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To: Governance and Audit Committee – 21st July 2016

Subject: SCHOOLS AUDIT ANNUAL REPORT

Classification: Unrestricted

Summary: The Annual Report summarises the Schools Financial Services (SFS) compliance programme and other activities undertaken during 2015-16 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 2015-16 DfE Schools Financial Value Standard (SFVS) Assurance Statement, the following work strands have been completed:

Compliance programme - 2015-16 was the fourth 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”. The first year of the programme Deloitte completed 50 visits, SFS completed 100 visits in 2013-14 and 101 visits in 2014-15. In 2015-16 four Pupil Referral Units (PRU's) had their first compliance visit and 96 maintained schools were visited. Within the five year programme every school and PRU will have at least one visit. The visits are determined on a risk basis with schools presenting a higher financial risk having more than one visit over the five year period. The 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 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 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. During 2015-16 there were more in-depth checks for procurement, corporate cards, bank accounts and petty cash. This has resulted in more recommendations to schools in these areas. Schools have been reminded of these controls using a variety of communications including E Bulletins and Finance Information Groups and training programmes have also been updated.

The compliance programme has been audited annually by Internal Audit. In 2014-15 the Audit Opinion was Adequate and in 2015-16 this had improved to a Substantial Opinion with the only comment being to review the number of compliance visits undertaken annually due to the reducing number of maintained schools.

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, 36.9% of schools have purchased a regular contract in 2015-16 where experienced SFS staff work with the schools, generally on the school site. A further 20.7% have purchased ad hoc support and 98.5% 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 2015-16 there were over 190 training courses and five Finance Information Groups attended by over 2400 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 2015-16 the audit sampled 20 schools covering Income and Payroll.

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 2013-14, 2014-15 and 2015-16 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.

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