

By: John Simmonds, Cabinet Member for Finance & Procurement  
Andy Wood, Corporate Director of Finance & Procurement

To: Governance and Audit Committee – 24<sup>th</sup> July 2013

Subject: **SCHOOLS AUDIT ANNUAL REPORT**

Classification: Unrestricted

---

**Summary:** The Annual Report summarises the output of the Schools Financial Services audit and compliance programme during 2012-2013 and provides an annual opinion on the adequacy and effectiveness of controls at schools. This report only covers Kent maintained schools, as Academies and Free Schools are not part of the County Council.

---

## **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. Previous Approach**

Previously the Corporate Director was able to place reliance on the accreditation of the Financial Management Standard in schools (FMSiS). The FMSiS was externally assessed by Schools Financial Services (SFS) and was valid for three years. This along with a one day compliance visit to schools, returns from schools, training and contract work undertaken by Schools Financial Services (SFS) enabled the Corporate Director to sign such a statement.

### **3. Revised Approach**

In November 2010 the Secretary of State announced the decision to end FMSiS and replace it with the Schools Financial Value Standard (SFVS). This is an annual self evaluation, comprising of 23 criteria where Governors need to demonstrate how they meet each criterion. An action plan must be put in place for any areas where the criteria is not met but there is no external assessment. The SFVS forms part of the school statutory requirements and must be submitted to the local authority by the

31<sup>st</sup> March annually. Only those schools that never attained FMSiS were expected to submit a return by the 31<sup>st</sup> March 2012. For all other maintained schools, the first run through was March 2013.

The assurance statement recognises the new SFVS requirement does not give sufficient assurance and in order to meet the requirements of the DfE a five year rolling programme of more extensive compliance visits in schools, building on the existing programme already undertaken has been developed. The visits are determined on a risk basis, every school having at least one visit every five years, with schools presenting a higher financial risk being visited more frequently. This has been agreed with Internal Audit as a suitable approach in line with audit methodology and would meet the definition of an “adequate system of audit”.

#### **4. Current assurance on schools financial management**

The following work streams demonstrate how Schools Financial Services provide assurance on schools financial management:

**Review of financial information** – SFS analyse schools Revenue and Capital three year budget plans, half year and nine monthly monitoring along with the year end returns that feed in to the corporate accounts.

**Training** – There is a comprehensive finance training programme for Head teachers, Bursars and Governors and Finance Groups for Bursars are held three times annually. All of these are well attended and we have seen a growing demand for bespoke training for individual governing bodies.

**Provision of financial support** – As part of our traded services, 29% of schools purchase a weekly or monthly contract where experienced SFS staff are working with the school and 92% of schools purchase a core finance package offering support in all aspects of budgeting, financial controls and procedures.

**Review of SFVS** – The annual self assessment is sent to SFS as part of schools’ statutory requirements.

**Compliance Programme** – Schools Financial Services was part of the BSS Finance and Procurement restructure, effective from April 2012. As a result many staff were new to SFS and inexperienced in working with schools. An intensive training programme was put in place which enabled all tasks except the setting up of the new comprehensive compliance programme to be completed.

It was planned that SFS would undertake 50 compliance visits during the 2012-13 financial year. The new programme involves a two day visit in a school compared to the previous one day visit and was piloted by SFS managers in November 2012. However, it was considered that additional work was required on the content and tests applied. Due to the remaining time available Deloitte & Touche Public Sector Internal Audit Ltd were engaged in December to complete 50 audit visits to schools before the 31<sup>st</sup> March 2013.

All aspects of the Deloitte’s programme have been overseen by managers in SFS. The criteria and risk analysis used to determine the schools to be visited was agreed by Internal Audit and all findings have been checked to ensure any

recommendations are in line with the Kent Scheme for Financing Schools. In total Deloitte's visited 47 schools. Due to circumstances in the other three schools, the visits have been postponed with agreement at director level. These three schools will be amongst the first visited in the 2013-14 tranche by SFS.

It should be noted that Deloitte's visited the schools which were considered to be of the highest financial risk and therefore the findings and numbers of recommendations would not reflect the overall position of all the schools had the sample been done using random criteria.

A comprehensive draft report, including an assurance level has been sent to each school by Deloitte's, asking for their response to the findings within 10 working days. A final report will then be issued to the school. SFS will undertake the follow up process to ensure that the schools have completed the management action as detailed.

A summary of Deloitte's findings as the 26<sup>th</sup> June is detailed in Appendix 1.

There are a high proportion of medium risk recommendations in Governance and Leadership section. SFS are working with Governor Services to ensure clear guidance is sent to schools and governors and areas identified are included in future training.

The most common areas for improvement within schools are the ordering of goods and services, HMRC guidance for payments to self employed contractors and password protection. The ordering of goods equates to the high number of recommendations under the procurement section. At the recent Finance Groups attended by bursars and business managers these areas along with other issues highlighted have been discussed. Improved guidance in all these areas will be sent to schools and will be included in future training programmes.

In addition, Internal Audit will be undertaking themed audits in schools and the focus of the first one is on procurement to reflect these findings.

## **Opinion**

It is considered that the comprehensive programme of audits undertaken in 2012-13 plus the statutory information analysed, including the schools' own self assessments of the SFVS provides suitable assurance for the SFVS Statement to be signed.

## **Recommendations**

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

**Yvonne King**  
**Schools Financial Services Manager**  
**01622 772275**

## APPENDIX 1      SCHOOLS AUDIT ANNUAL REPORT

Deloitte & Touché Public Sector Internal Audit Ltd visited 47 schools in total.

37 Primary schools and 10 secondary schools

The 4 outstanding draft reports should be with the schools in early July.

### Summary of Audit Opinion on schools

Number of Schools	Overall Audit Opinion				
	High	Substantial	Adequate	Limited	None
43	0	5	20	18	0
Sections	Priority of Recommendations				
	High	Medium	Low		
<b>Governance &amp; Leadership</b>	2	153	15		
<b>SIP &amp; Ousted Inspections</b>	0	25	1		
<b>Financial Planning Budgetary Control &amp; Monitoring</b>	1	39	7		
<b>Payroll</b>	1	63	13		
<b>Procurement</b>	43	78	20		
<b>Bank Account</b>	6	27	10		
<b>Income</b>	0	41	4		
<b>Assets</b>	5	78	3		
<b>School Residential Journeys</b>	0	45	0		
<b>School Fund Accounting</b>	1	12	3		
<b>Petty Cash Account</b>	1	33	4		

<b>Data Protection</b>	0	64	2
------------------------	---	----	---