

Decision Maker: **Audit Sub Committee**

Date: **7th June 2011**

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

Title: **ANNUAL INTERNAL AUDIT SCHOOLS REPORT**

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Chief Officer: Doug Patterson, Chief Executive

Ward: N/A

1. Reason for report

This report provides Members with a summary of work carried out by the Authority's Internal Audit Division relating to all Primary, Secondary and Special Schools and Colleges for the period April 2010 to March 2011.

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: N/A. Existing Policy
 2. BBB Priority: N/A. 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: £616,250 including benefit fraud partnership costs.
 5. Source of funding: Existing budgets
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Staff

1. Number of staff (current and additional): The equivalent of 0.8 FTE per annum are involved in school audits
 2. If from existing staff resources, number of staff hours: 160 days allocated to schools
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Legal

1. Legal Requirement: Statutory requirement. Account and Audit Regulations 2011
 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): all schools
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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 2010 to March 2011.
- 3.2 The internal audit plan included external assessments of the Financial Management Standard in Schools (FMSiS) for 31 establishments (28 primary schools and 2 secondary schools and 1 special school).
- 3.3 Michael Gove, Secretary of State for Education announced the decision on 15 November 2010 to end the FMSiS with immediate effect and develop a simpler standard as a replacement.
- 3.4 At that time internal audit had completed 22 of the 31 planned FMSiS external assessments. (19 primary schools, 2 secondary establishments and 1 special school). A decision was made to carry out only internal audit reviews at the remaining 9 primary schools.
- 3.5 All of the 22 establishments met the FMSiS and were awarded a certificate.
- 3.6 The internal audit plan also included a new programme of assisted audits in respect of 15 secondary schools. This programme included some self assessment by staff at schools, some review of information that they had provided to the Schools Finance Team (SFT) at the Authority and some on site testing of transactions.
- 3.7 On 26 May 2010 the Secretary of State for Education announced legislation which allowed the Secretary of State to approve schools to become Academies through a simplified streamlined process. As a result of this, closure audits were carried out at 2 of the 15 secondary schools.

3.8 Primary School A

- 3.9 A priority one recommendation was raised at one primary school where one month's salary payments were made twice due to a change in payroll provider. The school have made progress in recovering the overpayment and the total outstanding as at 28 April 2011 was £3,257.96. Of this amount £1,762 is being taken to the small claims court (relates to 2 individuals) and the school is hoping to collect the balance of £1,495.96 by the end of May 2011.

3.10 Recommendations made in Schools – Appendices

- 3.11 The recommendations of the school's audits are detailed in the appendices A – G as follows:
- Appendix A – The number and type of recommendations for each school following a FMSiS assessment
 - Appendix B – Pie chart of FMSiS recommendations by category
 - Appendix C – Bar chart of FMSiS recommendations by priority
 - Appendix D – The number and type of recommendations for each secondary school following an assisted audit
 - Appendix E – Bar chart of secondary assisted audit recommendations by priority
 - Appendix F – The number and type of recommendations for each school following a primary school audit
 - Appendix G – Bar chart primary audit recommendations by priority

3.12 Follow-up of implementation of recommendations

3.13 We have continued to follow up the implementation of recommendations made in previous school audit reports. Follow up audits are necessary to follow up a completed audit when the school have been assessed to be low or medium risk, where no full audits are planned over the next two/three years. Documentary evidence and explanations from key officers are sought to support the implementation of the recommendations. Using this approach Internal Audit has been able to successfully complete 21 school follow ups from April 2010 to March 2011.

3.14 Sports for Schools Grants

3.15 Two of the Authority's secondary schools receive a grant for the School Sport Partnership. Internal audit have audited the statements for each school. For the period 1 September 2009 - 31 August 2010 The Priory School received £308,239 grant income and Kelsey Park School £294,453.

3.16 In addition to the planned work the following investigations were carried out during 2010-11

3.17 Primary School B – Investigation

3.18 Matters relating to a priority one finding is a part 2 item.

3.19 Primary School C – Investigation

3.20 Matters relating to concerns raised by governors have been resolved and were previously reported as a part 2 item.

3.21 Academies/Closure audits

3.22 During the year 2010/11, the government announced through their Academy Programme backed by the Academy Act 2010, its intention to initially encourage outstanding schools as judged by Ofsted to convert to Academy status. This was later altered to include good schools with outstanding features, all schools linked to an outstanding school, special schools and pupil referral services.

3.23 Members of this committee were provided with report DCYP11052 at the March 2011 meeting titled 'The Government's Academy Programme: Developments within Bromley. This report gave the timetable for schools definitely transferring to Academy status (mostly secondary schools in 2011/12) as well as those likely to transfer in 2011/12 onwards. As a result our schools plan for 2011/12 is likely to include several closure audits.

3.24 Closure audits were carried out for Kemnal Technology College and Darrick Wood Secondary School after conversion to Academy status. The focus of these reviews is to sample test expenditure during the period since the last internal audit review to the date of conversion to ensure there are no matters of impropriety or inappropriate expenditure. Income collection and controls around governance are also reviewed. There is also liaison with the Schools finance team on the closure of accounts and the transfer of the pension fund and other matters relating to the closure are commented on in the final report. Other issues such as the arrangements for dual use, SEN units and completion/content of the Commercial Transfer Agreement will be included in the audit closure programme.

3.25 As indicated above, during 2011-12 it is likely that the majority of Secondary and many Primary schools will obtain Academy status and as such will not be required to be internally audited. Each Academy will need to appoint a responsible officer and internal audit are offering to provide this as a sold service, details have been provided to the schools in the Authority's Sold Services brochure. We are also offering an internal audit service. Some expressions of interest

have been received and one school has confirmed they would like to purchase our services as responsible officer.

3.26 Other matters

- 3.27 A draft version of the replacement for FMSiS i.e. Schools Financial Value Standard (SFVS) has been circulated and the requirement is for a copy of the completed document to be provided to the Local Authority for information. This may be used to inform internal audit prior to any internal audit work although an external assessment of the Standard is not a requirement.
- 3.28 We continue to provide advice to schools specifically on Financial Regulations and have attended finance meetings throughout the year. We have also been involved on an ongoing basis with issues surrounding the classification of school leases.
- 3.29 We work closely with the Schools Finance Team including termly liaison meetings.
- 3.30 External audit has continued to place reliance on the work of Internal Audit of schools for 2010/11.
- 3.31 The anti fraud toolkit that promotes staff and governor fraud awareness is available on the school edunet.

4. POLICY IMPLICATIONS

- 4.1 The Government's reform agenda for education, schools and wider children's services will be underpinned by major statutory changes. This will impact significantly on local policy, strategy and priorities for Bromley's Children and Young People Services agenda; as well as services provided to schools including Internal Audit. There will also be an impact on the internal audit annual plan.

5. FINANCIAL IMPLICATIONS

- 5.1 Some audit findings have financial implications. The abolition of FMSiS has resulted in a loss of £33K from the internal audit budget as this funding has now been withdrawn by CYP.

6. LEGAL IMPLICATIONS

- 6.1 Schools converting to Academy status are no longer subject to the statutory requirements for local government internal audit

7. PERSONNEL IMPLICATIONS

- 7.1 The audit plan for 2011/12 has been greatly reduced for school audits and this may impact in future years on staff levels.

Non-Applicable Sections:	
Background Documents: (Access via Contact Officer)	Audit plan 2010/11