

Authority	Bridgend County Borough Council
Audit	School Summary Report 2014/15



Bridgend & Vale
Internal Audit
Shared Service

Confidential

Internal Audit Report

Authority	Bridgend County Borough Council
Directorate	Children
Audit Title	School Summary Report 2014/15
Audit Year	2015/16

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To	Deborah McMillan, Corporate Director.
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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 of this report 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 2014-15 there were 60 schools in Bridgend County Borough Council (9 Comprehensive, 44 Primary, 2 Junior, 3 Infant and 2 Special Schools). The last remaining Nursery School amalgamated with a Primary in September 2014. During the financial year CRSAs were issued and completed by 48 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 12 audit visits were conducted during 2014-15, which consisted of 10 Primary schools, 1 revisit to a primary school that received 'Limited Assurance' in its original audit and a special audit review at a Comprehensive school.
- 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 2014/15 and comparative figures for 2013/14, as recorded on the Council's financial system, were as follows:

Table 1 – School Budgets 2014/15 and 2013/14

	2014/15	2013/14
Comprehensive Schools Budget	£41,458,490	£42,224,875
Primary & Nursery Schools Budget	£42,602,879	£41,789,592
Special Schools Budget	£6,761,070	£7,100,235
Total	£90,822,439	£91,114,702

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

- 2.2 Under School Funding (Wales) Regulations 2010, excessive carried forward balances (greater than £50K or 5% for Primary schools and £100K or 5% in Comprehensive/Special schools) can be liable for claw back. A Policy is in

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place for schools to provide an explanation as to how the surplus will be spent and from the information provided, the Corporate Director makes a decision as to whether the proposals are accepted or if the Authority will claw back any of the surplus balance. The Authority's Financial Scheme for Schools provides guidance for school's with a deficit balance. It states that a maximum planned deficit for a school is 5% of the school's annual budget share or £10,000 (whichever is the higher). There is no minimum as any deficit will need to be agreed with the Authority. A plan must be submitted to the Corporate Director identifying how the deficit will be paid back, however a deficit balance cannot be carried for more than 5 years.

- 2.3 Table 2 below sets out the cumulative surplus and deficit balances identified and carried forward into 2015/16.

Table 2 – Cumulative Surplus and Deficit Balances Carried Forward to 2015/16.

Category	Total	Surplus		Deficit	
		No. of schools	Cumulative Surplus	No. of schools	Cumulative Deficit
Secondary Schools	9	7	£1,049,159	2	£648,588
Primary/Nursery Schools	49	44	£1,657,174	5	£86,079
Special Schools	2	2	£438,289	0	£0
Total	60	53	£3,144,622	7	£734,667

- 2.4 From analysis, it was established that, as at 31st March 2015, 53 schools had a surplus balance of which 13 primary schools had a surplus in excess of £50K, whilst 5 comprehensive and 2 special schools having a surplus in excess of £100K. According to information provided by the Principal Finance Officer claw back will be exercised for one school for the value of £210,755.
- 2.5 The total of deficit balances, amounting to £734,667 related to 5 primary schools and 2 comprehensive schools, however £595,758 (81%) of the total deficit balance relates to one comprehensive school. This issue was highlighted to Internal Audit by Chief Officers and a review was undertaken in March 2015, with a follow up planned in September 2015

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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& 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 a degree 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 2014/15 CRSAs were received from 48 schools that were not scheduled for an audit visit. Of these, 33 were Primary Schools, 2 were Junior Schools, 3 were Infant Schools, 8 Comprehensive Schools and 2 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 a risk assessment process is completed to determine the areas that will be 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 2014/15 and 2013/14 the programme of visits incorporated the following number of schools:

Table 5 – The Number of Schools Visited

	2014/15	2013/14
Comprehensive Schools	0	4
Primary, Infant & Nursery Schools	10	18
Special Schools	0	0
Follow Up/Special Audits	2	2
Total	12	24

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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 (Pupil Level Annual School Census)
- 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.

4.6 The table below presents comparative results of audit opinions for those schools visited between 2013/14 and 2014/15:

Table 6 – Comparison of Audit Opinions 2014/15 & 2013/14

Audit Opinion	2014/15	2013/14
Substantial / Reasonable Assurance	10	22
Limited Assurance	2	0
No Assurance assigned – partial/special review or advice	0	2
Total Schools	12	24

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- 4.7 From the comparison it can be seen that in 2014/15, 83% of schools visited achieved substantial or reasonable assurance as compared to 92% of schools in 2013/14. Two schools were given a limited assurance rating in 2014/15 compared to no schools in 2013/14. One of these, a primary school, was subject to a follow up audit and subsequently received substantial assurance whilst the other, a comprehensive school, is due a follow up audit shortly.
- 4.8 Recommendations made to schools during the course of the 2014/15 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 or prompt attention to mitigate risks identified whereas those categorised as Merits Attention relate to suggestions for improvement or are deemed to be of low risk. Fundamental and Significant recommendations are put on a Management Implementation Plan requiring a comment and an implementation date from the Head Teacher, these are then followed up to ensure they have been implemented. Merits Attention recommendations are advisory recommendations that Head Teachers need to be aware of.
- 4.9 Due to the risk assessment process prior to the commencement of the audit visit, not all areas as set out in 4.3 above are examined during the visit. Table 7 below represents the results from the areas examined within those primary schools visited and a summary of recommendations made during those reviews.

**Table 7 – Areas Examined & Summary of Recommendations 2014/15
Primary Schools**

Area of review within Primary Schools	No. & Type of Recs. made			Total
	No. of schools	F	S	
Imprest/Petty Cash Account	1	0	0	0
School Meal Income & Free Meals	11	0	3	3
Procurement & Payments	10	0	3	3
Procurement Card	9	0	0	0
Budgetary Control	5	0	1	1
School Income	1	0	0	0
Private Fund	7	0	3	3
PLASC	1	0	0	0
Asset and Inventories	1	0	0	0
IT & Data Protection	6	0	0	0
Child Protection & Staffing	11	1	3	4
Governance	3	0	1	1
Total recommendations		1	14	15

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Primary School visits	11	
Average Recommendations per school	1.36	

Key: F= Fundamental
S= Significant

- 4.10 Table 7 shows that Internal Audit resources were focussed on the high risk areas of School Meal income and Child Protection & Staffing with these areas being covered in all 11 of the schools audited. The area with the highest amount of recommendations was Child Protection & Staffing which had 3 significant recommendations as well as being the only area to have a fundamental recommendation. The other high risk area of Procurement & Payments was looked at 10 Primary School who had a scheduled visit, this was not covered at the revisited school as it had been undertaken at the initial visit and no high risks in this area had been identified.
- 4.11 One Comprehensive school was visited during 2014/15 by request of Chief Officers due to budget concerns. This audit review resulted in 2 fundamental and 7 significant recommendations being made and an audit opinion of 'Limited Assurance' was given. A follow up audit review is due shortly.
- 4.12 Neither of the Special Schools in the Authority were audited during 2014/15.

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 to make improvements were it is deemed necessary. It was pleasing to note that 9 out of 11 Primary 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. Eight of the nine (89%) schools who returned their CSS gave an overall rating of "very satisfied" or "satisfied".

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6. Conclusion

- 6.1 From analysis of the 2014/15 outturns it was established that 53 out of 60 schools closed the financial year with a surplus, with a cumulative total of £3,144,622 being carried forward into the 2015/16 financial year. In line with regulations, claw back was exercised for one school with a total of £210,755 being reclaimed centrally. The cumulative deficit for 7 schools was £734,666 with one comprehensive school having a deficit balance of £595,758. 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 Based on the CRSAs received and the audit opinions assigned to each of the schools where an opinion was given, it can be concluded that the overall control environment for schools for 2014/15 was sufficient and any issues identified have been or were being addressed.
- 6.3 The Internal Audit Section is always looking at ways to make improvements to ensure that the audit days available are used in the most effective way. Therefore changes have been made to the school audit programme for 2015/16 in order to allow more in depth coverage to the higher risk areas. Therefore a CRSA will be issued to all schools annually which will enable each school to self-evaluate the controls they have in place to mitigate risks. The completed CRSA will be evaluated by Internal Audit and any issues will be addressed. In addition a Head Teacher Assurance Statement will be requested annually which will provide additional assurance that the Head Teacher is ensuring that the school has sufficient internal control. A similar statement will be sent to the Chair of Governors. The planned audit days for schools will then be used to undertake reviews of particular areas across schools, such as safeguarding or procurement, or it will allow more in-depth reviews to be undertaken at individual schools based on a robust risk assessment which takes account of senior management requirements and any audit knowledge.