadership Teams will use this report to identify potential risk areas in their school, or opportunities to make improvements as necessary. It may also help as a prompt when completing the 2022/23 SFVS return.

As we review our audit programme to ensure it continues to reflect the keys risks identified in schools, changing requirements and on-going good financial practice, the Framework will be updated annually to ensure it remains a relevant and useful reference for schools.

## Overall report opinions

The 11 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 trends in assurance opinions over the past five years, are shown in the charts below:



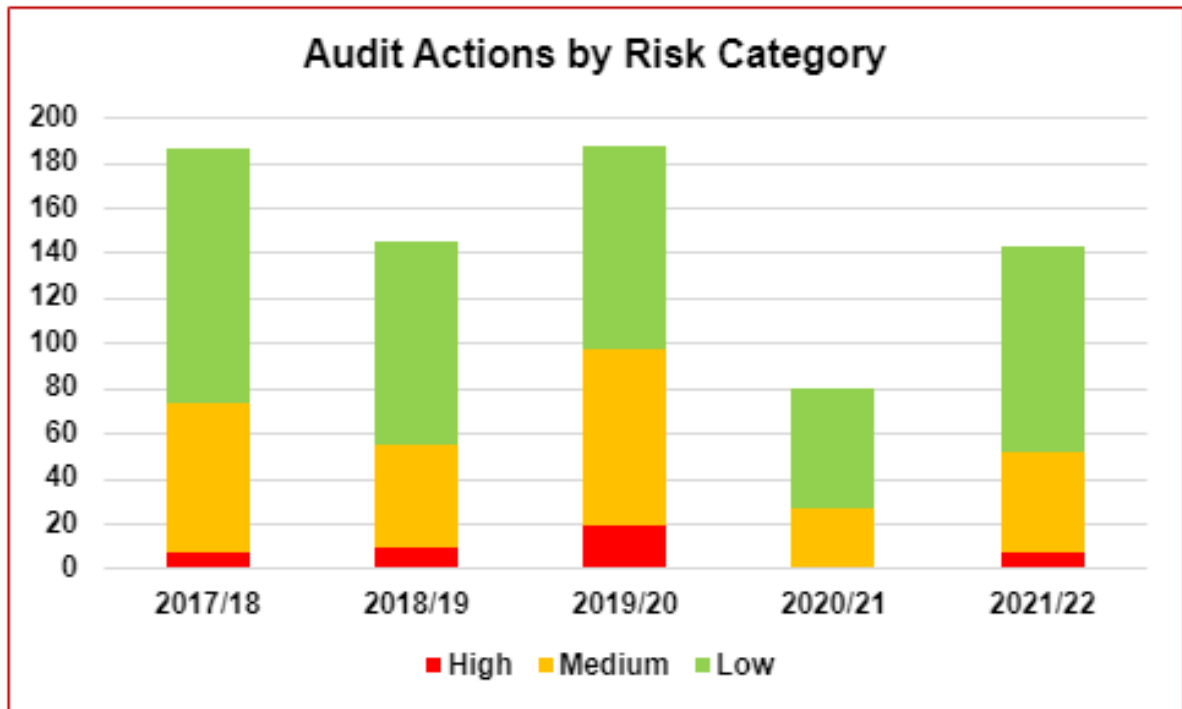
We saw a slight increase in negative assurance opinions during 2021/22, which is a result of weaker controls in the schools tested.

The pressure in schools due to Covid 19 was still a factor during 2021/22 and whilst we do understand this, it is important for school leadership teams to ensure that appropriate financial controls are in place at all times. Although most people will behave ethically, weak controls, more so during periods of crisis, change and uncertainty, may lead to error and fraud, which may not be identified and addressed promptly.

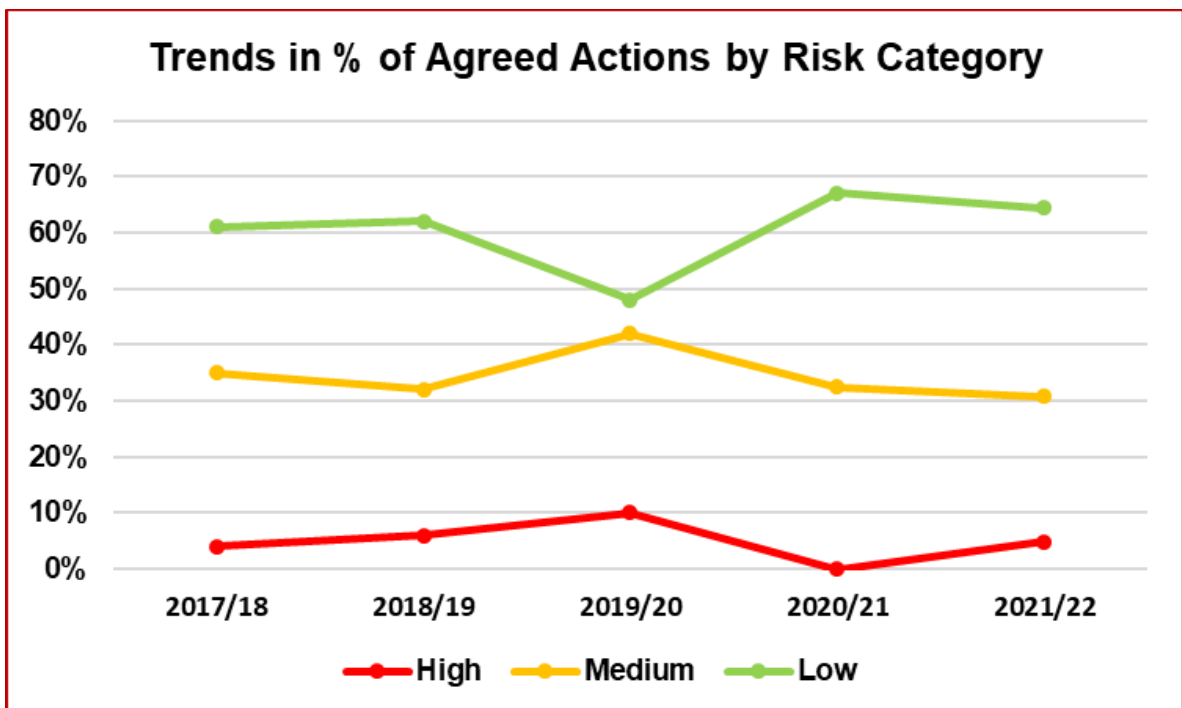
Definitions of risk categories and assurance opinions are detailed in **Appendix 2**.

## Analysis of agreed actions

As part of our process, actions to address the risks identified by our audits are agreed with Headteachers and School Business Managers. The total number of actions agreed in 2021/22 increased to 143 from 80 in 2020/21 which is in line with expectations given the increase of reviews carried out in 2021/22. Also, as can be seen from the following graph, seven high risk actions were agreed in 2021/22.



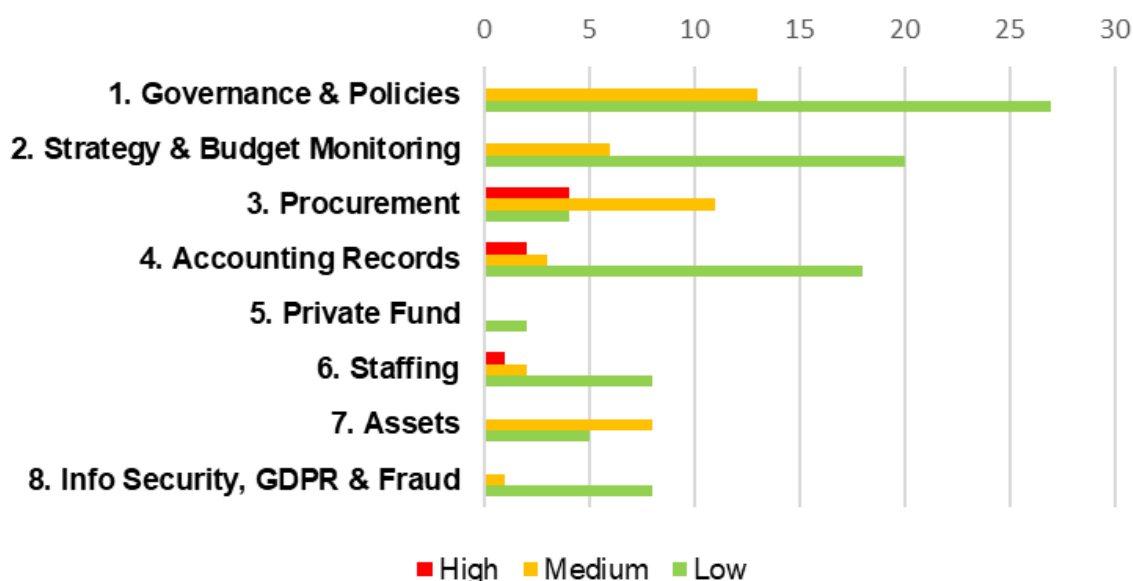
The graph below demonstrates that the reduced number of high and medium risk findings in 2020/21 was atypical and that the 2021/22 number of actions is more in line with previous years.



#### Summary of findings

The chart below summarises the number of agreed actions identified during the 2021/22 audit year, by scope area:

## Agreed Actions by Scope Area 2021/22



The main themes and key exceptions identified during our 2021/22 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:
<b>Governance</b>	
Business Continuity and Disaster Recovery Plan	<ul style="list-style-type: none"> <li>Disaster recovery plans were either not in place, not approved or regularly reviewed, or were lacking in key details and review dates.</li> </ul>
Delegated Authority	<ul style="list-style-type: none"> <li><i>Organisational Arrangements</i> were not completed fully, were out of date or were still in draft form and not properly approved.</li> <li><i>Schemes of Delegation (SoD)</i> did not cover all financial responsibilities, including in some cases the BACs payment process, lacked clear segregation of duties for some key financial processes and were not properly approved.</li> </ul>
Register of Business Interests	<ul style="list-style-type: none"> <li>Governor business interest forms were not completed or were out of date.</li> <li>Business interest forms had not been completed by staff with financial responsibilities</li> <li>Information published on the school website was out of date</li> </ul>
Minutes of Governing Body Meetings	<ul style="list-style-type: none"> <li>Several key decisions were not clearly recorded in Governing Body Meeting Minutes.</li> <li>Committee minutes were not consistently presented to the</li> </ul>

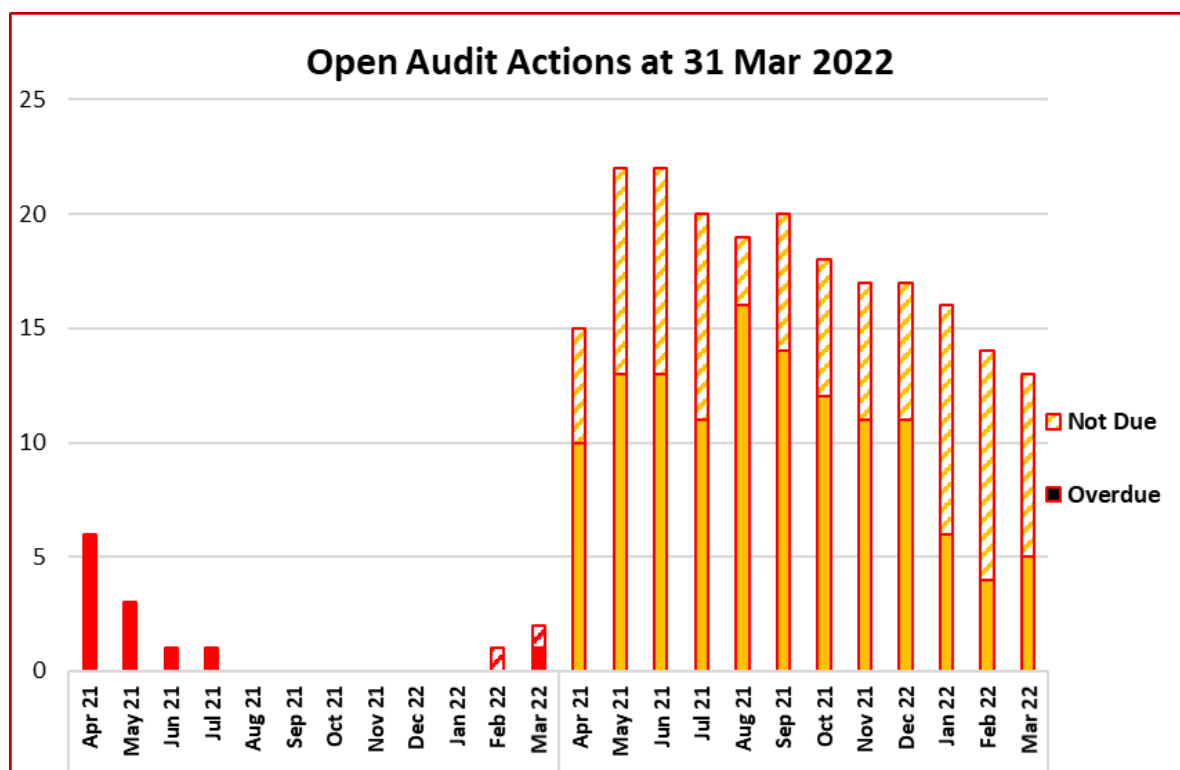
Theme	Key exceptions identified:
	Governing body
Governing Body Skills Assessment	<ul style="list-style-type: none"> <li>• A comprehensive review of governors' skills had not been undertaken.</li> </ul>
Policies	<ul style="list-style-type: none"> <li>• Policies that schools are required to have in place had not been reviewed and approved in line with the requirements.</li> </ul>
School website	<ul style="list-style-type: none"> <li>• Governor information, including attendance records, was missing or out of date.</li> <li>• Website contained broken links.</li> <li>• The Accessibility Statement published websites did not confirm whether the websites were 'fully', 'partially' or 'not' compliant with accessibility standards, as per the Web Content Accessibility Guidelines (WCAG) 2.1.</li> </ul>
Strategy & Budget	
Budget Monitoring	<ul style="list-style-type: none"> <li>• We were unable to confirm from the Governing Body minutes that the three year working budget was properly approved.</li> <li>• We were unable to confirm that the quarterly CFR returns were appropriately reviewed and approved by the Governing Body or delegated committee.</li> <li>• We were unable to fully reconcile the quarterly CFR returns to the underlying the finance system records.</li> </ul>
Pupil Premium	<ul style="list-style-type: none"> <li>• Pupil premium reviews and discussions were not approved by the Governing Body.</li> <li>• Pupil premium information published on schools' websites was not up to date.</li> </ul>
School Development Plan	<ul style="list-style-type: none"> <li>• The Plan did not cover at least a three year period.</li> <li>• The Plan did not include sufficient financial information to demonstrate that it was aligned to the three year budget.</li> </ul>
Benchmarking	<ul style="list-style-type: none"> <li>• No benchmarking exercises were carried out.</li> </ul>
Procurement	
Related Party Transactions	<ul style="list-style-type: none"> <li>• A formal procurement process was not undertaken for a service where a governor was an employee of the supplier. No formal declaration of the interest was made whilst procuring these services.</li> <li>• Governing Body approval of related party transactions was not recorded in the minutes.</li> </ul>
Contracts	<ul style="list-style-type: none"> <li>• The Council's Contract Procedure Rules had not been adhered to.</li> <li>• Minutes did not reflect that the Governing Body had approved</li> </ul>

Theme	Key exceptions identified:
	<ul style="list-style-type: none"> <li>contracts with a value over the Headteacher's delegated limit.</li> <li>• Contracts, signed by both parties, were not in place.</li> </ul>
Purchase Testing	<ul style="list-style-type: none"> <li>• Anomalies were identified between a separately held transaction listing and the school finance system.</li> <li>• Order forms had not been raised, were raised retrospectively or did not include a date to confirm the order was pre-authorized.</li> <li>• Order forms did not record key information including date, order number and goods/ service receipt.</li> <li>• Written quotations were not made available for our review.</li> <li>• Invoices were paid after the due date, with no reasonable explanation noted.</li> <li>• IR35 assessments were not undertaken, and confirmation retained, for sole traders/personal service companies.</li> <li>• Orders/invoices were not authorised in line with the scheme of delegation.</li> </ul>
<b>Accounting records</b>	
BACs	<ul style="list-style-type: none"> <li>• Payment runs were authorised after the payment had been processed.</li> </ul>
ParentPay Debts	<ul style="list-style-type: none"> <li>• Wrap around care was not invoiced promptly.</li> <li>• Outstanding ParentPay debts were not pursued in line with the Debt Recovery Policy.</li> </ul>
Reconciliations	<ul style="list-style-type: none"> <li>• Reconciliations were not completed regularly or where completed there was no evidence of independent review.</li> <li>• Unrepresented cheques more than 6 months old were not investigated.</li> </ul>
Staff reimbursements	<ul style="list-style-type: none"> <li>• Claim vouchers were not properly authorised.</li> <li>• Personal credit cards were used to make purchases on behalf of the school.</li> <li>• Items were delivered to staff home addresses.</li> <li>• Claims made by Headteachers were not signed by the Chair of Governors as required.</li> </ul>
Lettings	<ul style="list-style-type: none"> <li>• No signed agreements in place for long-term and ad hoc lets.</li> <li>• Signed agreements for long term and ad hoc lets were not</li> </ul>

Theme	Key exceptions identified:
	<p>available for review. As a consequence, we could not confirm appropriate insurance arrangements were in place.</p> <ul style="list-style-type: none"> <li>• Agreements were not signed by the school's delegated officer(s).</li> </ul>
<b>Private fund</b>	
Accounting records	<ul style="list-style-type: none"> <li>• Reconciliations were not completed monthly or where completed there was no evidence of independent review.</li> <li>• The audit statement for the private fund had not been approved by the Governing Body.</li> </ul>
<b>Staffing</b>	
Starters and leavers	<ul style="list-style-type: none"> <li>• Pre-employment checks were not completed in full prior to employment commencing.</li> <li>• There was no written evidence of who had carried out and verified pre-employment checks.</li> <li>• Videpay forms for leavers and starters were not supplied to the Schools Personnel Service in sufficient time to ensure necessary action could be taken.</li> <li>• There were delays in issuing contracts of employment. Contracts must be issued by day one of permanent employment.</li> <li>• Videpay forms were signed prior to the employee submitting their termination notice.</li> </ul>
<b>Assets</b>	
Fixed Assets	<ul style="list-style-type: none"> <li>• The fixed asset register did not capture key information including the date assets were acquired, purchase costs or disposal details.</li> <li>• There was no evidence that annual fixed assets checks were carried out.</li> <li>• Assets were loaned to staff without this being formally recorded.</li> <li>• Assets were not appropriately security marked.</li> </ul>
<b>Information Security, GDPR &amp; Fraud</b>	
Information security	<ul style="list-style-type: none"> <li>• No process or mechanism was in place to prevent staff from using unencrypted removable media on school equipment.</li> <li>• There was no requirement to ensure passwords are changed regularly or have sufficient complexity.</li> </ul>

## Action Implementation

Schools have continued to make progress on action implementation, and we have made minimal use of the escalation process this year. Progress made can be seen in the following chart:



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

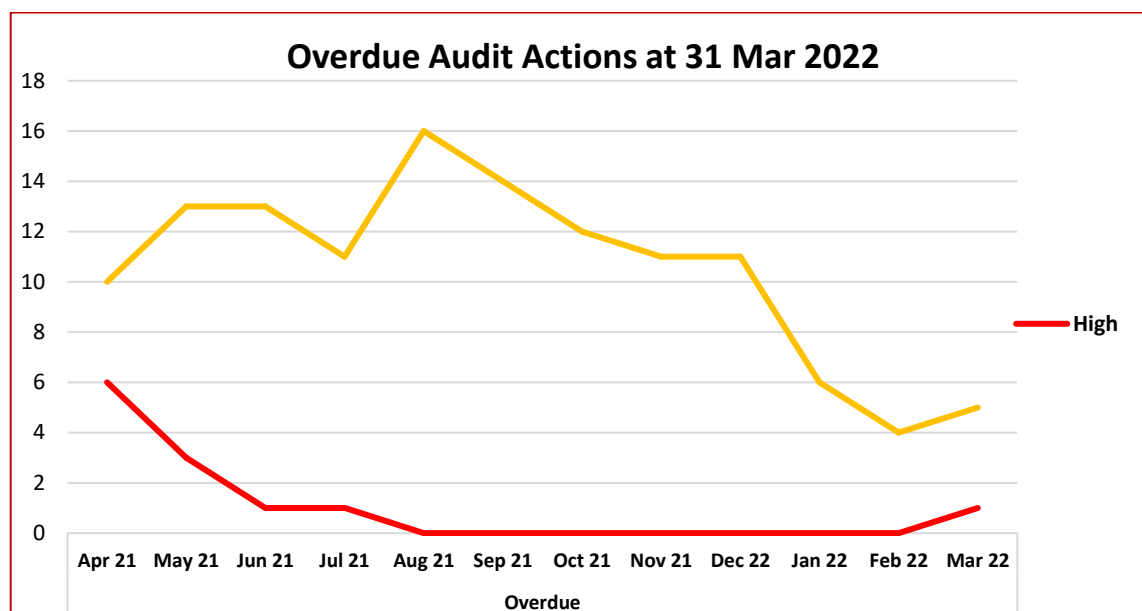
Where an adverse internal audit assurance opinion is received by a school, (Limited or No assurance), the following process is applied:

- Findings from the internal audit report 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 within the report.
- If timely and appropriate responses are not received to the initial request this is 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 is 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.



This next chart demonstrates the significant improvement in action implementation made during the year - for seven months no high risk actions were overdue.



## Training

We offer audit and fraud training for both Governors and School Business Managers (SBMs). The training provides 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 2021/22. We recognise and appreciate the additional work and effort involved during this difficult period when you have been dealing with the impact of Covid-19.

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

**cc:** Peter Nathan, Director of Education  
Lucy Nutt, Head of Early Years and School Improvement  
Felicia Ferraro, School & Early Years Improvement Service Business Support Team Manager  
Sarah Fryer, Head of Schools Personnel Service  
Louise McNamara, Finance Manager – Schools & Education  
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## APPENDIX 1 – Audit Scope Areas

Scope area:	To ensure that:
<b>Governance</b>	<ul style="list-style-type: none"> <li>• Appropriate Governance structures are in place; are appropriately resourced; and operate in line with Council regulations and best practice.</li> <li>• 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.</li> <li>• The school has up to date business continuity and disaster recovery plans in place.</li> </ul>
<b>Strategy and Budget</b>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• Performance against budget is monitored throughout the year; variances are investigated; and remedial actions are taken where necessary.</li> </ul>
<b>Procurement</b>	<ul style="list-style-type: none"> <li>• All expenditure incurred:               <ul style="list-style-type: none"> <li>○ Is necessary for the running of the school;</li> <li>○ Complies with the Council's Finance Manual for Schools' and the Council's Contract Procedure Rules (CPRs); and</li> <li>○ Is appropriately authorised and is supported by appropriate documentation.</li> </ul> </li> </ul>
<b>Accounting Records</b>	<ul style="list-style-type: none"> <li>• All transactions are authorised and are supported by appropriate documentation.</li> <li>• Regular reconciliations are made between the accounting records and supporting information.</li> <li>• Payments are made within agreed timescales; are made in line with policy; and are appropriately authorised.</li> <li>• All adjustments to the financial records are appropriately recorded and authorised.</li> <li>• VAT is appropriately accounted for.</li> <li>• Income is fully accounted for and is banked promptly.</li> <li>• Debts are reviewed to ensure prompt payment is received.</li> </ul>
<b>Private Fund</b>	<ul style="list-style-type: none"> <li>• The standard for the governance of the private fund is as rigorous as that for the administration of the school's</li> </ul>





Scope area:	To ensure that:
	delegated budget and complies with the Council's Finance Manual for Schools
<b>Staffing</b>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• Staff are adequately vetted to ensure their suitability for employment.</li> <li>• Payments to permanent, supply and agency staff are valid and are appropriately authorised.</li> <li>• IR35 assessments are carried out as necessary.</li> </ul>
<b>Assets</b>	<ul style="list-style-type: none"> <li>• Fixed assets and stock are properly accounted for; are kept securely; and are periodically checked for existence and condition.</li> </ul>
<b>Information Security, GDPR and Fraud</b>	<ul style="list-style-type: none"> <li>• Access to the school's systems and data is well controlled.</li> <li>• The school complies with GDPR legislation and best practice.</li> <li>• All appropriate steps are taken to reduce the likelihood of fraud.</li> </ul>
<b>SVFS and Risk Assessment Returns</b>	<ul style="list-style-type: none"> <li>• The Governing Body has approved the final checklist and dashboard.</li> <li>• Follow up actions have been identified and actioned.</li> <li>• Approved returns are submitted to the Council by the required deadlines.</li> </ul>

## APPENDIX 2 - Definition of Risk and Assurance Ratings

Risk rating	
<b>Critical</b> 	<p>Life threatening or multiple serious injuries or prolonged workplace stress. Severe impact on morale &amp; service performance. Mass strike actions etc.</p> <p>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.</p> <p>Cessation of core activities, Strategies not consistent with government's agenda, trends show service is degraded. Failure of major Projects – elected Members &amp; SMBs are required to intervene</p> <p>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>
<b>High</b> 	<p>Serious injuries or stressful experience requiring medical many workdays lost. Major impact on morale &amp; performance of staff.</p> <p>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</p> <p>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</p>
<b>Medium</b> 	<p>Injuries or stress level requiring some medical treatment, potentially some workdays lost. Some impact on morale &amp; performance of staff.</p> <p>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.</p> <p>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.</p> <p>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>

<p><b>Low</b></p> 	<p>Minor injuries or stress with no workdays lost or minimal medical treatment. No impact on staff morale</p> <p>Internal Review, unlikely to have impact on the corporate image. Minor impact on the reputation of the organisation</p> <p>Minor errors in systems/operations or processes requiring action or minor delay without impact on overall schedule. Handled within normal day to day routines.</p> <p>Minimal financial loss – Minimal effect on project budget/cost. Minor breach in laws and regulations with limited consequences</p>
<p><b>Advisory</b></p> 	<p>Advisory findings or observation that would help to improve the system or process being reviewed or align it to good practice seen elsewhere.</p>

## 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.