

By: Rory Love, Cabinet Member for Education and Skills
Sarah Hammond, Corporate Director of Children, Young People and Education

To: Governance and Audit Committee – 1 February 2024

Subject: SCHOOLS AUDIT ANNUAL REPORT- PERIOD APRIL 2022 TO MARCH 2023

Classification: Unrestricted

Summary: Kent County Council's (KCC) Chief Finance Officer (CFO) has to annually certify to the Department for Education (DfE) that there is a system of audit for Local Authority (LA) maintained schools that gives adequate assurance over the standards of financial management and the regularity and propriety of their spending.

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 the processes, metrics and controls that provide assurance over the financial management standards in LA schools. Unless stated otherwise, these processes are carried out by Schools Financial Services (SFS), a service within The Education People.
- 2.2 Financial Compliance Programme – Each LA school will receive a financial compliance visit at least once every four years that consists of 118 targeted questions covering 8 different areas of control including governance and leadership, financial planning and monitoring and procurement.
- 2.3 During the period April 2022 to March 2023, 99 schools were visited compared to a typical year of between 100 and 105 schools. The missing school converted to an Academy on the 31 March 2023. The compliance programme now meets the criteria of a school visit once every four years.
- 2.4 Appendix A provides an overview of the different areas of the compliance programme, whilst showing which categories had the most recommendations.

The spreadsheet also depicts how many of these were critical recommendations and how many were requires action.

- 2.5 Table 1 on Appendix A reflects the re-commencement of the Compliance programme after Covid. Table 2 shows the period April 2022 to August 2022. Ordinarily, data would be provided for a 12-month period, but during the summer of 2022 the compliance programme underwent a thorough review and as a consequence was updated. This resulted in an overall reduction in questions from 120 to 118, but also some minor adjustments within the categories.
- 2.6 For the period April 2022 to March 2023, of the 118 questions asked of each school, or 6,018 questions asked in total across all 99 schools:
- 208 questions (6.80% of the total compliance visit) came back with critical recommendations, meaning those schools did not fully comply with the Scheme for Financing Schools/Financial Controls.
 - 244 questions (8.25% of the total compliance visit) came back with requires action, meaning these areas need attention but were not as urgent or as serious as those classed a critical.
 - This means of the 118 questions asked of the 99 schools – 84.95% were compliant
- 2.7 Where a school receives a critical or requires action recommendation as a result of the compliance visit it receives a detailed report showing areas of non-compliance, the risks attached to continued non-compliance and detailed findings of the areas that need to be corrected. This final compliance school report is sent to the Chair of Governors and the Headteacher in a PDF format.
- 2.8 Following this, depending on the level and severity of non-compliance, schools will be asked to either send in evidence of compliance, or a follow-up compliance visit will take place.
- 2.9 For schools with critical recommendations, the main issues fell within the category of “Procurement”. The recommendations covered many areas not being adhered to by schools, such as budget holders not agreeing to a purchase prior to the order being placed. As result of this detailed discussions with the CYPE Schools finance team took place and Financial Control Number 7 was fully updated, placed on Kelsi and presented at Finance Information Groups.
- 2.10 Within the requires action recommendations, the area with most concern was “Bank Account and Petty Cash”, although a number of other categories were also not compliant.
- 2.11 In light of these findings via the compliance programme, we regularly provide topical updates and training in these areas. Examples being:
- Updates to all Kent Schools via the E-Bulletin or SFS Update emails on subjects which aid schools’ leaders and finance staff in being compliant

with funding, statutory returns and the STPCD.

- Training for Headteachers, Governors and finance staff on all aspects of school's finance, all of which refers back to the Scheme for Financing Schools and Financial Controls.
- Advice and guidance via our Helpdesk on all compliance and statutory related issues.

2.12 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 304 LA schools (1 Nursery, 258 primary, 19 Secondary, 21 Special, 5 PRU) submitted a return that met the required deadline.

2.13 Budget and monitoring statutory returns – LA schools have to provide annually a 3 Year Budget Plan by the 31 May, 6 and 9 month monitoring during the year, and year end outturn. All schools have been compliant in providing these returns. SFS robustly scrutinise financial returns including using trend analysis, so that schools can be identified at the earliest opportunity if there is any sign of financial difficulties.

2.14 Traded financial services - SFS provides two types of traded financial service to schools. The benefit of this is twofold. The first is that it supports good financial management in schools. The second is that a gross profit margin of around 25% is achieved which contributes towards the cost of statutory services, for example the School Support Team who assist schools in or facing financial difficulty. The two types of traded services are:

- An individual school specific bursarial service for around 106 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 385 schools subscribe. For the period April 2022 to March 2023 there were 15,002 (phone calls 5,459, emails 9,543) logged and completed incidents.

2.15 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 2022-23 there were 93 training courses and 3 Finance Information Groups attended by over 981 delegates from Kent maintained schools and academies.

2.16 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 TES and a financial accounting system called Financial Management System 6 provided by Education Software Solutions. Currently SFS are in the process of becoming accredited with Bromcom, meaning from April 2024 we will be able to support this finance system as well.

- 2.17 KCC annual audit of accounts – Sample testing of schools’ financial statements are included in the annual KCC audit carried out by Grant Thornton.
- 2.18 Deficit Schools – If there was one statistic to evidence that there is good financial management in LA schools it is the number of schools in deficit, which should be considered in the context that Kent’s average Dedicated Schools Grant (DSG) National Funding Formula (NFF) per unit of funding is in the bottom 20%. At the end of the financial year 2021-22, 1.6% (5 schools) of Kent LA schools were in deficit, compared to LA national average of 8.8%. 1.5% (4 schools) of Kent LA primary schools were in deficit compared to 7.6% nationally.
- 2.19 At the end of the financial year 2022-23, 1.3% (4 schools) of Kent LA schools were in deficit. Unfortunately, we are unable to compare this against national statistics and averages as the figures are under embargo by the DfE until January 2024 at the earliest. The individual deficits of the four Primary schools are £41,004; £20,425; £53,472; and £134,632 making an average of around £62,383 per school. The national comparative data is not available. If Kent were to use the national average from 2022-23 of 7.6% they would have 20 LA primary schools in deficit.

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 Assistant Directors of Education, School Improvement Officers and Governors Service 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 Additionally, SFS works closely with the Schools, High Needs and Early Years Manager and team to ensure the Scheme for Financing Schools and Budgetary controls are kept up to date, edited and communicated with key changes when necessary.
- 3.3 The comparative data shows favorably the number of schools in deficit and the value of the deficits, which strongly suggests that financial management controls in place and non financial support network is robust and effective for Kent LA schools.

4. Opinion

- 4.1 The compliance programme which is the backbone of assurance for KCC is a robust, objective, reliable, impartial, and accurate process. Moreover, it is supported by the analysis of statutory returns, the financial training programme, support for schools in deficit and preventing them going into deficit, traded work completed in schools and the schools’ own self assessments. All of this provide suitable assurance for the CFO to sign the annual DfE assurance statement.

5. Recommendations

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

David Adams
Area Education Officer (South Kent)
david.adams@kent.gov.uk
Tel: 03000 414989

Christine McInnes
Director Education
Christine.mcinnnes@kent.gov.uk
Tel: 03000 418913

Appendices

Appendix A - SFS Compliance comparison 2021-22 and 2022-23