

PART 1 - PUBLIC

Decision Maker: **Audit Sub-Committee**

Date: **10th June 2010**

Decision Type: Non-Urgent Non-Executive Non-Key

Title: **SCHOOLS AUDIT REPORT**

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Chief Officer: Paul Dale, Director of Resources

Ward: N/A

1. Reason for report

1.1 This report provides Members with a summary of work carried out by the Authority's Internal Audit Section within the remit of the Primary, Secondary and Special Schools and Colleges for the period April 2009 to March 2010.

2. **RECOMMENDATION(S)**

The Sub-Committee is asked to:

Note the report and to comment upon matters arising from the internal audit reviews undertaken.

Corporate Policy

1. Policy Status: Existing policy.
 2. BBB Priority: Excellent Council.
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Financial

1. Cost of proposal: N/A
 2. Ongoing costs: N/A.
 3. Budget head/performance centre: Internal Audit
 4. Total current budget for this head: £587,520 excluding the benefit fraud partnership costs but subject to reduction.
 5. Source of funding: Existing budgets
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Staff

1. Number of staff (current and additional): The equivalent of 1.5 FTE per annum are involved in school audits
 2. If from existing staff resources, number of staff hours: 290 days
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Legal

1. Legal Requirement: Statutory requirement.
 2. Call-in: Call-in is not applicable. This report does not require an executive decision .
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Customer Impact

1. Estimated number of users/beneficiaries (current and projected): N/A
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Ward Councillor Views

1. Have Ward Councillors been asked for comments? No.
2. Summary of Ward Councillors comments: N/A

3. COMMENTARY

- 3.1 This report provides detail of the internal audit work carried out at schools and colleges for the 12 month period April 2009 to March 2010.
- 3.2 The total number of schools that received audit coverage (Financial Management Standard in Schools (FMSiS) assessments, full audits and follow-ups) over this period was 67 including all the secondary schools.
- 3.3 FMSiS was introduced by the Government in 2002 with the aim that all Secondary schools should meet the Standard by March 2007 and all primary and special schools by March 2010. After that assessments would be carried out every 3 years.
- 3.4 The Internal Audit plan for April 2009 to March 2010 included assessments of FMSiS for 17 of Bromley's Primary schools. This concluded the assessment programme started in 2007/08 for completion of assessments at all Special and Primary schools. 16 Secondary Schools were assessed for the second time in 2009/10. The one remaining Secondary School will be reassessed in 2010/11.
- 3.5 The FMSiS is comprised of 5 areas; leadership and governance, people management, policy and strategy, partnerships and resources and processes. Schools are required to meet a number of key criteria in each area. The decision was made to include the internal audit programme in the processes area of the Standard. In preparation of the assessments we have attended and participated in governor, head teacher, bursar and administrative staff training sessions. This has assisted in a better understanding of the FMSiS requirements by schools.
- 3.6 In each of the 5 areas of the Standard there are a number of sections with detailed criteria that should be met and these are detailed at Appendix A. Guidance given to assessors by the Department of Children Schools and Families stipulated that not all of the criteria need to be met to meet the section overall. Certain criteria were deemed to be key and a school would not meet the Standard unless these specific criteria could be met. An example of this is regular reconciliation of bank accounts which is included in the Processes section of the Standard.
- 3.7 All of the audit assignments including internal audit reviews, follow-ups and FMSiS assessments were completed in time and on budget with one exception where further information was required. Audit satisfaction questionnaires were received from the vast majority of the schools and the average score was 4.7 which equates to an overall good to excellent score.
- 3.8 33 assessments of FMSiS booked for the period April 2009 to March 2010 were completed in both primary and secondary schools. Only one secondary school did not meet the standard. The outcome for one secondary school has not been decided. One Primary school was reassessed and has now met the Standard. The percentage of recommendations in each category of the FMSiS is represented at Appendix B for primary schools and D for secondary schools. A summary of the number and category of recommendations made is detailed at Appendix C for primary schools and E for secondary schools.

3.9 Secondary School A

The school that did not meet the FMSiS in the financial year 2009/10 has been reported on in detail previously in the internal audit progress report. There were 11 recommendations including two priority ones in respect of monitoring of cash flow and obtaining quotes and or tenders for all goods and services in compliance with limits in Financial Regulations. All of the recommendations have been agreed and the school will be reassessed in quarter 2 of this financial year.

3.10 Secondary School B

One secondary school has entered into a lease agreement which could not be classified with any certainty as either operational or financial, this is pending further advice.

Recommendations on this and a priority 1 budgetary matter as well as other lower priority recommendations are with the school for management comment. These matters are still outstanding.

3.11 Primary School B

One school who did not meet the FMSiS in 2008/2009 was assessed in March 2010 and has now successfully met the requirements. 11 recommendations were made when an FMSiS assessment was finalised on 20th May 2009. Two priority one recommendations were made to identify areas that needed to be addressed before the FMSiS could be awarded. These covered budget setting and agreeing a scheme of delegation. A reassessment was carried out at the school in March 2010 with the overall conclusion that the school has now met FMSiS.

3.12 Other Schools – Internal Audit reviews (Non FMSiS assessments)

Internal audits were carried out at two primary schools, one secondary and one special school. One primary school was audited at Members request as the school had recently come out of special measures; the other was not prepared for an external assessment of FMSiS due to changes to the Governing Body and will be assessed in 2010-11. The secondary and special schools are not due to be reassessed until 2010-11.

Recommendations for internal audit reviews were categorised as follows:

Financial Management Information – including financial reports provided to Governors.

Governance arrangements – including register of business interests.

Asset control – including arrangements for recording and monitoring equipment.

Primary Accounting documents – including income, expenditure, petty cash and banking.

3.13 The two primary, one secondary and one special school were audited with the following outcomes:

Primary school 1 – 2 recommendations on primary accounting documents

Primary school 2 – 3 recommendations on primary accounting documents and 1 on financial management information

Secondary school – 5 recommendations on primary accounting documents

Special school – 2 recommendations on primary accounting documents

3.14 An internal audit review of procurement and payment procedures was undertaken at a primary school which resulted in a priority one recommendation. This is reported in more detail in the Progress report.

3.15 Other Matters

We have continued to follow up recommendations made in previous school audit reports. For information, follow up audits are necessary where no full audits are planned over the next two/three years following a completed audit as the schools have been deemed to be low or medium risk. Where possible documentary evidence was sought from the Schools to support

implementation. Using this approach Internal Audit has been able to successfully complete 30 school follow-ups from April 2009 to March 2010.

- 3.16 The Financial Regulations for Schools and Colleges January 2007 were updated and circulated in April 2010. Changes include guidance on the use of procurement cards, revised contract procedures and the requirement to consult the Head of Procurement on all procurement exercises of £100,000 and above.
- 3.17 External Audit has continued to place reliance on the work of Internal Audit on our school audits in 2009/10 as in previous years, for the purposes of the annual external audit.
- 3.18 Internal Audit has continued to work closely with the SFT. There are regular consultations with the team over issues concerning the adequacy and regularity of financial returns from the schools. We also attend Head Teacher and Finance officer meetings particularly where FMSiS is discussed.
- 3.19 The Fraud toolkit is soon to be available on the school edunet. This toolkit will assist in promoting fraud awareness amongst school staff and governors. The fraud toolkit has already been rolled out to non schools staff in Bromley and been demonstrated to Members of this committee.

3.20 Assisted Audits

Previous cycle we reported to Members that we intended to carry out assisted audits in respect of secondary schools that are not subject to an FMSiS assessment (15 in 2010-11). We have now revised our internal audit programme and devised a methodology which involves some self assessment by staff at schools, some review of information that they have provided to the Schools Finance Team (SFT) and some on site testing of transactions. This programme will be used for all Secondary Schools during 2010-11.

Non-Applicable Sections:	Policy, financial, legal and personnel implications.
Background Documents: (Access via Contact Officer)	None