



ISLINGTON SCHOOLS FORUM

Chair: Abi Misselbrook-Lovejoy
c/o Governor Services
222 Upper Street
London N1 1XR

SCHOOLS FORUM

MEETING DATE	15 July 2021
AGENDA ITEM 8	Schools Internal Audit Programme Outcomes (2020-21)
RECOMMENDATIONS	That Schools Forum: a) Notes the report from Internal Audit and provide comments b) Considers whether additional training is required for schools on areas where common issues have been identified at audit

1 Context

- 1.1 The Internal Audit service performs schools audits according to a standardised work programme composed of ten topics. We currently aim to deliver six or seven school audits each financial year. Schools are prioritised for audit on the basis of a risk assessment, taking into account any significant changes in leadership or staffing, financial position and any associated challenges, the time elapsed since the last audit was performed and the rating assigned at that audit.
- 1.2 The Internal Audit team completed four school audits during the 2020-21 financial year. A further two school audits from the 2020-21 audit plan are currently in progress due to pandemic-related delays. Outcomes of the four completed audits are summarised here, by topic and by priority ratings of the findings:

Topic	High	Medium	Low	Total
Purchasing and expenditure	3	1	0	4
HR and payroll	1	2	1	4
Governance	0	4	0	4
Contracts and leases	0	2	2	4
Asset management	0	2	2	4
Income and banking	0	2	0	2
Lettings	1	0	0	1
Financial management	0	1	0	1
Data protection	0	0	1	1
School fund	0	0	0	0

- 1.3 The audit outcomes highlight five areas of findings common to all four schools.

Purchasing and expenditure

- The Council's model Financial Regulations for schools state that orders should be raised and authorised prior to purchase, except in emergencies. All four schools had gaps in the use of purchase orders (POs). This often related to circumstances in which the school did not consider a PO necessary because the expenditure was authorised in an alternative way, such as through the existence of a contract, service level agreement or recurring subscription, or where the expenditure had been itemised and approved by governors as part of the annual budget setting process. However, while these types of scenarios can demonstrate prior approval of the expenditure, if expenditure is not accounted for on the financial system as soon as it is committed, it could hinder schools' capacity to accurately determine and monitor their financial position. It could also affect the quality of budget

information provided to governors for oversight purposes, as well as the returns that are submitted to the Council. Additionally, schools had not documented these scenarios within financial policies as exceptions to their purchase order processes.

- We noted in two cases that schools had not documented their policy or procedure regarding reimbursements of staff expenses. In both cases, the schools had adopted the Council's Model Financial Regulations for schools without making changes or additions to cover reimbursements. It should be noted, that we did not identify issues with the appropriateness or accuracy of reimbursements.

HR and payroll

- Part of the audit testing for HR and payroll looks at the adequacy and effectiveness of vetting processes for staff, contractors, agency/temporary workers and volunteers. This is based on Islington Council's Safer Recruitment Guidance for Schools and focuses on proof of identity, references and DBS checks. We identified missing or late information in two schools, with references being received after the individual's start date in several cases. While references for volunteers are not explicitly required by guidance material produced by the Council, we regard this as best practice in safeguarding, especially where outcomes of other checks are pending. References were not on file for volunteers within our sample at one school.
- Two schools were not able to demonstrate, by way of a countersignature or otherwise, that the Head teacher had reviewed and approved payroll reports, although both confirmed that the material had been shared and/or discussed with the Head teacher. This review step is key to ensuring separation of duties, and provides authorisation for monthly payroll amounts that is in line with delegated financial limits.
- Whilst the Council does not explicitly advise this in guidance to schools, we have recommended to all four schools that they introduce a leavers' checklist and procedure for staff. This best practice recommendation will help to ensure that all aspects of leaver administration are addressed correctly and consistently, reducing the risk of missed steps when a member of staff departs, such as omitting to recover school-owned equipment or revoke systems access.

Governance

- The audit programme looks at governors' approval of key policies and procedures, the administration of meetings of the Full Governing Body and sub-committees and the declaration and registration of governors' interests. Medium priority findings related to governance were reported across all four schools, most commonly regarding the approval of meeting minutes for the Full Governing Body and sub-committees. Approval of minutes is a key control to ensure that minutes are an accurate reflection of the matters discussed, decisions taken and actions identified at a prior meeting.

Contracts and leases

- Common findings involved gaps in contract documents held on file and inconsistent locations and formats of the material, with many contracts being held only in hard copy. Our recommendations focused on backing up all contract material electronically to a single, restricted file location to support visibility, accessibility and monitoring of contractual arrangements.
- While the Council does not explicitly require this, as a matter of best practice we have recommended to schools that governors are presented with an up to date contracts register as part of the annual budget review and approval process. This will help to remind governors of existing arrangements and provide an overview of their lifecycle costs, as well

as alerting new governors to any conflicts of interests that may arise in connection with suppliers.

Asset management

- Asset disposal policies and procedures led to audit findings in all schools. One school did not have a documented asset disposal procedure in line with the expectation set out in paragraph 12.1 of the Council's model Financial Regulations for schools. Where schools had developed their own policies for disposing of assets, they did not meet the requirements of sections 2.6.6-2.6.8 of the Council's Scheme for Financing Schools. Schools did not report disposing of any assets during the time period covered by the audits, so findings were limited to control design issues in all cases.
- An additional issue arose where schools had adopted the Council's model Schedule of Financial Delegation, as it does not reflect the requirement for governor approval of disposal of assets with a value below £500 set out in the Scheme for Financing Schools. In some cases this issue was exacerbated by schools developing their own asset disposal policy in addition to using the model schedule. We notified the Council team responsible for issuing model policies that this disparity may be confusing for schools.

2 Conclusion and reasons for recommendations

2.1 Based on common outcomes of the 2020-21 schools audits, schools may benefit from greater awareness and/or training provision in respect of:

- Purchase orders, covering:
 - The purpose and significance of POs;
 - The need for a clear policy outlining the approach to POs and any exceptions to the requirement for POs;
 - How to effectively account for committed expenditure which does not require POs; and
 - How to use FMS software to support the use of POs across a range of scenarios.
- Pre-appointment vetting requirements, particularly in respect of volunteers, and the scope and limits of schools' discretion around vetting matters; and
- The Council's mandatory requirements regarding debt write-offs and the disposal of assets.

2.2 The Internal Audit team is engaged in on-going discussion with the Schools Finance team, to refine the future shape of school audits. We aim to ensure that our work programme for schools audits is relevant, up to date and closely aligned with legal requirements, key government guidance, the Council's Scheme for Financing Schools and wider best practice. The programme is currently being reviewed and refreshed for 2021/22. We anticipate that the updated approach will improve audit efficiency, enabling us to optimise coverage of Islington's schools in the longer term.

Contact

Laura Westwood
Principal Auditor
Tel: 020 7527 5677
Email: laura.westwood@islington.gov.uk