

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
2012/13**

**Directorate: Children
Date: August 2013**

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1. Introduction

- 1.1 Internal Audit is an assurance function that provides an independent and objective opinion to the organisation on the control environment which encompasses the systems of governance, risk management and internal control, by evaluating its effectiveness in achieving the organisation's objectives. It examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources and in accordance with the Public Sector Internal Audit Standards (PSIAS) effective from 1st April 2013
- 1.2 Since the introduction of the Internal Audit Shared Service arrangement and subsequent implementation of the combined audit work programme, it can be established, as evidenced through completed Client Satisfactory Surveys as detailed in section 5 below and verbal comments received, that processes have been favourably received.
- 1.3 This combined work programme incorporates a risk strategy which takes into account the result of any previous audit work, the results of the Control Risk Self-Assessment Questionnaires (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.
- 1.4 This process allows the Chief Internal Auditor to obtain assurance that internal controls are operating effectively at schools and contributes to the overall Head of Audit's annual audit opinion which is reported to the Council's Audit Committee and upon which the Council's External Auditors will place reliance..
- 1.5 In 2012-13 there were 62 schools in Bridgend County Borough Council (9 Comprehensive, 50 Primary, 1 Nursery and 2 Special Schools). During the financial year CRSAs were issued to 38 schools not scheduled for an audit visit. 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 24 audit visits were conducted during 2012-13, which included 17 primary schools, 3 comprehensive schools, 2 special schools and 2 follow up reviews that were undertaken at schools where audit opinions in the previous financial year resulted in limited or no assurance being provided. In addition an investigation was undertaken at a primary school where numerous private fund accounts were identified that had not been declared to the Authority.
- 1.6 This report sets out a summary of the work undertaken and includes details 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 2012-13 financial year.

2. Financial Information

- 2.1 School budgets are delegated to the control of School Governors under the BCBC Financial Scheme for Schools (FSS) which includes financial regulations and procurement rules. The Individual School Budgets for 2012-13 and comparative figures for 2011-12, as recorded on the Council's financial system, were as follows:

Table 1

	2011/12	2012/13
Comprehensive Schools Budget	£39,660,271	£40,405,502
Primary & Nursery Schools Budget	£38,623,489	£40,852,675
Special Schools Budget	£6,592,035	£6,953,314
Total	£84,875,795	£88,211,491

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 Regulations provide local authorities with powers to direct spending or claw back monies where surplus budgets held by schools exceed £50k or 5% (whichever is the greater) for Primary and £100k or 5% (whichever is the greater) for Comprehensive and Special schools. The FSS 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 WG, 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 BCBC 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 2013/14.

Table 2

Category	Total Number of schools	Cumulative Surplus	Number of schools with Surplus	Deficit Balance	Number of schools with Deficit
Comprehensive Schools	9	£1,702,613	9	£0	0
Primary Schools	50	£1,514,577	41	£186,787	9
Special Schools	2	£679,681	2	£0	0
Nursery Schools	1	£27,113	1	£0	0
Total	62	£3,923,984	53	£186,787	9

2.4 From analysis, it was established that, as at 31st March 2013, 53 schools had a surplus balance of which 5 primary schools and 1 infant school had a surplus in excess of £50K or 5%, with 8 comprehensive and 2 special schools with a surplus in excess of £100K or 5%. Schools which fell into these categories were asked to provide a commentary on the surplus and indicate if it was accumulated for a particular purpose. From information provided by the Principal Finance Officer BCBC, and following a review of the identified schools' budgets and their submissions regarding the surpluses, it is proposed that, in line with regulations, claw back will be exercised for 10 schools in total, these being 5 primary schools, 1 infant school, 2 comprehensive schools and 2 special schools. Those schools for which claw back may be exercised have been informed and invited to respond before the clawback is effected. Table 3 below details those schools and the amounts proposed to be clawed back.

Table 3

Name of School	Claw back amount
Betws Primary	£ 10,000
Brackla Primary	£ 10,000
Bryncethin Primary	£ 10,000
Mynydd Cynffig Infants	£ 5,000
Caerau Primary	£ 15,000

Pen y Fai Church in Wales Primary	£ 10,000
Brynteg Comprehensive School	£ 50,000
Bryntirion Comprehensive School	£ 50,000
Héronsbridge Special School	£ 50,000
Ysgol Bryn Castle Special School	£250,000
Total	£460,000

- 2.5 The total of deficit balances of £186,787 related to 9 primary schools as listed in Table 4 below.

Table 4

Name of School	Deficit Balance at 2012-13 Year End
Mynydd Cynffig Junior School	£10,505.96
Nantyllyllon Primary School	£9,918.01
Nantymoel Primary School	£1,709.76
Penybont Primary School	£3,749.93
Ysgol Gynradd Gymraeg Cynwyd Sant	£42,485.83
Llangewydd Junior School	£5,139.92
Bryntirion Junior School	£26,453.83
Ogmore Vale Primary School	£12,738.71
Pencoed Primary School	£74,085.47
Total	£186,787

- 2.6 As part of the Internal Audit plan for 2013/14 a review of schools surplus and deficit balances is to be undertaken to evaluate compliance with WG Regulations and BCBC Policy.

3. Control Risk Self-Assessment (CRSA)

- 3.1 The 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 Financial Scheme for Schools (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 CRSA provides both a tool for Internal Audit to evaluate the financial and other related controls in operation at schools, thus providing assurance on the internal control environment and reducing the need for more frequent audit visits and as a basis upon which Head Teachers and Governors will also be able to place degrees of reliance on the systems for which they are responsible.
- 3.2 The CRSA is based on areas covered within the school audit work programme and assists schools in the identification and self-evaluation of risks and internal controls. Schools are also required to submit supporting documentation for certain areas to demonstrate compliance. The CRSA and supporting documentation is then assessed by the evaluation of the responses received. An overall % score is then applied as follows, greater than 80% = very good, 65 – 79% = good, 50 – 64% = fair and below 50% = poor.

3.3 In 2012/13 CRSAs were sent out to 38 schools that were not scheduled for an audit visit. Of these, 30 were Primary Schools, 1 Nursery School, 6 Comprehensive Schools and 1 Special School were targeted. Responses were received for 81% of Primary and Nursery Schools and 86% for Comprehensive 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 Each school, prior to the visit, completes a Pre Audit Questionnaire (PAQ) based on the responses received; the outcomes/findings of previous audit work, and the result of the previous CRSA forms the basis of a risk assessment process to determine the areas that will be included and covered at the visit. Therefore each school has a unique programme designed to target areas of the highest risk within that school. A more detailed review is undertaken at Comprehensive schools to reflect the size and nature of their operations.

4.2 During 2011/12 and 2012/13 the programme of visits incorporated the following number of schools:

Table 5

	Schools Visited During 2011/12	Schools Visited During 2012/13
Comprehensive Schools	1	3
Primary & Nursery Schools	11	17
Special Schools	Nil	2
Follow Up Audits	Nil	2
Total	12	24

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

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

- Main bank account reconciliation (where applicable)

- 4.4 To minimise any inconvenience to the staff at the School, Auditors typically spend one day on site at a primary school; whilst it is normal practice to spend approximately 3 days on site at Comprehensive Schools and Special schools..
- 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 and effectiveness of the internal control environment. Audit opinions range from Substantial Assurance, where controls were operating well, to No Assurance where fundamental weaknesses have been identified which compromises the overall control environment. The table below presents comparative results of audit opinions for those schools visited between 2011/12 and 2012/13:

Table 6

Audit Opinion	2011/12	2012/13
Substantial Assurance	3	16
Reasonable Assurance	7	8
Limited Assurance	2	0
No Assurance	0	0
Total Schools (Nursery, Primary, Comprehensive & Special Schools)	12	24

- 4.6 When comparing the two years and number of schools visited; it can be identified that in 2011/12, 25% of those schools visited resulted in Substantial Assurance whereas in 2012/13 67% resulted in the same, with 58% in 2011/12 and 33% in 2012/13 gaining Reasonable Assurance. There were no schools with Limited or No Assurance in 2012/13.
- 4.7 From the 2 schools that received an audit opinion of Limited Assurance in 2011/12, follow up visits were performed in order to ensure that recommendations made to enhance controls had been implemented. It was identified that controls had been implemented and the results of these visits had achieved Substantial and Reasonable Assurances.
- 4.8 Since April 2012, collection of school meals income has become the responsibility of each school with any losses or arrears being absorbed from within the schools budget. Whilst arrears will be assessed at the time of an audit visit, amounts identified will only be evaluated as at that point in time. It was established that the School Finance Support Officers were monitoring Free School Meals allocations against actual take up during this first year of delegated budgets. The 3 Comprehensive schools visited all have payment on purchase via fobs therefore arrears do not occur.
- 4.9 Recommendations made to schools during the course of the 2012/13 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 Due to the risk assessment process prior to the commencement of the audit visit, not all areas as set out in 4.3 above were examined during the audit. Table 7 below represents the results from the areas examined within those schools tested and a summary of recommendations made during the audit reviews of primary and nursery Schools in 2012/13.

Table 7

Area of review within Primary & Nursery Schools	Number & Type of Recommendations made				Total
	Number of schools with areas tested	F	S	M A	
Imprest Account	3			2	2
School Meal Income & Free Meals	17		3	11	14
Procurement & Payments	17		1	15	16
Budgetary Control	14		2	3	5
School Income	4			5	5
Private Fund	5			4	4
PLASC	8			1	1
Asset and Inventories	1			3	3
IT & DP	2			3	3
Health & Safety	3			3	3
Child Protection & Staffing	17		6	17	23
Governance	6			11	11
Total recommendations		0	12	78	90
Primary & Nursery School visits	17				
Average Recommendations per school		5(17/90)			

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

4.11 From the total number of recommendations made for Primary Schools it can be established that 15% were within the administration and collection of School Meals Income area, 17% within Procurement & Payments and 25% related to Child Protection. Of the recommendations made during the period, 13% were Significant and 86% were Merits Attention recommendations. A more detailed analysis of those areas where more frequent recommendations were made is as follows:

- *School Meals Income:* Overall 14 recommendations were made within this area, of these, 3 were Significant and 11 were Merits Attention. The more significant weaknesses related to:
 - A lack of monitoring of arrears.
 - No spot checks of income and banking by the Head Teacher.
 - Packed lunches were not being provided to Free School Meal pupils whilst on school trips.

- *Procurement & Payments:* A total of 16 recommendations were attributed to this area, of these 1 was Significant and 15 Merits Attention. The 1 Significant recommendation related to a lack of alternative quotes being obtained where the order value was £1,000 or more.
- *Child Protection:* 23 recommendations related to this area of which 6 were Significant and 17 Merits Attention. The Significant recommendations related to:
 - CRB clearances not being in place prior to commencement of employment.
 - Full CRB documents being retained at schools.
 - Relevant Child Protection Training not being received by teachers/officers.

4.12 Recommendations made during audit reviews of the 3 Comprehensive and 2 Special Schools in 2012/13 are summarised in Table 8 below:

Table 8

Area of review within Comprehensive & Special Schools	Number & Type of Recommendations made				Total
	Number of schools with areas tested	F	S	MA	
Petty Cash Account	5				0
Till Income & Banking – Comprehensive schools	2				0
Free Meals	5				0
School Meal Income for Special Schools	2			1	1
Procurement & Payments	5			9	9
Budgetary Control	4		1		1
School Income	4		3	1	4
Private Fund	5		1	3	4
PLASC	5		1	5	6
Asset and Inventories	1			3	3
IT & DP	2			1	1
Health & Safety	2			2	2
Child Protection & Staffing	5				
Governance	5			2	2
Bank Reconciliations & cheque control (if Applicable)	3		3		3
Transport	5			4	4
Total Recommendations			9	31	40
School visits	5				
Average Recommendations per			8 (40/5)		

school			
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4.13 Overall audit opinions for the 3 Comprehensive schools visited were as follows:

- 1 X Substantial and
- 2 x Reasonable assurance, with

9 Significant and 31 Merits Attention recommendations were made. The Significant recommendations related to School Income and Bank Reconciliations, whilst Merits Attention recommendations were mainly attributed to Procurement & Payments, PLASC and School Transport.

4.14 There were 2 areas within the audit work programme for Coleg Cymunedol y Dderwen that could not be completed due to the unavailability of records following amalgamation; however this is to be included for completion within the 2013-14 audit plan.

4.15 Two Special Schools were audited in 2012-13, these being Ysgol Bryn Castel and Heronsbridge, both resulting in Substantial assurance being achieved.

4.16 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 thereby contributing to improving systems where necessary.

4.17 In addition to the regularity audits mentioned above, an investigation was also carried out at a primary school following concerns raised over activities within the undeclared Private Fund accounts held by the school. The school had failed to comply with BCBC School Private Funds Regulations and examination of accounts by Internal Audit resulted in Fundamental and Significant recommendations being made to address the anomalies identified within them. It is intended that a follow up review will be conducted during the 2013/14 financial year to ensure compliance to Regulations and implementation of recommendations.

5. Client Satisfaction Surveys

5.1 Following the audit visit and a debriefing session with the Head Teacher, 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 and a copy forwarded to the Chair of Governors 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 pleasing to note that 16 out of 19 Primary

schools, 1 out of 3 Comprehensive and 2 out of 2 Special Schools visited returned their Client Satisfaction Survey.

- 5.3 The CSS covers 10 aspects of the audit process including; planning, conduct and reporting, culminating in the overall agreement of the audit opinion provided. Responses range from Very Satisfied to Unsatisfactory for each of the 10 areas requiring a score. Of those 19 schools who provided a response, analysis showed that 95% (18/19) were Very Satisfied and 5% (1/19) was Satisfied, with 5/24 (20%) schools not returning a completed CSS. It was pleasing to note that there were no Just Adequate or Unsatisfactory responses.