

By: **John Simmonds, Cabinet Member for Finance & Procurement**

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To: Governance and Audit Committee – 24<sup>th</sup> July 2014

Subject: **SCHOOLS AUDIT ANNUAL REPORT**

Classification: Unrestricted

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**Summary:** The Annual Report summarises the Schools Financial Services compliance programme and other activities undertaken during 2013-14 to enable 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. This report only covers Kent maintained schools, as Academies and Free Schools are not part of the County Council.

## **FOR ASSURANCE**

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### **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 2013-14 DfE Schools Financial Value Standard (SFVS) Assurance Statement, the following work strands have been completed:

#### ***Compliance programme***

A new comprehensive compliance programme has been developed and is being delivered by Schools Financial Services. In 2012-13, Deloitte were engaged by the Local Authority to undertake 50 compliance visits in schools to ensure adequate assurance. The new compliance programme 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”. It is planned this will be a five year rolling programme, with 100 compliance visits being completed on an annual basis. The visits are determined on a risk basis, with schools considered to be of the highest financial risk being undertaken first. Every school will have at least one visit every five years, with schools presenting a higher financial risk being visited more frequently. The new compliance programme involves a two day visit in the school with a total of four days allowed to undertake the preparation, report writing,

following up on recommendations and analysis of the Schools Financial Value Statement (SFVS), which is a self-assessment completed by schools.

Following an initial pilot programme in the autumn term, over 80 of the visits were completed between January and March 2014 reaching the targeted 100. 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. Schools Financial Services are currently contacting schools to follow up on the recommendations made from this tranche of visits. Where necessary further visits are undertaken in schools to check the controls have been put in place. An evaluation of our compliance process is being sent to schools to further engage them and to inform SFS of any developments that could enhance the programme.

**Review of SFVS** – The annual self- assessment is sent to SFS as part of schools’ statutory requirements. This document is used as part of the risk analysis to determine the order of compliance visits. The contents are analysed to ensure the school’s opinion is in line with the compliance findings.

**Review 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 in to the corporate accounts.

**Provision of financial support** – As part of our traded services, 35% of schools purchase a weekly or monthly contract where experienced SFS staff work with the schools and 95% of schools purchase a core finance package offering 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 Groups for bursars and other finance staff. Eighty two training courses plus 16 finance groups were attended by over 2000 delegates in the last financial year.

**Themed audits undertaken by Internal Audit** - Alongside the work completed by SFS, Internal Audit undertakes themed audits in schools. A procurement audit, sampling 20 schools, was completed in 2012-13.

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

It should be noted that the schools visited in the 2013-14 tranche would be considered to be in the top 150 schools presenting the highest financial risk and would therefore not reflect the overall position of all schools had the sample been done using random criteria.

A total of 160 tests form the compliance programme and on average schools have received ten recommendations to improve their practices. The highest number of recommendations received was a special school with 17 and SFS have worked with this and other schools with a higher than average number of recommendations to improve the financial management in their school. The lowest number of recommendations achieved by one school was two.

The key areas of recommendations are:

*Financial planning, budgetary control and monitoring* – Factors used by the school to produce the three year budget plan are tested along with the information received by governors on the budget and subsequent monitoring. It is recognised that setting the school budget is now more complex, than in previous years, with larger proportions of their income being determined from pupil data and different funding streams available throughout the year. To support the schools, SFS provide detailed feedback on the analysis of the three year plans, half yearly accounts, six and nine monthly monitoring and closedown information. The feedback along with additional training and budget information sessions at the Finance Groups attended by over 630 bursars in 2013-14 has seen an improvement in the information sent in by the schools.

*Procurement* – An area of concern recognised by the compliance test and Internal Audit highlighted the schools' lack of understanding around procurement. To improve awareness a new information section is being created on the schools intranet system, a member of the procurement team is attending the Finance Groups and this topic is being covered in the Autumn District Governors meetings. Schools Financial Services are working with the Procurement team to produce a flowchart, specifically for schools so that they can easily navigate through Spending the Councils Money and the procurement rules.

*Payroll* – As part of the payroll checks, the Single Central Record, appointment and terminations forms are checked to ensure correct payments are made. In most cases the financial element is correct with the majority of recommendations concerning recruitment issues where only one reference is available and incorrect assumptions have been made over the portability of DBS (Disclosure and Barring) checks. Schools Financial Services work closely with Schools Personnel Service (SPS) where there are individual school issues. Schools Personnel Service also regularly presents at the Finance Groups ensuring school staff receive up to date information.

The training programme in SFS is regularly reviewed to ensure areas of concern highlighted as part of the compliance programme and the analysis of schools information are promoted in all courses.

Schools Financial Services continue to work with and inform colleagues both within our own and other directorates to ensure appropriate advice and support is given to schools to ensure they are financially well managed.

In light of this, and considering the entire population of schools overall, I believe that there are adequate controls in schools to safeguard key financial management risks with specific areas of concern being highlighted and addressed as described above.

#### **4. Opinion**

It is considered that the comprehensive compliance programme undertaken in 2013-14, the statutory information analysed, training undertaken, traded work completed in schools and

the schools' own self assessments of the SFVS provides suitable assurance for the SFVS Statement to be signed.

## **5. Recommendations**

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

**Yvonne King**

**Schools Financial Services Manager**