

SCHOOLS FORUM AGENDA ITEM

For Action

For Information

**Brief Description of Item** (including the purpose / reason for presenting this for consideration by the Forum)

To update Schools Forum members on the Schools Financial Value Standard for 2019.

Date (s) of any Previous Discussion at the Forum

July 2018

Background / Context

The Schools Financial Value Standard (SFVS) was introduced by the Department for Education to assist maintained schools in managing their finances and to give assurance that schools have secure financial management in place. It currently consists of 25 questions and on an annual basis the Governing Body of every maintained school must formally discuss each question with their senior staff and complete the self assessment, identifying remedial action and a timescale for completion where appropriate. All maintained schools, excluding those falling within listed exceptions were required to complete and submit a return by 31 March 2019, which for most schools was their eighth year of submission.

Details of the Item for Consideration**Summary of the Position as at 31 March 2019 and Summary of the Analysis of Returns**

As at 31 March 2019 SFVS returns were submitted by 94 of the Council's eligible 105 schools. This year 18 schools met the exemption criteria for SFVS. The returns received for 2019 continue to show a high standard of completion and action plan quality. The number of late returns was ten, an increase of five on the 2018 position, however, it should be noted that 31 March was a Sunday and nine of the ten late returns were subsequently received during the first five days of April 2019. There is one school yet to provide a return, which is the same position as last year. The high level of prompt returns provides continuing adequate assurance that schools are engaging with the SFVS process.

Overall Level of Compliance with SFVS Questions

In 2019, 45% of the 94 schools providing a return by 31 March gave a 'Yes' response to every question indicating that they fully complied with the standard. This is deterioration from 2018 when it was 57% of 116 returns. This reduction should be considered in the context of a fall in maintained school numbers because of academisation, but also that the schools remaining are acknowledging that they don't fully comply with all requirements of the standard and identify actions to improve. Accepting that SFVS be an honest process is a significant message of Internal Audit's SFVS training.

Approach to the analysis of returns received

Returns are analysed based on a rolling sample of approximately a third of returns received. This year 40 were analysed and those selected were representative of the types of schools providing a return but also included those who had indicated they would experience financial difficulty by year end.

Standard of Completion

During the analysis each return was graded either 'good', 'average' or 'poor'. This grading is subjective, however a comparison of the standard of completion between years highlighted that the proportion of 'good' continues to be a material proportion of those tested, which is indicative of schools consistently being familiar with the requirements of SFVS, and the positive impact of the training taking effect.

Summary of Action Plan Findings

Of the 40 schools sampled, 18 schools (45%) were required to produce an Action Plan to identify remedial actions to ensure compliance with all SFVS requirements. The analysis of the Action Plans considered whether they demonstrated SMART principles: specific, measurable, achievable, realistic and timely. It was pleasing to note that 13 returns in the sample (72%) did demonstrate SMART principles.

SFVS requires that all action points are addressed prior to the next submission of the SFVS return. Therefore, consideration was given to whether returns showed evidence of action points from the 2018 return being addressed. Of the 20 sampled with an action plan from 2018, 14 (70%) had addressed fully their action points, which was a significant increase in performance on the 50% achieved in 2017. In respect of the 6 schools that had not fully addressed their 2018 action points, Internal Audit has emailed them to enquire as to how they intend to action these items as a matter of priority. For the three sampled schools who indicated a deficit position at the year end, Internal Audit ensured that the action plan and the SFVS assessment made reference to the deficit and included plans to address it going forward.

Analysis of the impact of full school audits on SFVS

Of the 40 returns which were analysed, five had been subject to a full school audit during 2018/19 out of a possible eight full school audits completed in that year. During the analysis, consideration was given whether any recommendations raised in the audit report that related to SFVS, had been addressed prior to submission. The results of this analysis showed positive results and all recommendations relating to SFVS requirements had been addressed.

Analysis of the impact of SFVS training

Internal Audit continued to offer SFVS training to all governors and school staff during 2018/19. The aim of the training was to equip Governing Bodies with the skills needed to produce a good quality SFVS return. It was pleasing to note that improvement continued to be evident in the returns provided by schools that had attended the SFVS training. The training also included additional material in preparation for the introduction of a new SFVS scheme from 1 April 2019.

As reported in previous years, the SFVS training has replaced the specific SFVS audits with the intention of achieving a wider coverage of schools to demonstrate efficiency and effectiveness in the deployment of audit resources. This approach has been successful with over 100 of the City's schools being represented at the training since it began in 2015, coverage which would be impossible to achieve through the traditional SFVS audit process.

Internal Audit has allocated time in the 2019/20 audit plan for further SFVS training and will monitor the number of schools becoming exempt from SFVS due to having an academy order in place, to ensure that any training offered is commensurate with need.

ACTION TAKEN TO MEET LOCAL AUTHORITY OBLIGATIONS FOR SFVS DURING 2018/19

- **Confirmation that SFVS returns are used to inform the programme of financial assessment and audit**
- **A system of audit is in place to give adequate assurance over the standard of financial management and the regularity and propriety of spending within schools**
- **The requirement to make the Governing Body, management committee and the LA aware of any major discrepancies in judgements when carrying out an audit and ensure that all actions have been addressed before an SFVS review takes place**

The risk model used to prioritise schools for inclusion in the audit plan includes non submission of SFVS as one of a number of risk factors via the inclusion of the Light Touch Financial Monitoring bandings. As part of the analysis of returns, Internal Audit also considers the contents of each SFVS return and if there are any comments that raise concerns, this will further inform audit planning for the schools audit programme for the coming year.

The audit testing programme for schools requires auditors to review a school's SFVS return as part of the planning process prior to an audit and compare the schools self assessment judgements to their findings during the audit. The auditor then makes an assessment on the level of correlation that can be identified between the SFVS assessment and the audit findings and advises the school to review their responses to specific questions where necessary. This position is highlighted to the school, Chair of Governors and authority recipients in the ensuing audit report.

Audit recommendations that are linked to the SFVS have been tracked as part of the audit follow up process, thus ensuring that schools are taking necessary action on all recommendations to improve their control environment and financial management practices in a timely manner.

Conclusion

The results of the full school audits and SFVS analysis supports that the level of audit coverage of schools is appropriate. The system of audit in place for the year was sufficient to give the Chief Finance Officer adequate assurance over the standards of financial management and the regularity and propriety of spending within schools.

The SFVS submission for 2018/19 was signed off by the Interim Director of Finance on the 24 May 2019 and uploaded to the Department for Education website the same day.

Implications for the Dedicated Schools Grant (DSG) (if any)

None

Recommendations

That the information in this report be noted.

List of Supporting Appendices / Papers (where applicable)

None

Contact Officer (name, telephone number and email address)

Karl Pease – Assistant Audit Manager
01274 432249
karl.pease@bradford.gov.uk