

1. Purpose of this report

1.1. The purpose of this report is to provide an overview to the School Forum of the work conducted by internal audit during 2013/14 in relation to schools.

2. Recommendations

2.1. That the School Forum members note the contents of this report.

3. Background

3.1. Internal audit currently audit all schools on a three-year rolling basis. The previous internal audit contractors, Baker Tilly, conducted the majority of the statutory internal audits in 2013/14. The contract with them ended in June 2014.

3.2. Internal audit use the same audit-testing schedule at each school. The schedule covers nine high risk non-teaching areas which include: Governance, Assets, Banking, Income HR, Payroll, Procurement (purchasing) and Data Security (DPA).

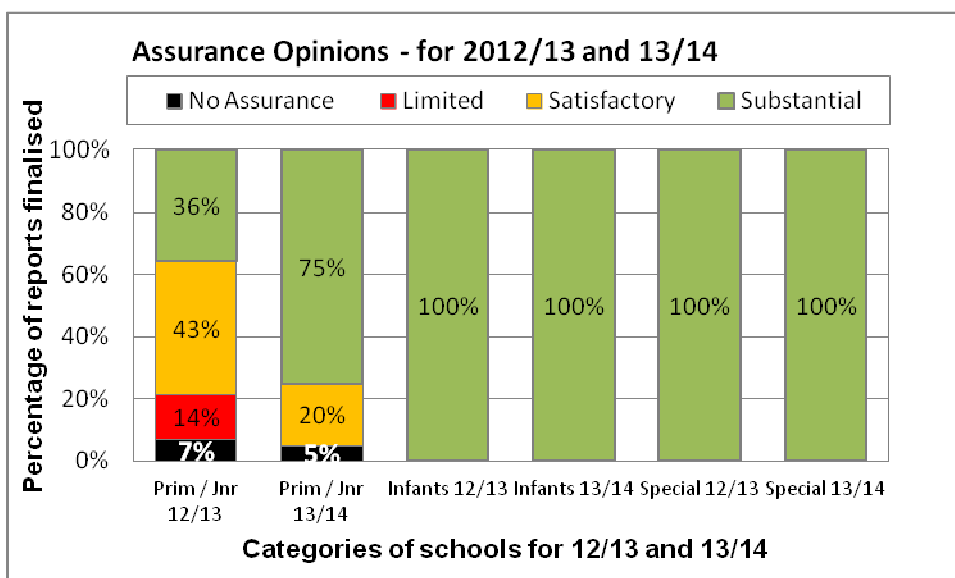
3.3. Internal audit assess the controls in these risk areas and provide an opinion on the effectiveness of them to Governors, School Senior Management and Senior Management at Lewisham Council. The overall assurance opinion categories are: Substantial, Satisfactory, Limited and No Assurance.

3.4. Where appropriate internal audit make recommendations to help management improve these controls and therefore minimise the risks from occurring or reduce the impact. Recommendations are ranked using three levels; High, Medium and Low.

4. Audits assurance opinions for 2013/14 compared to 2012/13

4.1. In 2013/14, 23 schools audits were undertaken. The percentage of Limited and No Assurance reports remains low among primary schools (including Junior Schools), with the majority of opinions being Substantial. Infant and Special Schools continue to have positive assurance opinions, however, it should be noted that there was only one infant and one special school conducted in both 12/13 and 13/14.

4.2. No Secondary schools or nurseries were audited during 2013/14. As such, do not appear on this graph for ease of comparing like for like.



4.3. Please see appendix 1 for a list of the schools' audited in 2013/14 with their assurance opinions.

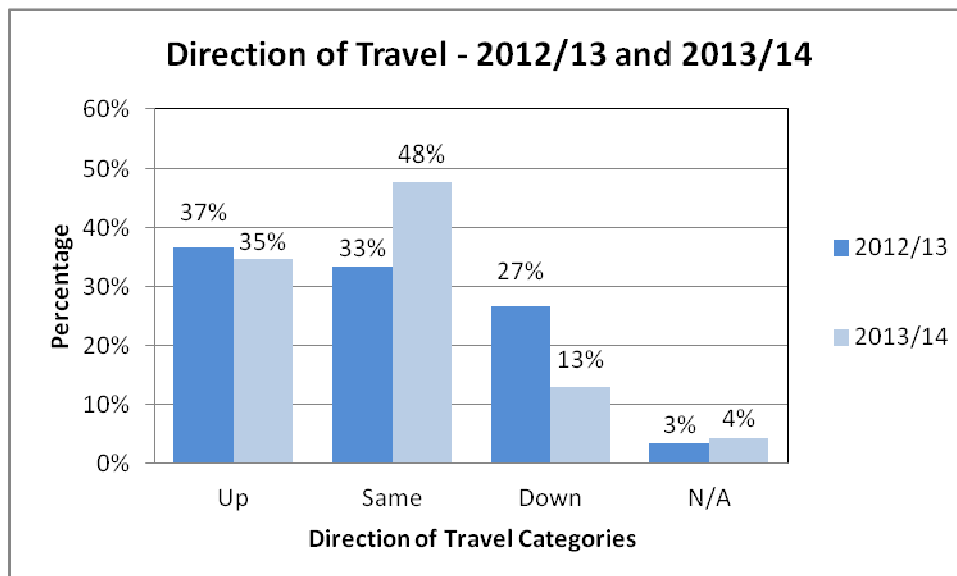
5. Direction of travel – assurance opinions for 2013/14 compared to 2012/13

5.1. In addition to providing an audit assurance opinion, internal audit compares the direction of travel for each school audit. It compares the current assurance opinion to that given at the last audit, normally three years earlier.

5.2. The percentage of schools that improved on their last audit assurance opinion has remained reasonably steady at around 35%. Schools with the same assurance as their previous audit have increased by 15%. As the majority of assurance opinions were either Substantial or Satisfactory during 2013/14, this is a good indication that controls in the schools remain at least at a satisfactory level and provide a strong baseline.

5.3. The percentage of schools with a lower assurance opinion in 2013/14 is over 50% lower than 2012/13, which is an improving trend.

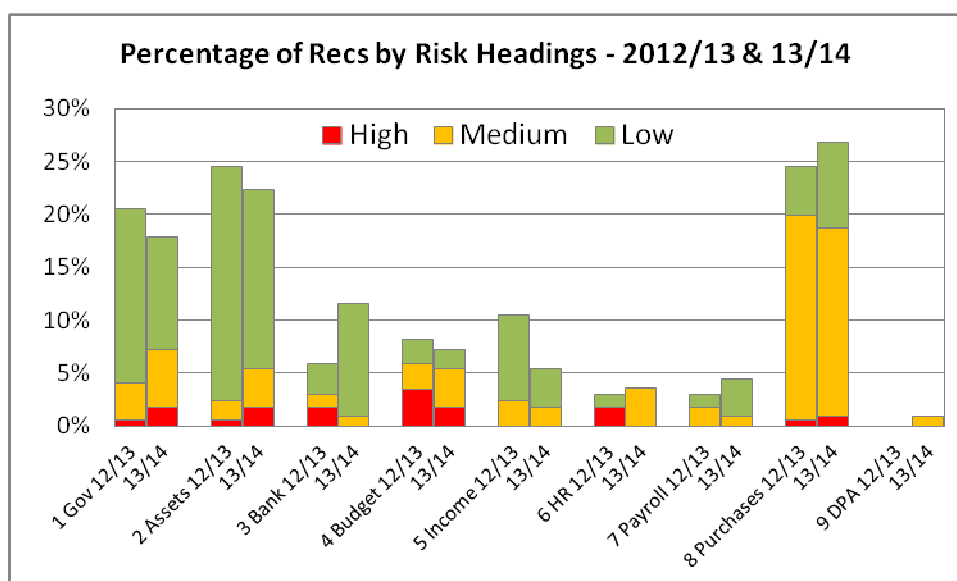
5.4. Overall, the direction of travel made for the 2013/14 audits were positive and heading in the right direction.



5.5. 'N/A' are those schools which have not had an audit before. This situation arises due to them becoming a new school, or merging with another to create a new school in their own right.

6. Recommendations made per risk heading for 2013/14 compared to 2012/13

6.1. As discussed in the introduction, internal audit look at the controls in nine (non-teaching) risk areas. The areas where the most recommendations are made remain the same. They are: Governance, Assets and Procurement (purchases). In addition, 2013/14 saw its first Data Security recommendation.



6.2. The percentage of recommendations made per risk heading remains constant, with no major changes in High recommendations made. The majority of recommendations were made in Governance, Asset management and Procurement. The main recommendations made in each of these areas are as follows:

6.3. Governance

- Review of the scheme of delegation / finance policy to ensure it is fit for purpose and contains all relevant areas, including:
 - Procurement levels.
 - Ensuring that the policy lists the roles and responsibilities of all staff with financial responsibilities, including premises officers where they are involved in asset management or procuring services or goods for the school.
 - Clear separations of duties are listed in the policy that can be easily followed.
- Governors and all staff with financial responsibility are to complete the annual Register of Interests forms.

6.4. Asset Management

- Asset Registers to be in place and have all the relevant and expected fields.
- All relevant assets to be listed in the register, with all relevant information provided.
- Annual stock take of assets to be undertaken by others not involved in the maintaining of the register.
- Disposal policy to be in place and complied with. Including ensuring that electronic equipment that held personal data is securely wiped-off before disposal.

6.5. Procurement

- To comply with the Council's, EU regulations and the school's own procurement levels set by Governors.
- To raise Purchase Orders (PO) ensuring they are completed in full and authorised prior to purchasing the goods / receiving the invoice.
- Ensure that POs are entered on to the school's Finance Management System.
- Only pay VAT on invoices that comply with the VAT regulations.
- Where stated in local procedures, Governors to approve relevant spend / quotes and tenders.

- When requiring quotes for goods and services, the specification should be consistent for each supplier.

7. Current issues and advice

- 7.1. While this report covers schools audited in 2013/14, it is worth mentioning the additional findings found during the 2014/15 school audits.
- 7.2. Procurement limits – since April 2014 the schools procurement levels for quotes and tenders significantly increased. See table below.

Quotes/Tender Requirement	Old Thresholds	New Thresholds
No Quotes Required	£0 – £2,999	£0 – £10,000
3 Quotes Required	£3,000 - £5,000	£10,001 - £25,000
4 Quotes Required	£5,001 – £10,000	£25,001 – £50,000
Tender	£10,000 – £100,000	£50,001 – £100,000
Tender With LA Approval	over £100,000	over £100,000

- 7.3. School Management and Governors should note that although the school cannot set thresholds over these limits, lower limits could be set. Governors may wish to set lower limits to ensure that they are confident that the school is achieving value for money. This will also help with the SFVS (Schools Financial Value Standard) to evidence that the school is achieving value for money. If lower limits are set then they should be detailed in the schools own finance policy and staff informed to ensure these are adhered to.
- 7.4. Governance and Budget monitoring – some weaknesses that might expose the Council and schools to the risk of challenge and reputational harm in respect of committing expenditure have been identified. To mitigate these risks, governors should consider having the register of interests for governors and senior staff with expenditure responsibilities available when financial matters are discussed. This will prompt any necessary declarations of interest.
- 7.5. In addition when monitoring the budget, combined with the suggested action on procurement limits above, schools may want a report that aggregates spending levels by supplier so that spend with repeat suppliers is monitored. This will assist governors to satisfying themselves that the due procurement process is followed (e.g. tenders are sought rather than quotations for significant works) and the risk of challenge to how services are procured is mitigated.
- 7.6. Payments to individuals – where an individual supplier (rather than a company) submits an invoice for payment for goods / service provided, the school must get approval from payroll to pay them through the bank account. Payroll will confirm with HMRC if they are self-employed or not and confirm with the school if they are eligible to be paid through the bank account or if they have to be paid through payroll.
- 7.7. If the school does not get approval to pay them through the bank account and they are found not to be self-employed, the school could be liable to pay their tax, in addition to the invoice already paid. For further information about this process, please contact the council's payroll department.

- 7.8. Loyalty Store Cards – when purchasing goods on behalf of the school with the expectation that these expenses will be reimbursed, then personal store loyalty cards (for example, Nectar card, Clubcard) should not be used for personal gain.

8. Conclusion

- 8.1. Overall, the assurance opinions remain positive for the majority of schools. However, the same types of recommendations continue to be made, particularly in respect of governance, assets and procurement. This indicates that although the schools agree to implement these recommendations, they either do not implement them in full or continue to have lapses.

9. Contact Details

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Appendix 1 – Status of Schools for 2013/14 with their assurance opinions and Direction of Travel

School	Assurance Opinion	Direction of Travel
Brindishe Green Primary School	Substantial	→
Dalmain Primary School	Substantial	→
Deptford Park Primary School	Satisfactory	→
Good Shepherd Primary School	Substantial	→
Holy Cross RC Primary School	Substantial	→
Horniman Primary School	Substantial	→
John Stainer Primary School	Substantial	→
Lee Manor Primary School	Substantial	↑
Lucas Vale Primary School	Satisfactory	↘
Marvels Lane Primary School	Substantial	→
Myatt Garden Primary School	Substantial	↑
Rangefield Primary School	Substantial	↑
Rathfern Primary School	Substantial	↑
Rushey Green Primary School	Substantial	↑
Sandhurst Primary School	Satisfactory	↘
St Augustine's Primary School	Satisfactory	↑
St Marys Primary School	Substantial	↑
Stillness Junior School	Substantial	→
Torridon Junior	Substantial	↑
Turnham Primary School	No Assurance	↘
Special School	Assurance Opinion	Direction of Travel
Drumbeat School 2013-14	Substantial	N/A
Infant School	Assurance Opinion	Direction of Travel
Stillness Infant School	Substantial	→
Torridon Infants 13-14	Substantial	→