

Audit: Internal

Table of contents

Audit: Internal	1
Key Contacts.....	1
Introduction.....	1
Why do we audit schools?	2
The approach to auditing schools	2
What is looked at during an audit?	3
Types of Audit.....	4
How Schools are selected for inclusion in audit work	5

Key Contacts

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Introduction

There is a statutory requirement for every Local Authority (LA) to decide for the proper management and control of their financial affairs. In relation to Schools, the aim of the Ealing Audit team is to provide assurance to the Chief Finance Officer, Members, the Corporate Leadership Team, Head Teachers and their Governing Board (GB). Areas of work covered include:

- Objectively examining, evaluating and reporting on the adequacy of financial and non-financial internal controls
- Providing assurances on the quality of the internal control environment
- Assessing for value for money
- Assessing the quality of both financial and operational decision-making
- Reviewing the robustness of risk management
- Undertaking fraud investigations
- Assessing for compliance with laws, regulations and good practice

Why do we audit schools?

The requirement to audit locally managed Schools was originally established in the Department of Education and Science Circular 7/88, issued in 1988, stating that the accounts of Schools with Delegated Budgets will be subject to regular Internal Audit.

Current requirements are documented within the Councils Financial Regulations. This states:

The Accounts and Audit (England) Regulations 2015 requires the Council to maintain an adequate and effective Internal Audit of its accounting records and accounting control systems in accordance with proper internal audit practices, and any Officer or Member shall, if required:

- Make available such documents for the purpose of the audit: and
- Supply such information as considered necessary

In summary, Internal Audit, under the independent control and direction of the Chief Finance Officer, shall undertake to investigate the accounting, financial and other operations in all departments of the Authority, including Schools. All Schools covered by this scheme are required to co-operate with the internal audit arrangements.

The approach to auditing schools

Schools function in a constantly changing environment, with increasing independence, and significantly increased financial and performance scrutiny. The relationship between Schools and the LA also continues to change. In line with this, the approach to auditing Schools is constantly under review.

Our overarching aim is to assist Governors, Head Teachers and the LA in establishing and maintaining effective systems of financial administration, and best practice from all aspects of service delivery. The Ealing Audit team assesses the risks within Schools and adapts its approach accordingly. This has resulted in audit coverage that includes:

- Undertaking individual visits as part of a programme of visiting all Schools over a four-year period
- Conducting individual School audits on 'high' risk Schools and tailoring our scope and coverage where necessary
- Reviewing income management
- Delivering added value work to help improve service delivery
- Undertaking ad hoc work within Schools when this is requested (this normally incurs a charge)
- Providing training and guidance

In delivering this, coverage we place a greater reliance on management assurance from Governors and Senior Management. However, through testing and verification work, risk assessment, and discussion with Key Officers we are able to support the Children Directorate in reviewing the arrangements in place within Schools, and giving an overall assurance that:

- Overall management arrangements are effective and efficient
- Financial systems are adequate and provide accurate Budget information
- Legal requirements are being met; and
- The requirements of the Schools Financial Procedures Manual are being met

Schools must provide the Auditor unfettered to Officers, documents during the audit to facilitate the work.

What is looked at during an audit?

When undertaking work in Schools we look at:

- The adequacy of the School's stewardship of Public Funds
- The arrangements put in place for financial and operational control
- The decision-making processes
- Corporate Governance and the role of the GB
- The processes in place for delivering value for money
- Risk management
- Compliance with elements of Safeguarding Children and Safer Recruitment

We assess how Schools' function, comply with laid down rules and deliver best practice. The majority of the controls reviewed are based on legal, Directorate or DfE requirements. They are not Ealing Internal Audit controls.

Types of Audit

Individual Visits

An individual audit visit is comprehensive, usually taking one to two days on site. We review and test how the School performs in several key areas directed by the DfE including:

- Governance and Decision Making
- Budget and Development Planning
- Budgetary Control
- Purchasing and Value for Money
- Cheque Book Accounting (where applicable)
- Income
- Risk Management

Most audits are Schools Financial Value Standard (SFVS) based which is set by the DfE and covers all general financial areas. Ealing have also added areas which are topical to the current times such as legislation updates on Data Protection. The SFVS generic list of expected controls to be reviewed during a visit is known to the School as they must self-assess themselves each year bases on the listed controls. Head Teachers are aware of the areas to be covered.

Follow Up Reviews

All Schools receiving a routine visit will also receive a follow up review if any high-risk findings were highlighted. This happens in one of two ways:

- Where a School has received a nil assurance rating following an audit, they will be subject to a follow up visit to establish if agreed recommendations have been implemented and have had the expected impact
- All other Schools will be asked to give management assurance that agreed recommendations have been implemented as agreed

Ad hoc visits

We undertake visits to Schools for other reasons, including:

- Requests from Members or Officers within the Council based on issues raised
- Requests for on-site assistance to deal with specific issues
- Requests for presentations and training sessions for Governors and/or Staff
- Requests from Governors/Head Teachers for an audit

Audits requested due to issues will usually be a full probity audit which is in depth and takes longer than the regular audits undertaken. Subject to resource constraints and authorisation, we try to accommodate all requests. We may have to charge for work carried out, but the School will be informed if this is the case.

Fraud Investigations

Ealing Council has a specially trained Corporate Fraud Team who will visit Schools where this is required for the purposes of undertaking special investigations. These visits can be the result of findings from a routine audit, from whistle blowing activities or at the request of Members or Directorate Officers.

Key contacts for this team and important advice can be found in the 'Fraud Awareness' chapter.

[How Schools are selected for inclusion in audit work](#)

With regard to routine School visits, we are committed to visiting all maintained Schools over a four-year period. Once this has been completed School audits will be planned using a risk based approach.

Each year we select the visits to be undertaken for the School year and this is communicated to the Planning and Resource team who can comment and suggest changes (and provide the reasoning for any proposed alterations).

Where a School has received a routine audit in the previous financial year and has received a nil assurance rating, they will be subject to receive a follow up visit usually in the following year depending on the seriousness of the issues found.

Key stages in an audit

The stages to be aware of are detailed below:

- Contact is made with the School detailing dates of proposed visit, and the key documents required during the visit. (We give as much notice of a proposed visit as we can)
- Nearer the date of the proposed visit the auditor contacts the School, by telephone, to arrange a convenient time to start the visit and agreed times for key interviews
- Fieldwork - Auditor undertakes fieldwork as agreed
- At the end of the visit an exit meeting is held with an Officer designated by the School to discuss our findings
- A Draft report is issued to the Head Teacher
- A Final report issued to the Chair of Governors and Head Teacher, Executive Director – Children and Adults, Chief Finance Officer

The reporting process

The exit meeting at the end of an individual audit visit, will provide an insight on the issues identified and allow feedback prior to issuing a draft report.

For an individual audit visit, the Head Teacher is issued with the draft audit report. This gives the Head Teacher the opportunity to formally review our findings and comment on the conclusion and recommendations, to discuss any issues with the Auditor, and for corrections/amendments to be made (if required).

The Head Teacher is asked to provide a response with the name, and position, of the officer responsible for implementing each recommendation, and the date by which this will be achieved. This should be completed within 10 working days.

In the event of a dispute of findings this may be escalated to the Audit and Risk Manager and subsequently Assistant Director Audit and Investigation. Whilst ideally agreement should be reached, the Assistant Director Audit and Investigations has the authority to report on findings to the Chair of Governors and Council's Audit Committee.

Following agreement on the contents of the draft report, a final report is issued directly to the Chair of Governors, Head Teacher and Council stakeholders. The Chair of Governors is asked to present the report to the next GB meeting for acceptance. A copy of the report is also issued to relevant Directorate officers.