

Audit Committee – 7 December 2010

Arrangements for Auditing in Schools

Summary of report:

This report presents a briefing to Audit Committee of the audit arrangements for the borough's schools, as requested by members at their 12 October 2010 meeting.

Background papers:

Internal audit reports/files/working papers.

Recommendation:

1. To note the contents of this report.



James Walsh Assistant Director Finance

7 December 2010

Internal and External Audit Arrangements

Community, foundation, trust, voluntary aided and voluntary controlled schools are subject to the internal and external audit regime of the local authority and, until recently, the Financial Management Standard in Schools (FMSiS) accreditation.

Internal audit arrangements have been based on schools' requirement to meet the FMSiS which was subject to renewal every 3 years. FMSiS assessments were undertaken by internal audit and routine audit visits were arranged to coincide with the FMSiS timescale.

The FMSiS set out requirements under the following five headings:

- Leadership and Governance.
- People Management.
- Policy and Strategy.
- Partnerships and Resources.
- Processes.

The need for schools to meet the FMSiS commenced in 2006/7 and ended on 15 November 2010. In accordance with Department for Education guidelines, assessments were carried out over a 3 year period with all schools being required to comply by March 2010. Since 2006/7 all schools under the control of the LEA have been subject to an assessment and have been deemed to meet the standard either immediately following the assessment or on the basis of additional evidence provided at a later date.

All secondary schools having met the standard following their assessments in 2006/7 were re-assessed in 2009/10. The exception being Sneyd Community – A Specialist Maths and Computing College, which was not re-assessed during the year due to the staffing difficulties being experienced as a result of the school's impending closure.

Of the 15 schools re-assessed during 2009/10, 14 were deemed to still meet the standard. The remaining school, Frank F Harrison Engineering College, has received support from officers of Walsall Children's Services – Serco to put in place systems of control in respect of ordering and budget monitoring and was deemed compliant following re-assessment by internal audit in November 2010.

At the time of undertaking FMSiS assessments, the following areas of activity within schools have also reviewed by internal audit:

- Basic financial controls
- Ordering and purchasing
- Banking
- Petty Cash
- Income
- Payroll
- VAT
- Voluntary funds
- Extended activities
- Assets and security
- Insurance
- Data security
- School census.

In accordance with the Local Education Authority's (LEA) scheme for financing schools, all schools are free to purchase additional audit and accounting resources to supplement the LEA provision if required.

Schools with planned FMSiS visits for the remainder of the financial year will still be reviewed but, pending new government guidance to replace FMSiS, this will be based on standards contained with the Audit Commission / OFSTED publication "Keeping Your Balance". This contains recognised key controls and processes required for good school governance and administration, but is less bureaucratic than the FMSiS standard and will help ensure that schools maintain the good standards that have been established.

Schools with Trust or Academy Status

Trust schools manage their own assets, land and buildings, employ their own staff and set their own admission arrangements. They are funded in the same way as community schools and are subject to the local authority's normal audit regime.

Academy Schools are publicly funded independent schools free from local authority and national government control. The accounts are completely different from the Consistent Financial Reporting (CFR) returns completed by local authority schools, including foundation and trust schools, and need to follow charities and company law requirements. Academy school accounts have to be audited annually by an external auditor appointed and paid for by the academy. There is no internal audit requirement.

Academies are free to purchase services from the local authority should they wish.

Audit Working in Partnership with SERCO

The school finance team within Walsall Children's Services - Serco provides a range of financial support services to schools, assisting in the deployment of financial resources in the most economic, efficient and effective way.

The service has a core strategic function supporting the local authority's statutory and strategic financial management functions in regard to its schools. The team works very closely with a number of authority service areas including finance and internal audit.

In addition to core functions the school finance team provides a range of services on a trading basis. The service is split into three main service areas:

- transaction service – the processing of transactions on behalf of schools by office based finance assistants.
- bursarial service – a peripatetic service provided by a team of bursars with responsibility for a group of schools.
- resource management, planning and consultancy service – a peripatetic strategic service provided by a team of strategic finance consultants

All of the services are available to be purchased separately or in combination to reflect a school's individual needs. Close collaboration with the local authority's internal audit and finance teams and the sharing of information is pivotal to providing a comprehensive financial service to schools.

Approximately 70% all the authority's maintained schools make use of the traded services, however the school finance team has a duty towards all schools in the authority and through a range of financial returns, health check visits and feedback from internal audit ensure appropriate levels of financial management and planning are in place.

Internal audit and the school finance team also work together to make available appropriate advice to help ensure schools achieve a successful conclusion to their audit

assessments. A copy of the final audit report for each school is provided to the school finance team.

Resource and legal considerations:

None arising from this report.

Citizen impact:

This report details the audit arrangements for the borough's schools which service the requirements of its citizens.

Performance and risk management issues:

Many Audit Committee activities are an important and integral part of the council's performance/risk management and corporate governance frameworks.

Equality Implications:

None arising from this report.

Consultation:

Officers from SERCO have been consulted.

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