

Partneriaeth Pen-y-Bont a'r Fro
Bridgend & Vale Partnership
working together - gweithio ar y cyd



**Bridgend & Vale
Internal Audit
Shared Service**

Confidential

**Internal Audit
Report**

**BCBC
Summary of School Reports
2011/12**

**Directorate: Children
Date: December 2012**

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1. Introduction

- 1.1 In 2011/12, a shared service arrangement between Bridgend and the Vale of Glamorgan Internal Audit was officially formalised, now known as Bridgend & Vale Internal Audit Shared Service. Following this, the school work programmes for both Authorities were reviewed and a combined work programme developed to ensure a consistent approach.
- 1.2 This combined work programme incorporates a risk strategy which takes into account the result of any previous audit work, the Control Risk Self Assessment Questionnaire (CRSA) submitted within interim years and completion of a Pre-audit Questionnaire (PAQ), in order to inform the individual risk assessment process undertaken for each school. This enables Internal Audit to recognise controls in place at each school and highlight any possible risks when determining the frequency of visits and scope of audit coverage, therefore ensuring that resources are targeted effectively. Thus, not all areas of the schools work programme will be subject to review during the audit visit as assurance will be gained from previous audit work, CRSA and PAQ.
- 1.3 This allows the Chief Internal Auditor to obtain assurance that internal controls are operating effectively at schools and contributes to the overall annual audit opinion as stated in the BCBC Statement of Accounts.
- 1.4 There are 63 schools in Bridgend County Borough Council (9 Secondary, 50 Primary, 2 Nursery and 2 Special Schools). In 2011/12 the CRSA was issued to 51 schools not subject to a visit in that year. Audit visits were limited to those schools deemed high risk due to changes in management structure or having assurance issues in the previous financial year, as well as those due for review under the usual 3 yearly rolling programme of school visits. A total of 12 audit visits were conducted during 2011/12, which included 11 primary schools and 1 comprehensive school. An additional 2 follow up reviews were undertaken at schools where audit opinions in the previous financial year resulted in limited or no assurance being provided. 1 school had cancelled a visit and this had been re-arranged and included with the schools programme for 2012/13.
- 1.5 Schools undergoing amalgamation are subject to a visit post amalgamation to ensure that controls are bedding in well and to provide advice and guidance where possible. During 2011/12 there was an amalgamation between Ogmere Vale and Ynysawdre Comprehensive School now known as Coleg Cymunedol Y Dderwen. Pandy Infants School also merged with Tondu Primary School both these new schools will be visited within the 2012/13 financial year.
- 1.6 This report sets out the findings of financial resources available, the analysis of CRSA received, outcomes of audit visits undertaken, the results of Client Satisfaction Surveys and also any other associated

areas within schools covered by Internal Audit during the 2011/12 financial year.

2. Financial Information

- 2.1 School budgets are delegated to the control of School Governors under the Financial Scheme for Schools (FSS) which includes financial regulations and standing orders. The Individual School Budgets for 2011/12 and comparative figures for 2010/11, as recorded on the Council's financial system, were as follows:

Table 1

	2011/12	2010/11
Secondary Schools Budget	£39,660,271	£33,423,131
Primary & Nursery Schools Budget	£38,623,489	£38,945,676
Special Schools Budget	£6,592,035	£6,135,284
Total	£84,875,795	£78,504,091

The schools also obtain additional income in the form of various Welsh Government (WG) grants and initiatives.

- 2.2 In September 2010 the School Funding (Wales) Regulations 2010 came into force. The new regulations provide local authorities with new powers to direct spending or claw back monies where surplus budgets held by schools exceed £50k for primary and £100k for secondary and special schools. The Financial Scheme for Schools currently states:

Schools will be required to complete a proforma at the end of each financial year, detailing how they intend to make use of their school balances over the coming financial year. The proforma will identify the following main areas:

- *General Contingency*
- *Retrospective Adjustment*
- *School Planned Initiatives*
- *Demographic Change*
- *Unexpected Income/Expenditure*
- *Deficit*

Following guidance from WAG, the scheme will be amended to include the following additional paragraphs:

... once the accounts are closed, schools with balances in excess of these amounts will be required to provide a more detailed breakdown of how they intend to use these balances. These surpluses will only be allowed to be carried forward with the approval of the Corporate Director Children and the Chief Finance Officer (or his or her representatives)

A new Policy has been approved for the claw back of funds and the FSS updated to reflect changes in Regulations.

2.3 Table 2 below sets out the cumulative surplus and deficit balances identified and carried forward into 2012/13.

Table 2

Category	Total Number of schools	Cumulative Surplus	Number of schools with Surplus	Deficit Balance	Number of schools with Deficit
Secondary Schools	9	£1,622,349	9	£0	0
Primary Schools	50	£1,752,950	41	£165,523	9
Special Schools	2	£659,310	2	£0	0
Nursery Schools	2	£143,905	2	£0	0
Total	63	£4,178,514	54	£165,523	9

2.4 From analysis it was established that, as at 31st March 2012, 54 schools had a surplus balance of which there were 16 Primary/Nursery schools with a surplus in excess of £50K, 8 Secondary and 2 Special schools with a surplus in excess of £100K. Under Regulations claw back was exercised centrally for 3 primary/nursery schools.

2.5 Whilst there were no Secondary, Special or Nursery Schools with deficit balances, in the Primary sector there were 9 with a cumulative balance of £165,523.

3. Control Risk Self Assessment (CRSA)

3.1 A CRSA is issued to schools in the interim years between audit visits. The aim of the CRSA is to enable Head teachers to review and ensure that they undertake and comply with requirements of the FSS which is based on the legislative requirements of the Schools Standards & Framework Act 1998. The questionnaire also covers a number of other operational risks and controls which come under the management of the school. The objectives of the CRSA is to provide both a tool for Internal Audit to evaluate the financial and other related controls in operation at schools, and also a basis upon which the scope of audit and frequency of visit can be determined.

3.2 The CRSA is based on areas covered within the school audit work programme and serves schools in the identification and self evaluation of risks and controls in place. Schools are also required to submit supporting documentation for certain areas to demonstrate compliance and therefore allows Internal Audit to glean a degree of assurance on the control of risks. Positive and negative responses to each area are

evaluated and an overall % score applied as follows, greater than 80% = very good, 65 – 79% = good, 50 – 64% = fair and below 50% = poor.

- 3.3 In 2011/12 CRSA were sent out to 51 schools that were not scheduled for an audit visit. Of these, 43 were Primary Schools, 1 Nursery School, 5 Secondary Schools and 2 Special Schools were targeted. Responses were received for 100% of Primary and Nursery Schools and 100% for Secondary and Special Schools. Of the self evaluated responses received 100% of schools achieved greater than 80% score and were therefore deemed to have 'very good' internal controls in operation.

4. School Audit Visit Findings

- 4.1 During 2011/12 the work programme was subject to revision and a risk assessment based on previous audit work, CRSA results and conclusions of the PAQ was introduced. Therefore each school visited had a unique programme designed to target areas of the highest risk within that school. A more detailed review was undertaken at Secondary schools to reflect the size and nature of their operations.
- 4.2 During 2010/11 and 2011/12 the programme of visits incorporated the following number of schools:

Table 3

	Schools Visited During 2011/12	Schools Visited During 2010/11
Secondary Schools	1	3
Primary & Nursery Schools	11	10
Special Schools	Nil	Nil
Total	12	13

- 4.3 The following details the complete list of possible areas that could be covered during an audit visit at both Primary and Secondary schools:

- Imprest Account/Petty Cash
- Cash & Deposits/School Meals Income
- Free Meal Allocation
- Procurement and Payments
- Budgetary control
- Child Protection
- Health & Safety
- Unofficial Fund
- Assets and Inventories
- IT security and Data Protection
- School Transport
- Governance
- PLASC

- Main bank account reconciliation (where applicable)

4.4 Audit visits to Primary Schools typically last one day, whilst visits to Secondary Schools and Special schools will typically last approximately 3 days across a team of Auditors.

4.5 At the conclusion of an audit visit a formal report is produced which makes recommendations for any improvements necessary and gives an overall audit opinion as to the adequacy of the internal control environment. Audit opinions range from Substantial Assurance, where controls were operating well, Reasonable Assurance where some weaknesses were identified none of which were fundamental in nature and Limited or No Assurance where fundamental weaknesses have been identified which compromise the overall control environment. The table below presents comparative results of audit opinions for those schools visited between 2010/11 and 2011/12:

Table 4

Audit Opinion	2011/12	2010/11
Substantial Assurance	3	2
Reasonable Assurance	7	9
Limited Assurance	2	2
No Assurance	Nil	Nil
Total Schools	12	13

4.6 When comparing the two years and number of schools visited it can be identified that in 2010/11, 15% of schools visited resulted in Substantial Assurance where as in 2011/12 25% resulted in the same, with 69% in 2010/11 and 58% in 2011/12 gaining Reasonable Assurance. It is of concern to report that 2 schools received an audit opinion of Limited Assurance (*Ysgol Y Ferch and Tremains Primary*) and both will be re-assessed as part of the Internal Audit Plan for 2012/13.

4.7 A list of school meal income arrears was provided from Catering for 2011/12. As at 31st March 2012 there were 15 Primary schools with arrears in excess of £300 of which 3 had been audited during the 2011/12 financial year. For 2 of the 3 schools significant recommendations had been made within this area, with another school where arrears were in excess of £2,000, having a Fundamental recommendation. All Schools were reminded of the Authority's Catering School Meals Policy in force at the time.

4.8 In 2011/12 a pilot scheme for the usage of Purchasing Credit Cards had been undertaken by Bryntirion Comprehensive School and YGG Llangynydd. At Bryntirion Comprehensive School this has proved to be successful in particular for internet purchases where value for money could be demonstrated, however the Primary school had processed few payments via this method. It is the intention of the Procurement Section to roll out this facility to schools further during 2012/13.

4.9 Recommendations made to schools during the course of the 2011/12 year were categorised according to their significance of the weaknesses identified as Fundamental, Significant or Merits Attention. Those that were Fundamental or Significant in nature required immediate attention to mitigate risks identified whereas those categorised as Merits Attention relate to suggestions for improvement or are deemed to be of low risk.

4.10 Recommendations made during the audit reviews of Primary and Nursery Schools in 2011/12 are summarised in Table 5 below:

Table 5

Area of review	Number & Type of Recommendations made			
	Number	F	S	MA
Imprest Account				
School Meals Income	15	1	6	8
Free School Meals	1		1	
Procurement & Payments	18		5	13
Budgetary Control	2		1	1
School Income	4		3	1
Private Fund	6		3	3
PLASC				
Asset and Inventories				
IT	3			3
Health & Safety	7			7
Child Protection	14		4	10
Governance	9		2	7
Bank Reconciliations & cheque control (If Applicable)				
Transport	1		1	
Staffing				
Total	80	1	26	53
School visits	11			
Average Recommendations per school	7			

**Key: F= Fundamental
S= Significant
MA= Merits Attention**

4.11 From the total number of recommendations made for Primary and Nursery Schools it was established that 19% were within School Meals Income, 23% within Procurement & Payments & 18% related to Child Protection. It was identified that 1% was categorised as Fundamental, 33% were Significant and 66% were Merits Attention recommendations. A more detailed analysis of those areas where more frequent recommendations were made is as follows:

- *Procurement & Payments:* Overall 23% of total recommendations were attributed to this area, equating to 18 recommendations. Of

these 5 were Significant and 13 Merits Attention weaknesses. The 5 Significant weaknesses identified related to quotes not being obtained where the order value was £1,000 or more, also orders being raised in retrospect, following receipt of the invoice.

- *School Meals Income:* Overall 15 (19%) of total recommendations were attributed to this area. Of these 1 was Fundamental, 6 were Significant and 8 were Merits Attention weaknesses. Both the Fundamental and Significant weaknesses related to the identification of school meals income arrears, a lack of monitoring of outstanding amounts and non compliance with BCBC Catering Policy on arrears.
- *Child Protection:* Overall 14 (18%) of total recommendations were attributed to this area and of which 4 were Significant and 10 Merits Attention weaknesses. The Significant recommendations relate to the expiry of CRB checks, Policies not being reviewed and updated where necessary, risk assessments not being undertaken by the Head Teacher in the absence of the CRB check for new employees and possible breaches of CRB regulations in respect of the retention of CRB documentation.

4.12 In conclusion there appears to be similarities in the types of recommendations being made at schools particularly within those areas detailed above. Internal Audit continues to provide advice and guidance to schools where applicable to mitigate risks identified and thereby improving systems where necessary.

4.13 Based on the 3 year rolling programme there was 1 Secondary School audit visited during 2011/12, that being Bryntirion Comprehensive School. The overall audit opinion was Substantial with only 4 recommendations made within the eight areas examined: 1 significant recommendation made regarding risk assessments being completed for Health & Safety, 3 Merits Attention recommendations that related to Health & Safety and Procurement & Payments.

4.14 There were no audits undertaken on Special Schools in 2011/12.

5. Client Satisfaction Surveys

5.1 Following the audit visit and debrief discussion with the Head Teachers, a draft report on the audit findings and recommendations is sent to each school for agreement and response by the Head Teacher. A subsequent agreed final report is issued to the school for presentation to the Governing Body.

5.2 It is at this stage that Head Teachers are asked to complete a Client Satisfaction Survey (CSS) as a means of expressing their opinion on the audit process. Responses are utilised by Internal Audit to gain assurance on delivery of services provided or make improvements where it is deemed necessary. It was disappointing to note that only 4 out of 12 schools visited returned their Client Satisfaction Survey.

- 5.3 The CSS covers 10 areas of the audit process including planning, conduct and reporting, culminating in the overall agreement of the audit opinion provided. Responses range from Very Satisfied, Satisfied, Just Adequate and Unsatisfactory for each of the 10 areas. An analysis of responses revealed that 90% represented Very Satisfied or Satisfied with 10% of Just Adequate and there were no unsatisfactory responses. Any responses of Just Adequate or Unsatisfactory are followed up with the school in an attempt to address any issues raised.