

By: Shellina Prendergast, Cabinet Member Education and Skills
Matt Dunkley, Corporate Director of Children, Young People and Education

To: Governance and Audit Committee – 27 April 2022

Subject: SCHOOLS AUDIT ANNUAL REPORT

Classification: Unrestricted

Summary: The Annual Report summarises the Schools Financial Services (SFS) compliance programme and other activities undertaken during 2020-21 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 Local Authority (LA) maintained schools.

FOR ASSURANCE

1. Introduction

- 1.1 The DfE requires that the CFO, (i.e., the Corporate Director of Finance), signs an annual assurance statement by the 31 May each year, 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 content of this report provides detail of processes, metrics and controls that give the necessary assurance needed for the CFO to sign the annual DfE assurance statement.

2. Approach

- 2.1 The following are processes, metrics and controls that provide assurance over the financial management standards in LA schools:

2.2 Financial Compliance programme – The programme of school on site visits are carried out by SFS, who are a service within The Education People. Each school will receive a financial compliance visit at least once every four years that consists of 102 targeted questions covering 9 different areas of control including Governance and Leadership, Financial Planning and Monitoring and Procurement.

Due to Covid the financial compliance programme was suspended for the period March 2020 to September 2021.

2.3 Internal Audit of the Compliance Programme – The KCC Internal Audit Team annually (May/June) carry out an audit of the Compliance programme to ensure they are satisfied that the totality of activities undertaken by the Returns and Compliance Team

(Statutory returns and alternative compliance visit approach) are sufficient to provide the required assurance to support the section 151 officer certification of the Schools Financial Value Standard/ annual DfE assurance statement.

Internal Audit review of activities in relation to the 3-Year Plan, Half Year and 9 Month reviews, and Closedown found that:

- Robust controls are in place to monitor that all schools have submitted required statutory returns information.
- The tracking logs used to monitor statutory returns activities are kept up to date and provide a view of schools which have or have not submitted their information and the progress made with processing and providing feedback.
- Returns submitted by schools are subject to a consistent review process using a standard workbook designed to ensure that all key aspects of the documents returned have been checked.
- Feedback is provided to schools in a standard format.
- Additional sample testing was completed in relation to 3-Year Plan, 6 and 9 Month Review and Closedown activities which confirmed that the standard workbooks had been fully completed during 2020/21 and that feedback or outturn reports had been generated and sent to schools.
- The alternative approach to undertaking compliance work with schools was agreed between SFS and KCC.
- Approximately 1/3rd of schools voluntarily submitted their documents for review and received observations.
- Established processes were replicated to ensure that returns for the alternative compliance work could be monitored and tracked through to completion. A consistent review was undertaken of all documents submitted using standard workbooks.
- Whilst normal compliance work has not been undertaken, the opportunity has been used to fully review and update the existing testing workbook template to ensure that relevant areas will be covered for testing on resumption of visits.

2.4 Schools Financial Value Standard SFVS- 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. All 314 LA schools (1 Nursery, 265 primary, 22 Secondary, 21 Special, 5 PRU) submitted a return that met the required deadline.

2.5 Deficit Schools – At the end of the financial year 2020-21, 0.4% of Kent Primary Schools were in deficit (1 out of 269) compared to the national Local Authority average of 10% (this would mean 27 primary schools in Kent would be in deficit), which ranged between 0% to 46% of schools being in deficit. SFS has a dedicated Schools Support Team whose primary function/objective is to prevent schools from going into deficit.

2.6 Traded financial services - SFS provides two types of financial service to schools, the benefit of this is twofold, the first is that it supports good financial management in schools and the second is that a gross profit margin of around 30% is achieved, the two types of traded services are:

- An individual school specific bursarial service for around 110 schools at any point in time throughout the year.

- A Help Desk service providing guidance and support on school specific finance related matters, where around 420 schools subscribe. For the period April 2020 to March 2021 there were 15,087 (phone calls 6,534, emails 9,353) logged and completed incidents

2.7 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 2020-21 there were 99 training courses and 3 Finance Information Groups attended by over 1500 delegates from Kent maintained schools and academies.

2.8 School Finance Systems Support – A key component in maintaining financial management standards in schools is to ensure that schools have the appropriate financial systems and tools to achieve this. KCC (via SFS) currently support a monitoring and budgeting system called Business Planning Software provided by a company called Orovia and a financial accounting system called Financial Management System 6 provided by Education Solution Software.

2.9 KCC annual audit of accounts – Sample testing of schools' financial statements are included in the annual KCC audit carried out by Grant Thornton.

3. Summary of Findings

3.1 Alongside the compliance programme, the analysis of returns, training programme and traded activities with schools, SFS regularly liaise and work with other colleagues who support schools. This includes meetings with Area Education Officers and School Improvement Officers to ensure KCC have a complete picture of a school, so that support can be provided to the Headteacher, finance staff and governors to ensure the school is financially well managed.

3.2 Although the compliance programme was suspended for the period of this report, the internal audit provides a judgement of adequate with prospects of improvement being very good.

3.3 Due to the suspension of the compliance programme there were some schools that did not meet the rule of having a compliance visit once every four years. In acknowledgement of this, additional resources have been provided so that 170 school visits instead of 100 visits can be done over the period September 2021 to August 2022. By carrying out the additional 70 visits this will ensure that all schools are within the required cycle of a visit once every four years by September 2022.

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.