

Internal Audit report - Isambard Community School

Audit Committee

Date: 15th September 2016

Author: Head of Internal Audit
Wards: None
Locality Affected: None
Parishes Affected: None

1. Purpose and Reasons

- 1.1 The Council's Audit Committee has a strategic role to ensure that the Council's assurance framework is operating effectively. To this end it should seek assurance that key areas that contribute to this framework are operating effectively.
- 1.2 Members requested that at least one individual audit report be presented to each meeting of the Committee. An Internal Audit report on Isambard School, that identified significant risk, was presented to the Committee in November 2014. Members requested that a follow-up review be carried out by Internal Audit the results of which were reported back to the June 2015 Audit Committee.
- 1.3 The follow-up review concluded that the School had made significant improvements since the previous audit. Of twelve high priority recommendations made in the previous report, six had been implemented and six were in progress and only two out of twenty recommendations remained outstanding. The overall opinion has therefore improved, but there are a number of significant recommendations that still need to be fully implemented. As a result, an audit opinion of 'significant improvements required' has been given based on the areas reviewed. The combination of the high materiality and impact of the systems, along with the opinion on the system controls gives an overall risk assessment to the Council as being of concern.
- 1.4 Members requested that a further report providing the Committee with an update on the School's progress in relation to the achievement of the remaining key objectives be submitted in twelve months' time.
- 1.5 This report provides the update requested by Members.

2. Recommendations

- 2.1 It is recommended that the contents of the report be noted.

3. Detail

Background

- 3.1 Isambard Community School is one of two secondary schools serving the Northern Sector of Swindon. With 1,013 pupils on roll at March 2016, it is a PFI
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school using a shared site with three other schools, two of which are special schools.

Original audit: 2014/15

- 3.2 Internal Audit carried out an audit of the school in 2014/15. At the time of the audit the school was facing a number of significant changes which had an influence on how the School operated going forward. They included a change of Head Teacher and Business Manager, falling pupil numbers, falling academic standards, a predicted budget deficit in 2016/17 of £750,000 and the desire to convert to an academy.
- 3.3 The audit review found that there were fundamental weaknesses in the School's financial procedures which resulted in a significant level of risk.

Initial follow-up: May 2015

- 3.4 It was agreed that Internal Audit would carry out a follow-up review to establish progress in implementing agreed recommendations. The initial follow-up review was carried out during May 2015.
- 3.5 The Auditor completing the follow-up review concluded that the School had made significant improvements since the previous audit. The overall opinion therefore improved, but there were a number of significant recommendations that still needed to be fully implemented. As a result, an audit opinion of 'Significant improvements required' has been given based on the areas reviewed. The combination of the high materiality and impact of the systems, along with the opinion on the system controls gives an overall risk assessment to the Council as being 'of concern'.

Second follow-up audit: August 2016

- 3.6 Audit Committee requested that a further follow-up audit be carried out to ensure that recommendations had been fully implemented. The key findings from this second follow-up review are:
- The School has made significant improvements to its internal control arrangements since the first audit that was carried out in 2014/15.
 - Whilst satisfactory internal controls are now in place, the School is still facing financial difficulty due to a continued reduction in pupil numbers. If pupil numbers continue to fall at the current rate (as projected in the three year plan) the School will need to seek permission from the Council to set a deficit budget of £601,413 in 2018/19 and will need to create an appropriate recovery plan.
 - The School has closely monitored pupil numbers and the financial effect of this in future years. This has been reported to, and discussed by, the Asset

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Management and Strategy Committees and the Full Governing Body. Evidence in meeting minutes show that numerous discussions have been held on strategies to increase pupil numbers, but over the last year little has materialised. These discussions still continue to be held, objectives have been identified, but a plan of how these will be achieved has not been created. Due to the timing of the school admissions window, it is likely that it is too late to influence pupil numbers for September 2017. Any action taken from now on will affect September 2018 admissions onwards, which are critical as this coincides with the opening of a new secondary school in the area, and is when a large financial deficit is forecast.

- One priority identified by the School for increasing pupil numbers, is building on engagement and relationships with primary schools. The School has held a number of events, which have been attended by primary school pupils in the catchment area. In addition, it provides science, PE, design and technology and modern foreign language support and lessons to local schools, so that they are engaging with primary school pupils. Alongside this, work has been carried out to improve the School's reputation through increasing the number of student success stories published in its rebranded newsletter and in the local press. The School has vastly increased its use of social media in order to improve engagement with existing and potential students and parents and to promote school events, student activities and success stories.
- The School Development Plan is focussed on improving teaching and learning and student behaviour, the impact of which should be reflected in improved exam results and an improved rating following the next Ofsted inspection. The School anticipates that the summer 2016 exam results, due in August, will be an improvement from the previous year's and will help to increase pupil numbers.
- Despite efforts made to date, pupil numbers have continued to decline, with 1,079 pupils on roll in October 2015 falling to 1,013 by March 2016. The School has projected pupil numbers of 1,018 by October 2016, which will inform the 2017/18 budget. This would be a reduction of £224,797 revenue funding from that received in 2016/17, based on the basic per-pupil entitlement (BPPE) alone. A further reduction in pupil numbers to 979 has been projected for 2018/19.
- In the 2015/16 budget, the School set an end of year balance of £387,701 and projected the same level of rollover in December 2015. However, in January 2016, following the receipt of pupil number projections for September 2016, and calculating the impact of this on the revenue funding for 2017/18, the School ceased all non-essential expenditure. Consequently the School was able to increase its end of year balance by £83,179, to £470,880, which allowed them to set balanced budgets for 2016/17 and 2017/18. In the three year financial plan devised in 2015/16,

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the School had predicted a deficit of £107,000 in 2017/18. The School is now not projecting a deficit until 2018/19, but the level has increased to £601,413.

- Asset Management Committee meetings are held every two months, and an income and expenditure to date report is provided by the Business Manager. Where possible, commitments are made on the system to show future expected income and expenditure. Key variations from budgets are discussed by the committee. It is noted that there were only a small number of areas where significant variances were identified during 2015/16, and these had been discussed.

3.7 The Internal Audit report is attached as Appendix 1. The Head teacher and Chair of Governors will be at Audit Committee to answer any questions that members may have.

4. Alternative Options

4.1 Not Applicable

5. Implications, Diversity Impact Assessment and Risk Management

Financial and Procurement Implications

5.1 There are no direct financial implications arising from this report however the detailed audit report addresses the suitability of internal controls within the systems examined

Legal and Human Rights Implications

5.2 Internal Audit is a statutory requirement of the Accounts and Audit Regulations 2015. The Internal Audit service also provides assurance to the Director of Finance regarding the requirements of Section 151 of the Local Government Act 1972.

All Other Implications (including Staff, Sustainability, Health, Rural, Crime and Disorder)

5.3 None

Links to One Swindon, Strategic Objectives, Plans and Policies

5.4 Effective systems of internal control within the Council will help to ensure that the Council's corporate objectives and those set out in One Swindon are achieved.

Diversity Impact Assessment

5.5 Not Applicable

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Risk Management

5.6 Not applicable

6. Consultees

6.1 The Corporate Director: Resources (Section 151 Officer) and Director of Law and Democratic Services (Monitoring Officer) are consulted in respect of all reports.

7. Background Papers

7.1 None

8. Appendices

8.1 Appendix 1 – Internal Audit (2nd follow up) report: *Isambard School* (August 2016)