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To: Governance and Audit Committee – 19th July 2017

Subject: SCHOOLS AUDIT ANNUAL REPORT

Classification: Unrestricted

Summary: The Annual Report summarises the Schools Financial Services (SFS) compliance programme and other activities undertaken during 2016-17 which enables the Chief Finance Officer to certify that there is a system of audit for schools which gives adequate assurance over financial management standards in schools.

FOR ASSURANCE

1. Introduction

The DfE requires that the Chief Finance Officer, (i.e. the Corporate Director of Finance and Procurement), signs an annual assurance statement, confirming that there is a system of audit for schools which gives adequate assurance over their standards of financial management and the regularity and propriety of their spending.

2. Approach

To enable the Chief Finance Officer to sign off the 2016-17 DfE Schools Financial Value Standard (SFVS) Assurance Statement, the following work strands have been completed:

Compliance programme - 2016-17 was the fifth year of a five year compliance programme which has been agreed with Internal Audit as a suitable approach in line with audit methodology that meets the definition of an “adequate system of audit. In 2016-17 two Pupil Referral Units (PRU's) and 98 maintained schools were visited. Within the five year programme every school and PRU had at least one visit. The compliance programme takes a total of four days per school to undertake the preparation, report writing, following up on recommendations and analysis of the Schools Financial Value Statement (SFVS), which is an annual self-assessment completed by schools. Initially this programme included a two day visit on site at each school. To improve the process and reduce travel time and costs, a pilot for a one day visit in the schools with increased ‘pre work’ completed in the office was trialled in September 2016. This pilot proved successful and went live from January 2017.

Following the testing in the school, verbal feedback is given on the day and a draft report is sent to the school within 10 working days. On receipt of the schools response, any appropriate amendments are made by SFS and a final report issued. This report is sent to the Headteacher and Chair of Governors to be presented at the next full governing body meeting with the expectation that the recommendations will be put in place promptly. There

is a follow up process and where necessary further visits are undertaken in schools to check that high risk controls have been put in place. An evaluation of our compliance process is sent to schools to further engage them and to inform SFS of any developments that could enhance the programme.

The questions are reviewed annually to ensure updated controls are included and high risk areas are adequately covered. Schools are reminded of the existing financial controls along with any necessary changes made to them, using a variety of communications including E Bulletins, Finance Information Groups and training programmes.

The compliance programme has been audited annually by Internal Audit resulting in an overall opinion of Substantial in 2015-16 and 2016-17. The only recommendation following the 2016-17 audit was for officers undertaking compliance visits to attend 'Fraud Awareness Training'. A meeting with Paul Rock, Counter Fraud Manager is being arranged to determine what training, if any, is necessary.

Schools Financial Value Standard – Schools complete an annual self- assessment which is agreed by governors and is sent to SFS as part of schools' statutory returns. This document is referred to when conducting a compliance visit and the report and any recommendations referred back to the schools own self-assessment.

Review and feedback of financial information – Schools Financial Services analyse schools Revenue and Capital three year budget plans, half year accounts, six and nine monthly monitoring along with the year end returns that feed into the corporate accounts. Appropriate feedback is provided to schools on their three year budget plan, half year accounts and six and nine monthly monitoring.

Provision of financial support – As part of our traded services, 30.3% of schools have purchased a regular contract in 2016-17 where experienced SFS staff work with the schools, generally on the school site. A further 35.9% have purchased ad hoc support and 98.7% of schools purchased a core finance package offering phone and e mail support in all aspects of budgeting, financial controls and procedures.

Training – There is a comprehensive finance training programme for Head teachers, senior leaders, bursars and governors and Finance Information Groups for bursars and other finance staff. During 2016-17 there were over 100 training courses and 12 Finance Information Groups attended by over 1400 delegates from Kent Maintained schools and academies.

Themed audits undertaken by Internal Audit - Alongside the work completed by SFS, Internal Audit undertake themed audits in schools. In 2016-17 the audit sampled 20 schools covering Financial Planning and Governance in Schools.

3. Summary of Findings

Alongside the compliance programme, themed audits, analysis of returns, training programme and traded activities with schools, Schools Financial Services regularly liaise and work with other colleagues who support schools, including the Area Education Officers and School Improvement Officers to ensure KCC have a complete picture of a school to support the Headteacher, finance staff and governors to ensure the school is financially well managed.

The compliance programme consists of 104 questions covering governance & leadership, financial planning, budgetary control and monitoring, payroll, procurement, corporate cards, bank accounts, petty cash, income, assets, data protection, School Development Plan and health and safety.

The table attached details the number of high and medium recommendations within each category of the compliance programme for 2014-15, 2015-16 and 2016-17 for maintained schools.

4. Opinion

It is considered that the comprehensive compliance programme and themed audits undertaken, the statutory information analysed, training programme, traded work completed in schools and the schools' own self assessments of the SFVS provide suitable assurance for the SFVS Statement to be signed.

5. Recommendations

Members are asked to note the contents of this report for assurance.