



Bridgend & Vale
Internal Audit
Shared Service

Internal Audit Report

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| Authority | Bridgend County Borough Council |
| Directorate | Children |
| Audit Title | Summary of Schools Report 2013/14 |
| Audit Year | 2014/15 |

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| To | Deborah McMillan, Corporate Director |
| CC | Nichola Echanis, Head of Strategy Partnerships & Commissioning Colin Turner, Safeguarding & Family Support |
| Auditor | Laura Barnes, Filippa Daniels, Sian Press, Craig Hopkins, Anne Sloman & Nathan Smith |
| Report Date | 9 TH October 2014 |
| Audit Ref | AA421 |

1. Introduction

- 1.1 The Internal Audit Section carries out 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.

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- 1.5 In 2013-14 there were 61 schools in Bridgend County Borough Council (9 Comprehensive, 44 Primary, 2 Junior, 3 Infant, 1 Nursery and 2 Special Schools). During the financial year CRSAs were issued and completed by 31 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 2013-14, which included 16 Primary schools, 2 Infant Schools and 4 Comprehensive schools. This included 2 additional schools - a Junior school that was closing and a Comprehensive School that was audited in 2012-13 but due to amalgamation and spilt site, 2 audit areas were outstanding.
- 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 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 2013-14 and comparative figures for 2012-13, as recorded on the Council's financial system, were as follows:

Table 1 – School Budgets 2012/13 and 2013/14

| | 2013/14 | 2012/13 |
|----------------------------------|--------------------|--------------------|
| Comprehensive Schools Budget | £42,224,875 | £40,405,502 |
| Primary & Nursery Schools Budget | £41,789,592 | £40,852,675 |
| Special Schools Budget | £7,100,235 | £6,953,314 |
| Total | £91,114,702 | £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 for

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Primary and £100k 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 if they exceed 5% of the school budget share or £10,000, whichever is the greater. The proforma will identify the following main areas:

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

Consequently, 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 Assistant Chief Executive (or his or her representatives). Any surpluses not approved will be clawed back and returned to the overall Schools Budget for that financial year.

2.3 Table 2 below sets out the cumulative surplus and deficit balances identified and carried forward into 2014/15.

Table 2 – Cumulative Surplus and Deficit Balances Carried Forward to 2014/15

| Category | Total Number of schools | Cumulative Surplus | Number of schools with Surplus | Deficit Balance | Number of schools with Deficit |
|-----------------------|--------------------------------|---------------------------|---------------------------------------|------------------------|---------------------------------------|
| Comprehensive Schools | 9 | £984,258 | 8 | £154,895 | 1 |
| Primary Schools | 49 | £1,288,633 | 40 | £143,394 | 9 |
| Special Schools | 2 | £492,866 | 2 | £000 | 0 |
| Nursery Schools | 1 | £000 | 0 | £19 | 1 |
| Total | 61 | £2,765,757 | 50 | £298,308 | 11 |

2.4 From analysis, it was established that, as at 31st March 2014, 50 schools had a surplus balance of which 9 primary schools had a surplus in excess of £50K, 6 comprehensive and 2 special schools having a surplus in excess of £100K. According to information provided by the Principal Finance Officer

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claw back will be exercised for 5 schools. Table 3 below details those schools and the amounts to be clawed back.

Table 3 – Claw Back Details

| School Name | Claw back amount |
|--------------------------|------------------|
| Betws Primary School | £5,000 |
| Brackla Primary School | £10,000 |
| Caerau Primary | £15,500 |
| Cefn Glas Infants School | £3,000 |
| Ysgol Bryn Castell | £96,587 |
| Total | £130,087 |

- 2.5 The total of deficit balances of £298,308 related to 1 nursery, 9 primary schools and 1 comprehensive school as listed in Table 4 below.

Table 4 - Deficit Balances as at 31st March 2014

| Name of School | Deficit Balance |
|--|-----------------|
| Pontycymmer Nursery School | £19 |
| Coety Primary School | £47,245 |
| Corneli Primary School | £2,110 |
| Coychurch (Llangrallo) Primary School | £2,806 |
| Garth Primary School | £12,286 |
| Mynydd Cynffig Junior School | £11,156 |
| Nantymoel Primary School | £11,990 |
| St Marys & St Patricks Primary Catholic School | £20,656 |
| Tynyrheol Primary School | £7,689 |
| Ysgol Y Ferch O'r Sger Corneli | £27,456 |
| Brynteg School | £154,895 |
| Total | £298,308 |

- 2.6 As part of the Internal Audit plan for 2014/15 a review of schools surplus and deficit balances will be undertaken to evaluate compliance with Welsh Government 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

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and 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 2013/14 CRSAs were received from 31 schools that were not scheduled for an audit visit. Of these, 23 were Primary Schools, 2 were Junior Schools, 1 was an Infant Schools 1 Nursery School, 3 Comprehensive Schools and 1 Special School. 100% of the schools achieved greater than 80% positive scores therefore deeming them 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 2013/14 and 2012/13 the programme of visits incorporated the following number of schools:

Table 5 – The Number of Schools Visited

| | 2013/14 | 2012/13 |
|-----------------------------------|---------|---------|
| Comprehensive Schools | 4 | 3 |
| Primary, Infant & Nursery Schools | 18 | 17 |
| Special Schools | 0 | 2 |

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| Follow Up/Special Audits | 2 | 2 |
| Total | 24 | 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 and 2 to 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 audit report includes a Management Implementation Plan (MIP) of recommendations to address identified weaknesses that the Head Teacher is required to complete.

The table below presents comparative results of audit opinions for those schools visited between 2012/13 and 2013/14:

Table 6 – Audit Opinions 2012/13 & 2013/14

| Audit Opinion | 2013/14 | 2012/13 |
|-----------------------|----------------|----------------|
| Substantial Assurance | 17 | 16 |
| Reasonable Assurance | 5 | 8 |
| Limited Assurance | 0 | 0 |

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| No Assurance | 0 | 0 |
| No opinion given | 2 | 0 |
| Total Schools (Nursery, Primary, Comprehensive & Special Schools) | 24 | 24 |

- 4.6 When comparing the two years and number of schools given an audit opinion; it can be identified that in 2013/14, 77 % of those schools visited resulted in Substantial Assurance whereas in 2012/13 67% resulted in the same. There were no schools with Limited or No Assurance in either 2013/14 or 2012/13.
- 4.7 Recommendations made to schools during the course of the 2013/14 year were categorised according to their significance of the weaknesses identified as Fundamental, Significant or Merits Attention. Those that were Fundamental or Significant 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.
- 4.8 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 2013/14.

**Table 7 – Areas Examined & Summary of Recommendations 2013/14
Primary & Nursery Schools**

| Area of review within Primary & Nursery Schools | Number & Type of Recommendations made | | | | Total |
|---|---------------------------------------|----------|-----------|-----------|------------|
| | Number of schools with area tested | F | S | M A | |
| Imprest/Petty Cash Account | 5 | 0 | 0 | 0 | 0 |
| School Meal Income & Free Meals | 18 | 0 | 7 | 11 | 18 |
| Procurement & Payments | 18 | 0 | 3 | 15 | 18 |
| Procurement Card | 3 | 0 | 1 | 3 | 4 |
| Budgetary Control | 16 | 0 | 3 | 8 | 11 |
| School Income | 5 | 0 | 4 | 3 | 7 |
| Private Fund | 5 | 0 | 0 | 4 | 4 |
| PLASC | 8 | 0 | 0 | 0 | 0 |
| Asset and Inventories | 4 | 0 | 1 | 1 | 2 |
| IT & Data Protection | 10 | 0 | 2 | 3 | 5 |
| Child Protection & Staffing | 18 | 0 | 6 | 22 | 28 |
| Governance | 8 | 0 | 0 | 4 | 4 |
| Total recommendations | | 0 | 27 | 74 | 101 |

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| | | | | |
| Primary Infant & Nursery School visits | 18 | | | |
| Average Recommendations per school | 5.6 | | | |

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

- 4.9 The above table shows that Internal Audit resources were focussed on the high risk areas of School Meal income, Procurement & Payments and Child Protection & Staffing with these areas being covered in all 18 of the schools audited. The area with the highest amount of recommendations was Child Protection & Staffing with 6 Significant and 22 Merits Attention, an average of 1.56 recommendations per school with this area covered.
- 4.10 5 of the 6 Significant recommendations in regards to Child Protection & Staffing were due to schools allowing new employees to commence their roles without CRB/DBS clearance or a Risk Assessment being in place. This high number of recommendations coincides with a change in Government systems in relation to how safeguarding checks are processed and notified. In December 2012 the Disclosure & Barring Service (DBS) was introduced with 28th February 2013 seeing the end of CRB checks being completed and them replaced by DBS checks. Despite DBS checks being introduced for Child Protection from this date the policy and guidance was not completed, approved or issued by HR for over a year after its introduction meaning Head Teachers along with other Line Managers in the Authority have had little guidance in this area.
- 4.11 Procurement card was introduced to the school programme for 2013/14 having previously been covered as part of Procurement & Payments. Due to an increase in the number of cards held by individual schools and therefore transactions this has become an area of increased risk.
- 4.12 One Comprehensive school had a partial audit of 2 specific areas that were not completed in the full audit visit conducted at the end of 2012/13. Recommendations made during audit reviews of the other 4 Comprehensive Schools visited in 2013/14 are summarised in Table 8 below:

**Table 8 – Areas Examined & Summary of Recommendations 2013/14
Comprehensive Schools**

| Area of review within Comprehensive & Special Schools | Number & Type of Recommendations made | | | | Total |
|---|---------------------------------------|---|---|----|-------|
| | Number of schools | F | S | MA | |
| | | | | | |

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| | with areas tested | | | | |
|---|-------------------|--|----------|-----------|-----------|
| Petty Cash Account | 3 | | | | 0 |
| Till Income & Banking – Comprehensive schools | 4 | | | | 0 |
| Free School Meals | 3 | | | | 0 |
| School Meal Income for Special Schools | 0 | | | | 0 |
| Orders & Payments | 4 | | | 2 | 2 |
| Procurement Card | 2 | | | | 0 |
| Budgetary Control | 4 | | | 1 | 1 |
| School Income | 4 | | | 5 | 5 |
| Private Fund | 1 | | | | 0 |
| PLASC (Pupil Level Annual School Census) | 1 | | | | 0 |
| Asset and Inventories | 1 | | | 2 | 2 |
| IT & Data Protection | 4 | | | 1 | 1 |
| Child Protection & Staffing | 4 | | 2 | | 2 |
| Governance | 2 | | | 1 | 1 |
| Bank Reconciliations & cheque control (If Applicable) | 4 | | | | 0 |
| Transport | 2 | | | | 0 |
| Total Recommendations | | | 2 | 12 | 14 |
| School visits | 4 | | | | |
| Average Recommendations per school | 3.5 | | | | |

4.13 Substantial assurance was provided to the 4 Comprehensive schools visited.

4.14 14 recommendations were made in total with the two Significant recommendations made in regards to Child Protection & Staffing. Similar to the primary sector, recommendations for Child Protection & Staffing were due to 2/4 schools allowing new employees to commence their roles without CRB/DBS clearance or a Risk Assessment in place prior to the start date.

4.15 Neither of the County Borough's Special Schools were scheduled for an audit during 2013/14

4.16 In addition to the regularity audits mentioned above, an investigation was also carried out at a junior school that was closing due to concerns regarding the disposal of assets at the school.

5. Client Satisfaction Surveys

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- 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 19 Primary schools and 4 Comprehensive schools visited returned their completed 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, as well as an overall agreement with the audit opinion. 22 schools (95%) of schools gave an overall rating of Very Satisfied or Satisfied.
- 5.4 There was one Primary School who felt that their audit assurance rating of 'Reasonable' was not a true reflection of their school and processes.

6. Conclusion

- 6.1 From analysis of the 2013/14 outturns it was established that 51/61 schools achieved a surplus, with a cumulative total of £2,765,757 being carried forward into the 2014/15 financial year. In line with regulations claw back was exercised for 5 schools with a total of £130,087 being reclaimed centrally. The cumulative deficit for 11 schools was £298,308 with 1 comprehensive school having a deficit balance of £154,895. There continues to be close monitoring centrally to ensure recovery is achieved and that schools spend their surplus in line with completed returns.
- 6.2 CRSA continues to be a reliable self-evaluation process for schools and an effective method for Internal Audit to determine controls in place in the interim years between audit visits. A review of the content of the CRSA is currently underway to ensure that the form remains up to date and relevant.
- 6.3 Based on the Audit Opinions assigned to each of the schools where an opinion was given, 17/22 (77%), achieved substantial assurance, whilst 5/22 (23%) achieved reasonable assurance. As for 2012/13, there was no limited assurance reports issued within the year which is pleasing.