

Title of report: Update Report on Schools Audits

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REASON FOR ITEM

To meet the committee's request for a separate schools' audits report.

This report provides the Audit Committee with a summary of Internal Audit (IA) activity in schools and the initiatives to improve financial management in schools. This fulfils the requirements of CIPFA's Code of Practice for Internal Audit in Local Government to bring to Members' attention periodic reports on progress against planned activity and any implications arising from Internal Audit findings and opinions

OPTIONS AVAILABLE TO THE COMMITTEE

To note the progress in following up previous recommendations and the initiative to improve financial management in schools in the future.

INFORMATION

• **1. Background to request for report**

1.1. In previous meetings the committee had expressed concerns about the high number of recommendations following schools' audits and the significant number of schools receiving limited assurance. Consequently the Director of Education and Children's Services was asked to attend the Audit Committee in May 2009. He explained the unique delegated funding arrangement for schools, which gives governing bodies control over the finances, except in the most extreme circumstances.

1.2. This report brings together the progress made in following up schools audits and outline actions taken centrally to encourage and support better financial management in schools.

• **2. Progress Against Previous Recommendations Made**

2.1. Although the period since the last audit committee meeting has coincided with the long school holidays, we have managed to follow up a large number of the outstanding recommendations with schools. We have done this either by direct contact or by reviewing the evidence we gathered from the Financial Management Standard in Schools (FMSiS) certification.

2.2. Table 1 shows the progress against recommendations made. Overall 60% of high and 69% of Medium recommendations had been addressed. Only twenty of the high recommendations and none of the medium relate to 2007-08 audits.

Table 1

AUDIT TITLE	Year of Audit	HIGH	MEDIUM	LOW	IMPLEMENTED HIGH	IMPLEMENTED MEDIUM	IMPLEMENTED LOW	NOT IMPLEMENTED
Queensmead	2007-8	2	1		2	1		0
Barnhill	2007-8	1			1			0
Ladybankes Junior	2007-8	20			16			4
Ladybankes Infant	2007-8	3			3			0
Bishop Winnington Ingham	2007-8	6			6			0
Dr Trippets	2007-8	6	1		2	1		4
Longmead Infants	2007-8	4			4			0
rabsfarm	2007-8	1			1			0
Warrender	2007-8	2			2			0
Woodend Park Primary	2007-8	12	1		8	1		4
West Drayton	2007-8	12	1		4	1		8
Oak Farm Infants	2007-8	1			1			0
Whitehall Infants	2008-9	5	2	1	2		1	5
Whiteheath Infants	2008-9	3	2	0	2	1		2
Coteford Junior	2008-9	8	3	0	3	2		6
Frithwood	2008-9	9	0	0	5			4
Grange Park Infant	2008-9	3	2		1	1		3
Grange Park Junior	2008-9	14	2		4	2		10
Hermitage	2008-9	13	0		11			2
Newham Junior	2008-9	5	2		1	1		5
Oak Farm Junior	2008-9	2	3	3	0	2	1	5
Ruislip Gardens	2008-9	8	4		3	3		6
Sacred Heart	2008-9	6			3			3
St Matthews	2008-9	3	6		1	5		3
Yeading Infants	2008-9	13			12			1
Yeading Junior	2008-9	8	1	1	7	1	1	1
Newham Infants	2008-9	10	1		6	1		4
Whitehall Junior	2008-9	10	2		4	0		8
Hedgewood		11	1		6	1		5
		201	35	5	121	24	3	93
% Implemented by Risk					60%	69%	60%	
Overall % Implemented								61%
Overall % Not Implemented								39%
								100%

2.3. Table 2 shows the recommendations outstanding at schools where we have not yet followed up. This was either because the school did not respond before the holidays or because, in the case of 2008-9 audits, the reports had only recently been finalised. Of the 105 high recommendations outstanding only 25 relate to 2007-08 audits and two schools account for most of these (15). Follow up of these is being prioritised in the current term.

2.4. By the end of the current school term we will have followed up the recommendations from all audits undertaken by the contractor. In the current financial year we will be auditing 11 primary and 16 secondary schools using the in-house team. Seventeen schools have so far asked LBH audit team to certify their compliance with FMSiS standards and we expect this to number to increase slightly before the deadline for appointing assessors on 23 October 2009.

Table 2

AUDIT TITLE	Year of Audit	HIGH	MEDIUM	LOW
St Andrews CofE	2007-8	1	0	0
Cherry Lane Primary	2007-8	2	0	0
Field End Infants	2007-8	1	0	0
Harefield Infants*	2007-8	0	1	0
Minet Junior	2007-8	4	0	0
Brookside	2007-8	10	0	1
St Catherine's Infant & Nursery	2007-8	5	1	0
Guru Nanak Primary	2007-8	2	0	0
St Swithun Wells RC	2008-9	8	0	0
Bourne	2008-9	4	0	0
Hillside Infant	2008-9	11	3	0
Holy Trinity	2008-9	8	3	0
St Bernadette's RC	2008-9	18	1	0
St Mary's RC	2008-9	4	1	0
Breakspear Infant	2008-9	3	0	0
Ryefield	2008-9	5	1	0
Moorcroft	2008-9	6	1	0
Willows	2008-9	8	0	0
McMillan Nursery	2008-9	5	0	0
Total		105	12	1

• **3. Other Improvements in Services to Schools**

3.1. Liaison between audit, schools finance and the school improvement team has been increased. Feedback is requested on all schools before an audit is carried out and discussions take place after an audit if any major problems or confusions are found. We have also established good links with School Improvement, Schools' HR and Governor Services and raise issues with them directly where appropriate.

3.2. The schools' auditor has taken part in training sessions for the school on FMSIS, giving an assessor's prospective and offering advice to the schools under going FMSIS this year. Within the council the Procurement Team are looking at ways of assisting schools with their procurement and the Head of Procurement has had discussions with the Director of Education and Children's Services with a view to attending Headteacher liaison meetings in the near future.

3.3. Audit has developed a termly newsletter for schools to cover recurring finance issues identified during schools' audits. Where possible this newsletter will utilise the expertise of other sections to help the schools with common problems. The first one, issued in June 09 gave advice on differentiating between finance and operating leases, as well as some sources of information for good finance practice in schools. This term's newsletter will cover purchasing arrangements and will have input from the procurement section.

3.4. Our intention is that, through the increased liaison internally and the work we are doing to reach out to schools, they will feel confident about approaching the Local Authority when they first encounter any finance problems. We can then work together to resolve issues before they become serious problems. To improve security of information transfer the schools' auditor has an HGfL email account from which most correspondence with schools will be sent.

SUGGESTED COMMITTEE ACTIVITY

The Committee are requested to consider the information reported and note the action taken.

BACKGROUND PAPERS

Schools Audit and FMSiS newsletter June 2009