



Internal Audit Report

Themed School Audits – Ring-Fenced Funding

2023/24

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1. EXECUTIVE SUMMARY

Introduction

- 1.1 The Shared Internal Audit Service (SIAS) provides internal audit services to Hertfordshire's maintained schools. Hertfordshire County Council's Schools Audit Strategy includes a requirement to annually establish the effectiveness of financial control, risk management and governance arrangements in a sample of schools. The Schools Ring-Fenced funding audit was included as one of the thematic audits for schools in the 2023/24 audit plan.
- 1.2 Schools receive additional funding through several grants which are, in most cases, paid to the Local Authority for distribution to schools based on their demographics such as pupil numbers. In some cases, this funding is classed as ring-fenced which relates to the monies being required to be distributed to schools in line with agreed distribution formulas and not used for alternative purposes. Schools are required to use the funding for specific purposes in line with the conditions within the retrospective grant determinations.
- 1.3 In general schools are not required to provide specific evidence or returns to the DfE that funds have been used in accordance with the allocated purposes. However, the Local Authority is required to provide such assurance annually to the DfE as part of the end of year reporting, with results of Internal Audits often used as a key form of assurance for such statements. The key assessment areas of Ring-Fenced Funding were:
- **Governance** – Appropriate arrangements are in place to oversee the use of ring-fenced funding, in particular approving key strategies or policies, monitoring spending and ensuring that key grant conditions are adhered to. Roles and responsibilities for the day-to-day management of specific funding streams are allocated, and where appropriate procedures are documented to support resilience.
 - **Accounting** – Appropriate accounting arrangements are in place and followed in practice to record income and expenditure for ring-fenced grant funding. Where required, expenditure is made within the year the funding is allocated, and only carried forward where grant conditions permit this, or prior authorisation has been received.
 - **Compliance with Grant Conditions** - Appropriate strategies are in place and approved to demonstrate how ring-fenced funding will be used to meet the requirements of the funding. Such strategies are evidence based to ensure that decisions can be supported. Expenditure made aligns to the strategies in place and is appropriately authorised. Where required, schools publish or submit data to demonstrate how the grant funding has been used and the outcomes achieved.
 - **Budgeting and Forward Planning** – When approving strategies or expenditure decisions for the use of grant funding, appropriate analysis of the ability to support any re-occurring expenditure is undertaken prior to commitments being made.
 - **Audit Trails** – Appropriate audit trails are maintained to demonstrate how grant funding has been used, and relevant documentation to support decision making and expenditure is held in a logical and retrievable manner.
- 1.4 A sample of 6 schools were audited to assess whether there were robust processes in place to govern the receipt and use of Ring-Fenced funding. Each school visited received an individual report which provides independent assurance regarding

whether robust policies and internal control arrangements are in place. Learning obtained from all audits in the sample is condensed into a single, anonymised section of this report (Appendix A) and will be shared with all Hertfordshire schools via the Grid.

Audit Approach

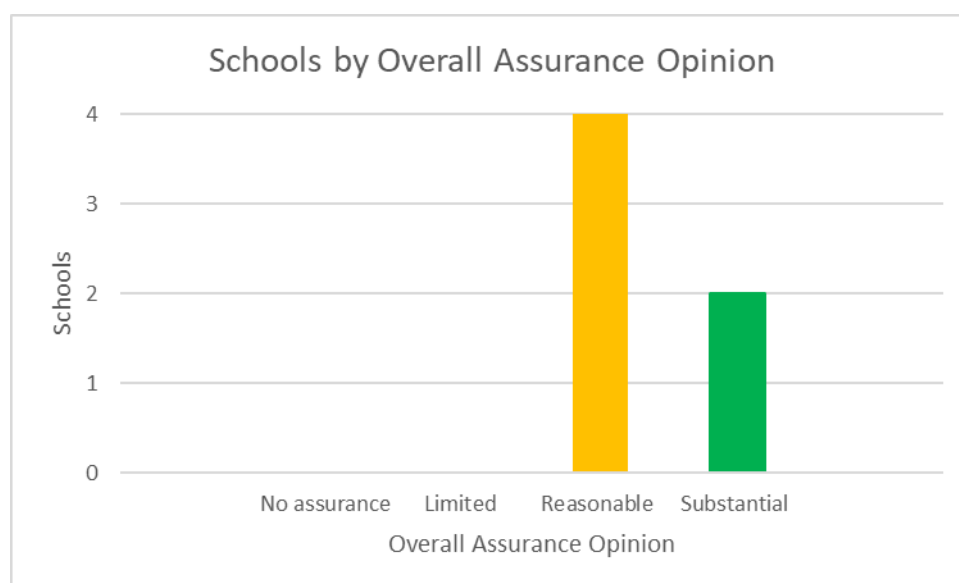
- 1.5 This audit theme was completed through a combination of remote and in-person meetings with the 6 schools sampled. The scope of the audit included reviewing the appropriateness of governance arrangements, allocation of funding, the process for accounting, compliance with grant conditions, budgeting and forward planning and completeness of audit trails. At each school a sample of online payments and cheques (if used) were tested for assurance that appropriate segregations of duty were taking place in practice.
- 1.6 Individual recommendations regarding the internal control environment at each of the schools were provided in individualised reports. These have been summarised below.

Summary of Recommendations – Schools

Overall Assurance Opinions

- 1.7 Schools were provided with appropriate recommendations where we determined that their internal controls could be improved. The assurance opinions given as part of this themed audit were based on the recommendations provided, and are no assurance, limited, reasonable and substantial.

Figure 1 – Assurance opinions provided to the 8 Schools audited



- 1.8 Figure one shows the assurance opinions provided to the schools. Of the 6 Schools audited: 4 received reasonable assurance and 2 received substantial assurance with no schools receiving limited assurance or less.

Recommendations

1.9 For the 6 schools visited, recommendations were issued on an individual School level where appropriate. 12 advisories and 12 recommendations were given in total, and they are split below in figure two into their topics and priority levels. Please refer to Appendix B for definitions of our recommendation levels.

Figure 2– summary of findings provided to the 8 Schools audited



Summary of Findings

1.10 While there were no high or critical recommendations raised throughout the audits, four schools received medium priority recommendations and were thus provided reasonable assurance. In regard to accounting arrangements, we raised two medium and one low priority recommendation across three schools. The low recommendation was issued in relation to our assessment of the year-end budget monitor identifying a sum of Recovery Funding where it was unclear where there was a lack of evidence to demonstrate when the income was received.

1.11 We further raised one medium recommendation in relation to the school’s financial system not clearly demonstrating the expenditure of ring-fenced funding due to the nature of recording purchases on the system which makes expenditure harder to trace. The other medium recommendation raised was in regard to Early Career Teaching funding where there was no record to show how the funding was used in relation to the grant conditions. The school did keep hardcopies of purchase orders

and invoices however due to the timeframe of the audit we were unable to reconcile the expenditure to the income. For both schools we found that there were no summary records in place to demonstrate income and expenditure of the funding.

- 1.12 Two schools received recommendations surrounding audit trails. The medium recommendation raised was in regard to the PE & Sports grant where we found that the school was unable to provide data regarding the progress of students from year 3-5 in swimming lessons. Without this data there is risk that the school is unable to demonstrate for the ring-fenced funding is benefiting their pupils which could potentially affect future allocations. The low recommendation raised was in relation to the school's pupil premium strategy document for 2022/23 incorrectly stating the funding received. Failing to provide the correct figure on the strategy could potentially impact the transparency they are displaying to third parties and could warrant unnecessary challenges on the governance of funding received.
- 1.13 Two medium recommendations concerning governance were raised during our audits. At one school the recommendation was issued in relation to the school's absence of governor's minutes. We were unable to review the 2022/23 governor committee minutes due to a flooding incident where the copies of the documents were lost. As a result, we provided a recommendation that the school ensures that minutes are recorded electronically after committee minutes and stored where governors can remotely access them. The other medium recommendation raised related to the PE & Sports grant where we found that the proposed use of the funding had not been presented to governors for comment or approval.
- 1.14 Regarding the publishing and submitting of data we raised one medium priority recommendation, where a school had failed publish information relating to the use of the PE & Sports funding by the correct date which is a requirement under the conditions of the grant. Where schools fail to submit data for public view, this leads to a lack of accountability and could result in challenge about their use of the funding.
- 1.15 We raised one recommendation medium priority recommendation surrounding budgeting and forward planning in relation to the approval of expenditure for Pupil Premium and Recovery Premium. Whilst we identified that the school planned to use the funding on salaries for teaching assistants to provide more 1:1 support which aligns to the grant's conditions, there was a lack of approval documented for the intended use. Where there is a lack of approval for proportionally large spending of funds there could potentially be issue if the expenditure is later questioned and the school finds difficulty in proving a full audit trail.
- 1.16 In our review of Pupil Premium Strategies, we raised two low priority recommendations. For one school the recommendation was issued due to approving additional expenditure of the Recovery Premium than was recorded on the statement. Whilst the school was not expected to update the statement, documents created to show the additional use of the funding were not dated or link to the Pupil Premium Statement. The other recommendation issued was due to the school recorded the value of Pupil Premium and Recovery Premium together where they should be separate. The school additionally had dated the PPG per pupil rate in their funding overview as 2021/22 where it should have been 2022/23.
- 1.17 One low priority recommendation was raised relating to PE & Sports grant expenditure not having an approval process in place to confirm each item of expenditure is compliant with the conditions of the grant. This could result in the

funding not being used accurately or for the planned usage and therefore may not reach the targeted areas for improvement required of specific grant conditions.





This section summarises the findings from the 6 schools audited. Individual schools can use this to self-assess the robustness of their application and evidence retained in relation to the Grant. A copy of this summary will be placed on the Schools Grid as a reminder of good practice, which is accessible by all maintained schools.

Ref	Finding	Recommendation
1.	<p>Accounting Arrangements</p> <p>We raised two medium and one low recommendation at three of the six schools in relation to accounting arrangements. These recommendations were in response to:</p> <ul style="list-style-type: none"> • Lack of evidence held for Recovery Premium income. • Expenditure not clearly demonstrated on the school’s financial system. • No records of how the Early Career Teaching funding to meet grant conditions. • Lack of summary documents to demonstrate income and expenditure of ring-fenced funding. <p><u>Associated Risk</u></p> <p>Where there is no evidence of expenditure being aligned with the conditions of the grant, this risks clawback of funding and the school being required to pay back the funding given by local authority/government or being ineligible for future funding.</p>	<p>We recommended that there is sufficient documentation retained and accessible relating to income (initial or additional) of the relative grant funding, so that usage can be correctly assessed.</p> <p>We recommend that sufficient documentation is retained in a retrievable manner to be able to prove compliance with grant conditions relating to expenditure. Where possible this could be achieved by having a specific financial code for expenditure and income related to specific grants.</p> <p>Given it is acknowledged that in some cases it may not be possible to have a specific code to accommodate all expenditure related to a grant, an appropriate supporting record should be maintained to reconcile the grant expenditure and provide the audit trail to the supporting financial transactions and invoices.</p>
2.	<p>Governance Arrangements</p> <p>During our testing of school’s governance arrangements, we raised two medium</p>	<p>We recommend that schools ensure they keep electronic records of the committee and governors’ meetings,</p>

Ref	Finding	Recommendation
	<p>recommendations at two schools. One recommendation was raised in response to the absence of governor committee minutes for the 2022/23 year where the school only kept paper copies which were lost due to a flooding incident. The other recommendation concerned governors not being presented with the planned use of the PE & Sports grant for comment and approval.</p> <p><u>Associated Risk</u></p> <p>Where governors are not involved in the oversight or approval of the expenditure strategy for grants, there is an increased risk that plans that do meet the intention of grant may not be challenged, causing potential reputational damage to the school.</p>	<p>which are accessible remotely and are available for key SLT and governors. This would prevent key governance documents being lost should there be future unexpected accidents such as flooding, or IT issues.</p> <p>Governors should be provided with formal plans of how the PE & Sports Grant will be used, this supporting their ability to provide appropriate oversight that such plans meet the key objectives of the grant and the school.</p>
3.	<p>Audit Trails</p> <p>Through our testing of whether schools had maintained an appropriate audit trail, we provided two schools recommendation, one medium and one low. The medium priority related to a school not holding swimming progress data records for years 3-5 which would be needed to demonstrate how pupils are benefiting from the PE & Sports grant funding should they be asked. The low priority recommendation related to a school inaccurately recording the amount of funding received in their Pupil Premium Strategy.</p> <p><u>Associated Risk</u></p> <p>Schools cannot tell how far pupils have progressed, if at all, with regards to swimming. This is due to a lack of available swimming attainment data throughout KS2. This could lead to inaccurate predictions or conclusions in school reports, or a failure to show how ring-fenced expenditure is benefiting pupils.</p>	<p>We recommend that data for pupils' swimming attainment throughout KS2 is kept securely, as this evidences how the students are benefitting from the grant funding.</p> <p>We further recommend that the schools ensure that they evidence the correct funding received in their Pupil Premium Strategy. Where this changes in-year this should be reflected in the following years strategy breakdown.</p>
4.	<p>Publishing/Submitting Data</p>	<p>We recommend that schools ensure that they have checked the grant conditions</p>

Ref	Finding	Recommendation
	<p>In determining whether schools had appropriately published or submitted data surround ring fenced funding when required to in the grant conditions we raised one medium priority recommendation where the school had failed to publish their planned use of the PE & Sports grant to their website by the correct date. Across two other schools we raised further advisory actions surrounding missing dates of publication and inaccurate recording of income received from the local authority.</p> <p><u>Associated Risk</u></p> <p>Where a School does not publish or submit data for review and/or public view, this leads to a lack of accountability, and the school may be questioned about their use of funding.</p>	<p>of funding received and understand what information needs to be published or submitted.</p> <p>Schools should ensure all published documents are completed in full and dated to evidence that the information was published in time and in-line with the grant conditions. Where changes to income occur after the documents have been published the school should review and update documents where appropriate to display accurate information.</p>

Assurance Level	Definition
Substantial Assurance	A sound system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

Priority Level			Definition
Corporate	Critical		Audit findings which, in the present state, represent a serious risk to the organisation as a whole, i.e., reputation, financial resources and / or compliance with regulations. Management action to implement the appropriate controls is required immediately.
Service	High		Audit findings indicate a serious weakness or breakdown in control environment, which, if untreated by management intervention, is highly likely to put achievement of core service objectives at risk. Remedial action is required urgently.
	Medium		Audit findings which, if not treated by appropriate management action, are likely to put achievement of some of the core service objectives at risk. Remedial action is required in a timely manner.
	Low / Advisory		Audit findings indicate opportunities to implement good or best practice, which, if adopted, will enhance the control environment. The appropriate solution should be implemented as soon as is practically possible.