

# Internal Audit reports identifying 'significant' risk or 'of concern': Isambard School

**Audit Committee**

**Date: 4<sup>th</sup> November 2014**

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Author: Head of Internal Audit

Wards: None

Locality Affected: None

Parishes Affected: None

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## **1. Purpose and Reasons**

- 1.1 Members requested that at least one individual audit report be presented to each meeting of the Committee. Since the last meeting of the Committee an Internal Audit report on Isambard School has been issued that identified fundamental weaknesses in systems resulting in a potentially significant risk to the Council.
- 1.2 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.

## **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 approximately 1,140 pupils on roll, it is a PFI school using a shared site with three other schools, two of which are special schools.
- 3.2 The School is currently facing a number of significant changes which will have an influence on how the School operates going forward. These include 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 A review of the financial procedures operating at Isambard School was completed by Internal Audit. The review was initiated following:
- the announced departure of the Head Teacher
  - the recent departure of the previous Business Manager
  - a significant and unpredicted year end surplus of £657,000; and the submission of the School's three-year budget that indicated a potential budget deficit of £750,000 by 2016/17.

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## Key Findings

3.4 The key findings from the report are as follows:

- The audit review found that the School’s three-year financial plan, used for Financial Planning, Budgetary Control and Budget Setting, was not based on robust information and had resulted in inaccurate budgets being set. Significantly, budgets were not supported by an up-to-date staffing review or School Development and IT Development Plans. As a result Internal Audit have been unable to confirm that effective financial management is in place to enable the School to optimise their use of resources to provide high-quality teaching and learning, and so raise standards and attainment for its pupils.
- A review of the Finance / Asset Management Committee minutes identified that Governors undertook Budget Monitoring only three times during the last financial year, with the first indications that a significant surplus was being generated being reported only one month before year end. Minutes show that the then Business Manager informed the Governors that the School had permission from the Local Authority to exceed the normal rollover limits allowed for maintained schools, when such authorisation had not been given. There was no evidence of challenge from Governors on how the rollover had arisen or on any discussion and agreement on exactly what it would be used for in later years.
- It has not been possible to confirm that the Governing Body is fulfilling its statutory responsibilities. A review of the governance arrangements conducted by the Council’s Governors Support section in March 2014 raised a number of the issues found in this audit. However, action has not been taken to implement recommendations made to improve governance arrangements.
- Examination of the School’s governance procedures identified that the School’s Financial Value Statement had been prepared by the previous Business Manager and issued to all Governors for comment/challenge prior to sign off by the Chair of Governors. The self-assessment did not correlate with the findings from this Internal Audit review, in some cases there were significant differences.
- Meeting minutes show there is a general lack of challenge and discussion on financial matters by Governors and critically, some key financial decisions were not recorded in the minutes of Governors meetings, including the approval of the budget at the Full Governing Body meeting. Decisions were also made via email outside of the meeting cycle but not subsequently recorded in any minutes.
- In summary, the Internal Audit review identified a number of fundamental control weaknesses that jeopardise financial stability and performance at the

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School. The School and Governing Body now need to urgently address the issues raised in the action plan at the end of this report. Working in conjunction with Governor Support and the Local Authority, the School's Financial Planning, Budget Management and Governance procedures must be improved significantly to ensure resources can be managed effectively in driving school improvement and financial stability going forward.

- 3.5 The Internal Audit report (issued on 15<sup>th</sup> September 2014) is attached as Appendix 1 to this report.
- 3.6 The Head of Finance: Education and Innovation has provided an update (see Appendix 2) following further visits to the school.
- 3.7 The Head Teacher and the current Business Manager, Isambard School, along with the Council's Head of Commissioning: Economy /Attainment will also be attending 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 2011. 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.

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### Diversity Impact Assessment

5.5 Not Applicable

### Risk Management

5.6 Not applicable

## **6. Consultees**

6.1 The Board 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 report: *Isambard School* (Oct 2014)

8.2 Appendix 2 – Head of Finance (Education and Innovation) update