

Orbis Internal Audit- Schools Bulletin

Audit Update – Summer Term 2021

Objective

The objective of these bulletins is to assist School Governors in meeting their core strategic functions as set out in the Governance Handbook published by the Department for Education.

- Ensuring clarity of vision, ethos, and strategic direction.
- Holding executive leaders to account for the educational performance of the organisation and its pupils, and the performance management of staff; and
- Overseeing the financial performance of the organisation and making sure its money is well spent.

The Governance Handbook states that asking the right questions is equally important in relation to money as it is to educational performance.

This bulletin is to update school governors on the school audit function. Through our delivery of school audits, we provide assurance to school leaders, Governors, Council Officers and Councillors that effective financial controls are in place. We also pick up on some practices, that whilst not financial, may also be a risk to the school. Our aim is to help improve processes and controls at the school.

Impact of COVID 19 on the School Audit Programme

At the start of the pandemic, in March 2020, a decision was taken to halt the delivery of school audits. It was felt that schools, adjusting to all the changes required so that they could deliver education in accordance with the new COVID-19 restrictions, would find an audit an unnecessary distraction.

During this time Orbis Internal Audit has continued to deliver some audits to other parts of the Council and members of our team have been re-deployed to areas within the Council responding directly to the pandemic. We have increased the level of support and advice on offer, particularly where new work processes were being introduced to enable home working and to communicate new fraud risks.

We know that schools have been incredibly busy ensuring staff and pupils are safe, delivering education both remotely in pupils' homes and in school classrooms. During this time, processes may have changed and controls normally in place, may have weakened. Unfortunately, we have seen an increase in fraudulent attempts on schools since the start of the pandemic.

We are planning to restart school audits from September 2021, although there will be some follow up audit activity and a themed review on unofficial voluntary funds (school fund) taking place before the summer holidays.

We choose schools to audit, based on risk. The following are examples of information that may be considered; date of last audit, financial management, SFVS returns, and staff turnover.

April 2021

School Audit – What to Expect

Governors will be informed that an audit is taking place and can nominate a governor to attend the closing meeting. Any questions, concerns or feedback from governors can also be raised during the audit process. The Headteacher and School Business Manager or Bursar will be the main contacts for the school auditor, though any staff or governors involved in financial processes may be contacted during the audit.

The auditor will have an opening meeting with the school and will request the documents required for the audit. This may also involve speaking to the Business Manager or Bursar to run through financial processes at the school. We find that schools can be very different in the way they operate and the delegation of responsibilities. As part of the audit we will also test a sample of transactions so that we can review how a process works in practice.

The closing meeting will take place at the end of the audit. The auditor will explain the findings from the audit, highlighting any risks and will discuss how the school can improve the controls. This is also an opportunity for the school to discuss any concerns they have.

The auditor will write an audit report that will be sent to the school. It is expected that the audit report would be included on the agenda for the next governing body meeting and that all governors receive a copy of it. The report will include actions for the school to take to mitigate the risk and the Governing Body have a responsibility to monitor that these have been implemented.

When the school receives the school audit report, it will include an audit opinion and there will be a summary explaining the audit opinion. We use the following four audit opinions for our reports.

Substantial Assurance	Controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
Reasonable Assurance	Most controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
Partial Assurance	There are weaknesses in the system of control and/or the level of non-compliance is such as to put the achievement of the system or service objectives at risk.
Minimal Assurance	Controls are generally weak or non-existent, leaving the system open to the risk of significant error or fraud. There is a high risk to the ability of the system/service to meet its objectives.

For schools that receive a minimal assurance report, we will schedule a follow up audit. Some schools that receive a partial assurance report may also get a follow up audit, depending on the issues identified.

The findings in the report have a risk rating of low, medium, or high. We follow up on all issues considered high risk to gain assurance that mitigating actions have been implemented. It is the

assessment of the risk factors, combined with the number of issues identified, that determine the audit opinion.

The audit opinion is carefully considered and reviewed within the team. The Orbis IA team adheres to professional standards, Public Sector Internal Audit Standards, and staff are qualified and experienced. The team works across Council directorates and services delivering audits and offering advice.

New Remote School Audit Process

It is not clear yet what the advice will be on working practices for Council staff in September 2021. Since March 2020, our team has been requested to work from home. With this in mind, we have developed a way of delivering school audits remotely without physically visiting the school. Whilst we would prefer to do a site visit, this may be delayed whilst COVID restrictions are still in place.

We will contact schools via email and or telephone to arrange audits and request documents. Meetings will be held via Microsoft teams or where that is not available a similar online meeting application.

Audit Coverage

During the audit we look at a range of evidence collected by conversations with staff, sample testing, school documents and the school website. The audit may not necessarily highlight all areas where there are weaknesses. Due to the limited nature of our tests, errors or irregularities may occur and may not be detected during the audit. The summary below shows some of the areas we review during an audit.

Governance

We review the structure of the Governing Body, delegated responsibilities, and frequency of meetings to see if they meet the needs of the school. We review how decisions are made, approved, and documented. We also review how information is shared with staff and parents. We realise that during the pandemic Governing Body meetings may have moved online and may operate slightly differently. It is probably a timely reminder to ensure that all Governing Body meetings are documented and that decisions made are formally recorded.

Financial planning and budget monitoring

We review financial planning and links to the school improvement plans. Are leaders of the school able to identify gaps in funding and plan accordingly? We also review the budget monitoring process. Are budget variances understood and is corrective action being taken? During the pandemic there may have been unplanned expenditure that has put pressure on school budgets. School may also have applied and received government grants, set up in response to COVID-19.

Payroll and Personnel

We review the safeguarding checks in place for new staff starting at the school and for when staff leave. We look at overtime or additional payments and the process for approval. Is a payroll reconciliation completed and reviewed monthly?

Procurement and Purchasing

We review the procurement process, approval of expenditure and management of contracts. We review expenditure transactions, including those made using corporate purchasing cards, petty

cash transactions and expenses paid to employees. We also look at the process to safeguard assets and equipment purchased by the school.

Income

We examine the process to request, receipt, bank, and record income. Many schools have reduced the use of cash by using online payment systems but where cash is still being collected, we will review cash control procedures.

Unofficial Voluntary Funds (School Fund)

We will look at voluntary funds that are under the control of the school. We will look to see that there is a clear intended use for the funds and that they are audited. Is there appropriate financial monitoring in place? Is there any transfer of funds between these accounts and budget share?

Control of Data

During the audit we will check that data protection procedures are in place.

How Can Schools Prepare for an Audit

We are often asked how schools could prepare for an audit. The following may be useful to consider.

- Review the schools SFVS return, using the DFE resource documents and guidance. Look at implementation of any actions included in the SFVS.
- Ensure that governance documentation to support decision making is easily accessible and provides a clear audit trail.
- All declarations of interest are up to date and any where there could be a conflict of interest have been considered. Appropriate action is being taken to manage the risk.
- Ensuring that school staff are aware of and have access to policies and procedures in place designed to protect the school from risk.
- The school website is up to date and all statutory published information is available.

Governors play an important role. You can support the school by asking questions and seeking assurance that the school is operating effectively, that finances are well managed, and appropriate safeguards are in place to protect school resources.

Key Contacts

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To Report Fraudulent Activity

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