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To: Governance and Audit Committee – 21 January 2021

Subject: SCHOOLS AUDIT ANNUAL REPORT

Classification: Unrestricted

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**Summary:** The Annual Report summarises the Schools Financial Services (SFS) compliance programme and other activities undertaken during 2019-20 which enables the Chief Finance Officer (CFO) to certify that there is a system of audit for schools which gives adequate assurance over financial management standards in schools.

## **FOR ASSURANCE**

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### **1. Introduction**

- 1.1 The DfE requires that the CFO, (i.e. the Corporate Director of Finance), 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.
- 1.2 The Department for Education recognised the prohibitive environment caused by Covid 19 and reduced the burden of Local Authorities (LA) data collection activities, this included cancelling the submission of the School Financial Value Standard (SFVS) CFO statement for 2019-20. At a local level all 324 LA schools submitted their SFVS returns for the period 2019-20

### **2. Approach**

- 2.1 Under normal circumstances (not subject to Covid 19 conditions) the CFO would sign off the 2019-20 DfE Schools Financial Value Standard (SFVS) Assurance Statement. The following work strands underpin the validity of this statement and have been carried out during the period April 2019 to March 2020:

**Compliance programme** – this is now the eighth year of the compliance programme. Internal Audit have agreed the approach in line with audit methodology that meets the definition of an “adequate system of audit”. As part of this rolling programme 83 primary, 7 secondary, 7 special schools and 2 Pru’s were visited during 2019-20. Every school and PRU has at least one visit every four years. 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.

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 school's 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 2019-20 with two areas for improvement. The first area is graded as low and an appropriate administration process is now in place to address this. The second is graded as medium and is the need for an escalation process to address where schools have not followed up compliance recommendations and a suitable framework is being configured for implementation.

**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 is referenced within the report against any recommendations made.

**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 34% of schools have purchased a regular contract in 2019-20 where experienced SFS staff work with the schools, generally on the school site. 99% of schools have purchased a core finance package offering phone and email support in all aspects of budgeting, financial controls and procedures.

**Training** – There is a comprehensive finance training programme for Headteachers, senior leaders, bursars and governors and Finance Information Groups for bursars and other finance staff. During 2019-20 there were around 70 training courses and 12 Finance Information Groups attended by over 1200 delegates from Kent maintained schools and academies.

**Themed audits undertaken by Internal Audit** – There were no financial themed audits carried out by KCC's Internal Audit team in 2019-20.

### **3. Summary of Findings**

- 3.1 Alongside the compliance programme, the 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.
- 3.2 The compliance programme consists of 102 questions covering governance and leadership, financial planning and monitoring, payroll, procurement, corporate cards, bank accounts, petty cash, income, assets, data protection, school development plan and health and safety.
- 3.3 The attached appendix 1 details the number of critical and requires action recommendations within each category of the compliance programme for 2018-19 and 2019-20 for maintained schools.

### **4. Opinion**

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

### **5. Recommendations**

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