

1.8 INTERNAL AUDIT

Introduction

The local authority is responsible for arranging for the internal audit of schools and these provide valuable assessment for school staff and governors of the financial management of their school.

The governing body may also commission (and pay for from delegated funds) an internal audit review of systems and controls to provide assurance and act as a mechanism for self improvement. Such an audit may be particularly appropriate at a time of change in key personnel e.g. Head/Bursar. Either the LA internal audit or an alternative recognised body may be used.

Scheme Requirements

The requirements as set out in the Scheme for Financing Schools are as follows.

2.11 Audit: General

The Chief Finance Officer shall arrange an adequate and effective internal audit, under his/her independent control, to examine the schools' accounting, financial and other operations. Each school will be audited on a three year cycle, unless the circumstances of a school require an audit on a more frequent basis.

The Chief Finance Officer, in the role of auditor, and anyone he/she may authorise, shall have authority to:

1. enter any school premises or land at any time;
2. have access to all records, documents, correspondence, equipment, cash stores and other assets relating to the financial and other transactions of the school;
3. require and receive explanation and answers to questions about anything that is being examined.
4. Require anyone in possession of Council property to produce it on request.

The Chief Finance Officer must be told immediately about:

1. anything that involves (or is thought to involve) irregularities concerning cash, stores or other property;
2. any other suspected irregularity in the running of the school, and may investigate and report as he/she thinks necessary.

When an audit is completed the Governing Body must, on receipt of a report from the Chief Finance Officer, respond within three months from that date. The response must:

1. indicate whether or not the reported risks and respective agreed actions have been accepted;
2. state when and how the agreed action have been or will be implemented;
3. explain why any risks or agreed actions are not accepted.

Nature and Format of Audit

The aim of the audit is to provide assurance on key areas of financial management.

The audit is conducted in line with the “**Keeping your Balance**” document developed jointly by the Office for Standards in Education (OFSTED) and the Audit Commission and to ensure compliance with Barnet’s Scheme for Financing Schools and related Financial Guide for Schools. The Keeping Your Balance booklet is available on the website and contains useful checklists.

The scope of the audit includes assessment of the following:

- adequacy of accounting, financial and other controls;
- compliance to established plans and procedures;
- the integrity and reliability of financial and other information;
- assets and other interests of the Council are properly safeguarded;
- that the use of resources achieves value for money.

The following areas which will be reviewed and tested:

- Governance
- Financial Planning
- Budget monitoring
- Purchasing – contracts
- Financial controls
- Income
- Banking and petty cash
- Payroll
- Tax
- Voluntary funds
- Assets
- Insurance
- Data Security

The audit will also review implementation of recommendations of the previous audit report.

The audit will report on any areas where controls can be improved with the management action which has been agreed with the school. It will outline the risks involved on areas of concern. The report will provide an overall assessment of one of the following.

Substantial Assurance

The standard of controls operating in the systems audited at the School is robust and provides substantial confidence that the School is protected from loss, waste, fraud or error

Satisfactory Assurance

The standard of controls operating gives reasonable assurance that the School is protected from loss, waste fraud or error but there may be areas which need to be strengthened to provide robust confidence in the system of internal control.

Limited Assurance

The standard of controls is insufficient to give confidence that the School is protected from loss, waste, fraud or error. Prompt attention needs to be given to strengthening one or more areas of the control system before sufficient confidence is provided.

No Assurance

The standard of controls is poor and places the School in potential danger of loss from waste, loss, fraud or error. Urgent attention needs to be given by management to addressing weaknesses identified in the audit.

It will also provide an Action Plan indicating the urgency with which the school should tackle identified deficiencies – High, Medium or Low priority.

Conclusion

Schools should regularly review their financial practices and procedures to ensure they conform to good practice as set out in this Guide and “Keeping your Balance” booklet. This should ensure that the audit visit and report will be of limited duration and not provide a catalogue of deficiencies in financial management which may damage the reputation of the school.