

# CYNGOR SIR POWYS COUNTY COUNCIL

## CABINET REPORT

4<sup>th</sup> October 2016

**REPORT AUTHOR:** County Councillor Wynne Jones  
Deputy Leader and Portfolio Holder for Finance

**SUBJECT:** Actions in Response to Weaknesses Identified During  
an Investigation into the Inappropriate Use of a Schools  
Delegated Budget

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**REPORT FOR:** Information

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### 1. Background and Introduction

- 1.1 Cabinet will recall that a report of the findings of an independent investigation into allegations of inappropriate use of delegated budget by Llanfyllin High School was presented to Cabinet on 14<sup>th</sup> June 2016.
- 1.2 Alongside other findings, the investigation found weaknesses in the way in which delegated budgets are reviewed by both the Council's Finance and Internal Audit functions. It also identified a general lack of awareness of a clause in the Scheme for the Financing of Schools that was the focus of the investigation.
- 1.3 This report presents a summary of the identified weaknesses together with the actions that have been taken and the measures that have been introduced in response.

### 2. Identified Weaknesses, Failures and Corresponding Actions

#### Finance

- 2.1 The investigation identified that finance staff were not carrying out a rigorous assessment of school budgets compliance with policy and were unclear as to the extent of their role in ensuring that schools complied. The service acknowledge that, whilst the responsibility for approving school budgets rests with the School Governing Body, it is incumbent upon Council finance staff to provide significant challenge to the Headteacher and Governing Body to ensure that school budgets are set in compliance with Council policy and particularly the Scheme for the Financing of Schools.
- 2.2 Since the investigation took place, there has been a strengthening of capacity within the Schools Finance Team. An additional appointment to the team has been made which has provided additional support to ensure all schools are given the appropriate level of review, advice, support and challenge. Individual feedback is also provided to High School Head Teachers on progress with the closing of accounts, identifying any issues as they arise.
- 2.3 A greater degree of direct challenge to schools has been introduced at school finance meetings, specifically around transport and income received from parents. A review of transport expenditure across all schools has also been undertaken and

a sample interrogation of invoices has been carried out for assurance that spend is compliant. Further periodic reviews will continue to take place during the financial year.

- 2.4 Processes have been established that are designed to ensure that schools are followed up promptly and regularly if they are not providing the budget information to the schools finance team that is required to be sent on a monthly basis. A minimum of two face to face meetings between schools finance staff and each high school has also been introduced will additional meetings organised as required.
- 2.5 All schools are now required to sign a declaration form of compliance with the Scheme for the Financing of Schools each year to accompany their budget plans and every budget is reviewed for compliance with the scheme.
- 2.6 The Schools Finance Team actively participate in and contribute to reviews of the Scheme for the Financing of Schools, maintaining full awareness of the scheme and its provisions and therefore ensuring that accurate advice and appropriate challenge can be given to schools by all of the team.
- 2.7 High Schools are being encouraged to adopt the Council's financial system (E-Financials) and discontinue the use of the SIMS system currently in use by High Schools which presents compatibility issues and consequently an unnecessary administrative burden. Two High Schools have transferred to the E-Financial system with effect from the beginning of September 2016 and an invite for a demonstration of the system has been sent to the remaining High Schools.
- 2.8 The Schools Finance Team have organised 'awaydays' that allow them to spend focused time reviewing school budgets and the development of and improvements to team capacity and capability.

### **Training**

- 2.9 The investigation identified concerns over the awareness of head teachers and governors of their policy obligations and a review of the training given to Head Teachers and Governors on their budgetary management obligations has been undertaken.
- 2.10 There are already fairly robust arrangements in place for both Head Teacher and Governor training. Budgetary and financial management training is already a standard part of the Governor Training Programme. 3 sessions have been held (North, Mid and South) in October 2013, and again in February 2016. Further training has already been arranged for 2017.
- 2.11 At these sessions Governors are appraised of the Council's Financial Regulations, The Funding Formula, The Good Practice Guide and the Scheme for the Financing of Schools which is their key reference document. The sessions reinforce the need for compliance on all the provisions within it.
- 2.12 In addition there are often articles in the Governor's newsletter reminding Governors of their responsibilities in terms of Budget and Financial Management. The summer 2016 edition of the newsletter had on the front page, an article reminding Governors of their responsibilities in terms of budget and financial management and compliance with the Scheme.

2.13 Individual meetings are held with new Head Teachers to discuss finances of the school and to inform them of the relevant policies. Future meetings will include a greater emphasis on the requirements of Scheme for the Financing of Schools. The training for aspiring heads also includes a session on budget and financial management.

### **Internal Audit**

2.14 The investigation was critical of the narrowness of the scope of the Internal Audit review of High School budgets and their compliance with the Scheme for the Financing of Schools. It was also critical of the reliance of Internal Audit on the opinion of finance staff as to the appropriateness of the budget.

2.15 The Scheme for the Financing of Schools forms the basis of Internal Audit's review of budget compliance. Whilst the opinion of finance staff provides appropriate evidence during the assurance process, the Internal Audit review must establish whether a budget is compliant with all relevant policy.

2.16 The Internal Audit review of Llanfyllin High School's failed to identify that it was in breach of clause 5.2 of the Scheme for the Financing of Schools, prohibiting the use of delegated funds to subsidise home to school transport. The Internal Audit Service were however unaware of the existence of clause 5.2. This failing has highlighted the need for the Internal Audit Service to ensure that they are appraised of contemporary policy provisions prior to conducting an audit and that they are notified by the schools finance team of any future changes made to the Scheme for the Financing of Schools.

| <b>Recommendation:</b>   | <b>Reason for Recommendation:</b>  |
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| <b>To note the actions taken and being taken to respond to the weaknesses identified during the investigation of inappropriate use of delegated school budgets</b> | <b>To improve the assurance arrangements surrounding the compliance of school budgets with the Scheme for the Financing of Schools</b> |

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|-------------------------------|---|-----------------------|----------|
| <b>Relevant Policy (ies):</b> | The Scheme for the Financing of Schools |                       |          |
| <b>Within Policy:</b>         | <b>Y</b>                                | <b>Within Budget:</b> | <b>Y</b> |

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| <b>Relevant Local Member(s):</b> | <b>N/A</b> |
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| <b>Person(s) To Implement Decision:</b>         | N/A Report for Information |
| <b>Date By When Decision To Be Implemented:</b> | N/A Report for Information |

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### **Background Papers used to prepare Report**