Schools Internal Audit Programme 2022/23

Summary Findings Report

Lewisham

Introduction and About the Programme

1. We have now concluded the 2022/23 school audit programme as originally laid out in the Audit Plan approved by Members in March 2022. Following an unsuccessful 2021/22 programme that relied heavily on contractor input we made a number of changes to how we undertook school audits in 2022/23. Judging from the feedback we've received (see later in this report), those changes were well received and have enabled us to successfully conclude the programme. We also relied, of course, on continuing support from the schools themselves, especially Headteachers and School Business Managers.

2. The principal change was to overhaul the testing programme. This involved broadening somewhat away from purely examining basic financial checks to also encompass governance controls guided by the Schools Financial Value Standard. Though that created a demanding testing schedule, it provided a clear structure and enhanced the transparency and planning of our audits.

3. Supporting that expanded testing, we revised our reporting structure to share with schools the full results of our testing. Previously reporting 'exception only' risked a lack of clarity over what we had or had not considered in reaching our conclusion. While this made our reporting longer, we added markers within the report to help readers navigate its conclusions and supplied an additional 'one page' summary report of key issues.

4. We also sought to conduct audits in person wherever possible, using teams of auditors rather than individuals. This served to support the larger testing programme as well as enable our new apprentices to gain a valuable grounding in audit practice. This in-person goal exposed a long-standing uncertainty on whether our presence demands a Disclosure and Barring Service (DBS) check for our auditors. Notwithstanding any continuing discussion, we have nevertheless acted to obtain enhanced DBS checks for all our field staff and are happy to share that information with schools ahead of setting foot on site.

5. It is important to clarify what our audit does not cover, despite these changes. The audit remains, primarily, a review of arrangements rather than outcomes. This means we seek assurance that the controls are effectively designed and, often on a sample basis, complied with in practice. We cannot provide full assurance or eliminate risk of failure and responsibility for developing and maintaining a sound control framework rests with management. All control systems, no matter how well designed, are vulnerable to risk of failure following poor judgement, human error, subversion or unforeseeable circumstances.

6. The internal audit will and does comment on whether the necessary governance and reporting steps are in place in line with regulation and good practice. However, it will not and cannot provide assurance on the quality of a school's financial information or specific accuracy of budget forecasts, especially where these concern management's judgement on the likelihood of future events. Those judgements remain responsibility of school leadership.

Overall Opinion

7. We will provide a full Head of Internal Audit opinion to the Audit & Risk Committee on 22 June 2023. That opinion will consider the full breadth of internal audit work and associated assurance during the year, including our work in the schools audit programme.

8. However, looking at schools alone, we note that every school in the programme received a positive assurance report outcome. This meant that, in each individual school, the evidence we reviewed supported a conclusion that controls are at least generally effective in keeping risk to acceptable levels. While we noted improvements available to maintain efficacy or enhance efficiency, these findings did not undermine our overall positive conclusion.

9. On that basis, we are satisfied that during the year ended 31 March 2023 the Council's schools managed their internal controls and governance to offer satisfactory assurance on their adequacy and effectiveness.

Key Strengths and Areas for Improvements

Strengths

10. The fact that every school in the programme received a positive assurance rating speaks to the overall high quality of financial controls we encountered. In both design and compliance, we found schools operating effective control arrangements that support achievement of objectives. Some particular common strengths we noted included:

    - **Governing Body and Finance Committee Oversight**: We found consistently effective arrangements for Governing Bodies to oversee schools. Terms of reference were clear, meetings quorate and well-documented. We also found an awareness of skills gaps and plans in place to enhance where needed. While there is some room for improvement in supporting challenge on budget monitoring (see below), the general standard we found of Governor challenge was very high.
    - **Procurement Controls**: Notwithstanding some local exceptions, we found schools generally were very aware of and compliant with procurement controls for major purchases and contracts. This included making sure contracts were re-tendered rather than rolled over in perpetuity, and that those tender exercises were properly controlled and authorised.
    - **Accounting System Controls**: We found all schools had and were effectively using appropriate systems for tracking their finances. This included making good use of reporting tools to produce internal monitoring information and identify exceptions.

Common Findings and Actions

11. While conformance was generally very good, we noted some consistently recurring findings across the school population in 2022/23. Typically, these findings applied to a minority of instances where we examined a sample which is reflected in the overall positive assurance. However, they do represent areas of possible improvement where schools can act to strengthen controls.

Spending Controls

12. Some schools do not yet have comprehensive effective controls in managing purchase orders. We found examples of purchases made without raising orders in advance, incomplete orders or with the involvement of unauthorised or untrained staff.

13. All schools should:

- Raise a purchase order before committing expenditure. Purchase orders raised after the school has made a commitment (or even after receiving an invoice) are ineffective controls that do not help a school in managing spend.
- Ensure purchase orders are complete, including the actual (or estimated) value of spend. Even where there may be uncertainty over the precise amount needed, including an estimated value will help manage spending and identify commitments.
- Ensure staff involved in making purchases on the school's behalf understand and abide by the defined ordering process.

Budget Monitoring

14. The only test across the whole programme which failed more often than passed was in meeting the Schools Financial Value Standards requirement of supplying Governors with financial information six or more times a year. Most schools only presented three times a year including some who sent the same information to two different meetings each term.

15. We also found instances where financial reports presented to Governors lacked comparison with budgets and did not include any forward looking or forecast information.

16. All schools should:

- Present financial information to Governors at least six times each year. Some schools have set up informal channels (such as Teams sites) to allow Governors on-demand access to monthly financial information in between Governing body meetings to further help effective scrutiny.
- Ensure financial reports clearly document performance against budget expectations, with explanations for variances where necessary.

- Include forecast information to help Governors evaluate whether the school's financial performance is on track. This should include details of any expected savings or additional income that inform forecasts.

General Administration

17. We identified some more minor administrative findings that recurred in several schools, summarised below:

    - **Governors' DBS Checks**: Partly because of a covid-related move to remote meetings, several schools had Governors who had not been onsite since their last disclosure and barring service (DBS) check expired. *All schools should* make sure they track DBS expiry dates and plan to obtain relevant documentation from Governors even if they do not expect them to visit the school site.
    - **Schemes of Delegation and Procurement Rules**: We identified several instances where schools had not updated their procurement thresholds or schemes of delegation to match actual practice. We were satisfied in each instance that schools had acted responsibly but *all schools should* ensure they conduct an annual review of arrangements to make sure their documentation remains accurate.
    - **Asset Registers**: All schools we reviewed had asset registers, several being of very high quality. However, we commonly identified issues around maintaining registers as accurate where assets are moved, damaged or disposed. *All schools should* ensure they have appropriate arrangements and policies in place to guide maintaining asset registers and ensuring controlled and documented asset disposal.

Next Steps

2023/24 Audit Programme

18. We will launch the 2023/24 school audit programme towards the end of the summer term. As a first step this will involve contacting the relevant schools to make practical arrangements for sharing information and planning onsite visits. Our hope is to have all 2023/24 reports issued before May half-term 2024.

19. Before then we will also reflect on the 2022/23 programme and the feedback we've received. This may involve refreshing our reporting, testing programme or administrative arrangements. We will be in full contact with schools to advise of our requirements and remain grateful for any and all feedback we receive.

20. The following schools are provisionally part of the 2023/24 audit programme. In the table below, we have also noted details of previous audit visits and highlighted where our planned visit in 2023/24 has been postponed from previous years.

School on 2023/24 Audit Programme	Previous Assurance Rating and Report Date	Previously Cancelled Visits
Adamsrill Primary	**Substantial Assurance** 7 August 2018	None
Ashmead Primary	**Substantial Assurance** 23 June 2019	2022/23
Brindishe Federation[1]	**Substantial Assurance** 6, 10 January 2020 25 May 2022	None
Edmund Waller Primary	**Satisfactory Assurance** 17 February 2018	None
Holbeach Primary	**Substantial Assurance** 15 January 2019	None
Holy Trinity CE Primary	Not recorded	2021/22 and 2022/23
Kilmorie Primary	**Satisfactory Assurance** 19 July 2019	None
Marvels Lane Primary	**Limited Assurance** 18 March 2020	None
St Bartholomew's Primary	Not recorded	2021/22 and 2022/23
St James Hatcham Primary	Not recorded	2021/22 and 2022/23
St Michael's CE Primary	**Substantial Assurance** 12 July 2018	None
St Saviour's Primary	Not recorded	2021/22 and 2022/23
Stillness Junior	**Satisfactory Assurance** 2 December 2019	2022/23
Sydenham Secondary	**Substantial Assurance** 5 July 2019	None
Watergate School	**Substantial Assurance** 16 October 2018	None

Table 1: Schools identified for internal audit visit 2023/24

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[1] Will include all three schools in the Federation: Brindishe Green, Brindishe Manor and Brindishe Lee Primary Schools.

Results of 2022/23 Audit Programme

Assurance Ratings Per School

21. We set out in the table below the overall assurance rating on every final report issued as part of the 2022/23 school audit programme. We include at Appendix A the assurance ratings definitions we use. Note that assurance ratings are specific to the circumstances of the school and the findings of our audit. They cannot and should not be read comparatively between schools as an indicator or guide to relative strength of control environments.

School	22/23 Assurance Rating and Report Date	Previous Assurance Rating and Report Date
Nursery Schools		
Chelwood	Substantial Assurance 20 February 2023	Satisfactory Assurance 1 December 2018
Primary Schools		
Launcelot	Substantial Assurance 5 January 2023	Satisfactory Assurance 19 November 2018
St William of York	Satisfactory Assurance 2 February 2023	Not recorded
St John Baptist CE	Satisfactory Assurance 27 March 2023	Not recorded
Oakbridge Federation[2]	Satisfactory Assurance 19 May 2023	Substantial Assurance 5 November 2019 (R) Satisfactory Assurance 20 March 2019 (FP)
King Alfred Federation[3]	Substantial Assurance 5 May 2023	Satisfactory Assurance 24 July 2019 (A) Not recorded (E)
Kender	Substantial Assurance 18 May 2023	Satisfactory Assurance 27 December 2018
Perrymount	Substantial Assurance 19 May 2023	Not recorded

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[2] Joint report covering both Forster Park (FP) and Rangefield (R) Primary Schools
[3] Joint report covering both Athelney (A) and Elfrida (E) Primary Schools

School	22/23 Assurance Rating and Report Date	Previous Assurance Rating and Report Date
Secondary and All-Through Schools		
Deptford Green	**Satisfactory Assurance** 3 February 2023	**Limited Assurance** 19 October 2018
Forest Hill	**Substantial Assurance** 3 March 2023	**Satisfactory Assurance** 28 November 2018
Conisborough College	**Satisfactory Assurance** 29 March 2023	**Limited Assurance** 7 March 2019
Addey & Stanhope	**Satisfactory Assurance** 11 May 2023	**Satisfactory Assurance** 2 October 2018
Trinity CofE	**Substantial Assurance** 26 April 2023	**Limited Assurance** 12 July 2019
Bonus Pastor	**Satisfactory Assurance** *NB: Draft report[4]*	**Limited Assurance** 10 April 2019
Special Schools and Pupil Referral Units		
Greenvale	**Substantial Assurance** 25 April 2023	Not recorded
Abbey Manor	**Substantial Assurance** 18 May 2023	**Limited Assurance** 16 November 2018

Table 2: Assurance Ratings for School Internal Audit Visits 2022/23

22. In addition, six schools were part of the initial planned programme for 2022/23 but postponed following a request from the school. Typically these requests came when a school was in the process of recruiting a new School Business Manager. These six schools are all part of the 2023/24 work programme.

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[4] Issued in Draft 24 May 2023. Expected final in time for Audit & Risk Committee.

All Findings and Actions Summary

23. Each final report includes a range of findings and related remedial actions, categorised on a 'High/Medium/Low' severity scale. We set out in the table below the total number of findings and actions identified across our school audit programme. We include at Appendix A information on how we categorise the severity of findings.

Finding Severity	Number of Findings	Agreed Actions
High Severity	2	1
Medium Severity	33	27
Low Severity	124	65

Table 3: Distribution of Findings and Actions across all schools in the 2022/23 audit programme

24. Schools can update us on progress towards fulfilling agreed actions at this link. We may follow up actions as they fall due and report progress to Senior Management at the Council or its Audit and Risk Committee.

Controls Test Programme and Results

25. The full 2022/23 programme included more than 160 individual tests, not all of which applied in every individual school. For this report we've bracketed the tests into thirteen control themes. The percentages show the proportion of individual tests completed under each theme across the whole audited schools population that recorded a "fully conforms" result.

Control Theme	Conformance Proportion
Effective and Challenging Governing Body and Finance Committee	90%
Budget Monitoring and Management	89%
Business Continuity and Resilience Controls	93%
Workforce Planning, Benchmarking and Pay Progression	96%
Procurement Controls	91%
Asset Management and Capital Spending	91%
Counter Fraud and Security Controls	95%
Accounting System Controls	100%
Voluntary Funds Audit Controls	88%
Spending Controls	86%
Income Controls	91%
Banking Controls	94%
Recruitment, Leavers and Payroll Controls	95%

Table 4: Conformance with control themes in 2022/23 school audit programme - proportion of tests in each theme returning a 'conforms' result

Distribution and Acknowledgements

Distribution

26. We will include this report to support the overall internal audit opinion to the Audit & Risk Committee. We will also share with schools through the School Business Managers' Forum and with specific colleagues in the Council's Corporate Resources and Children & Young People's Directorates.

27. We will also share the report with the Department for Education and the Education and Skills Funding agency to aid their overall assurance work.

Acknowledgements

28. We rely on support from a wide range of school staff to successfully complete our work, especially Headteachers and School Business Managers. Our thanks go to all those who have helped complete this audit programme, in sourcing and providing information, answering queries, responding to reports and providing suitable accommodation to the audit team.

Feedback

29. In each report we invited the school to provide feedback on our process and their experience of the audit. Every school provided a response, and many included praise for the audit team. On a personal note, as Head of Assurance I am reliant on the professionalism and skill of my team in planning and conducting a wide range of audits. It seems appropriate to me after a year of great change to conclude this report by highlighting some of those comments.

"The audit process was supportive whilst being very in-depth and transparent at the same time as holding to account for financial and risk planning… [the audit was] made seamless by the professional and supportive approach"

"Our overall experience of the audit was good, the team were friendly, approachable and helpful throughout. Downloading the documents to TEAMS in advance really helped our preparation. The experience was considerably more positive and useful to the school leadership than previous local authority internal audits."

"Thanks to the team for battling snow and train strikes to reach us".

"The process is much more streamlined than it used to be, looking at higher level school strategies and assurances, in addition to the usual lower-level compliance. The new audit process is aligned with DfE expectations and as a school we felt this was helpful. The team were highly professional, and we all took something positive from the experience. The actions were fair, and we will act on all recommendations as per the schedule."

"The report format is very helpful and easy to follow. It is set out clearly and concisely, which helps us to navigate it easily. Once again, we found the experience to be helpful and pleasant."

"We would like to express our sincere gratitude to the auditors for their professionalism and expertise during the audit. Their attention to detail and deep understanding of financial reporting was truly impressive and we are deeply appreciative of their hard work and recommendations, which will be put into practice"

"By way of feedback, the team were very pleasant to deal with and the non-confrontational approach made the whole experience, previously a stressful and anxious time, much more constructive."

Rich Clarke
Head of Assurance

24 May 2023

Appendix: Ratings Judgements

Our reporting includes a range of assessed judgements, including the overall assurance rating. We reach these judgements after weighing information gathered during the engagement and our professional experience. There is no fixed formula for deriving specific ratings from the nature or number of findings. While we aim for broad consistency, each judgement is made in the context of its circumstances which may not replicate within or between engagements.

Assurance Ratings

Substantial Assurance	Limited Assurance
Controls are effective in keeping risk to acceptable levels.	Controls are not consistently effective and need action to support improvement.
Satisfactory Assurance	No Assurance
Controls are generally effective, but there are some improvements available to maintain efficacy or enhance efficiency.	Controls do not keep risk to acceptable levels. Action is needed to achieve improvement.

Finding Severities

High Severity	Poses a material threat to achievement of service objectives
Medium Severity	Will impede or hinder, but likely not prevent objective achievement
Low Severity	Unlikely to materially threaten objective achievement, including opportunities to improve system efficacy or efficiency