Working in partnership

INTERNAL AUDIT 2022

Question & Answer Sheet

Q: How often would a school get an audit?

A: At present, we cannot say exactly how often a school will get a school audit, we don't have a cyclical target for example. It is likely that a school will be audited approximately every 3-5 years, however, changes to their risk profile may increase or decrease this frequency.

Q: Is it a financial audit?

A: Audits undertaken by Orbis Internal Audit are not financial audits in the same way those undertaken by External Auditors are, e.g. ensuring that items are correctly coded etc. but instead focus more on the control environment to ensure that your school has robust controls in place to reduce the risk of financial loss or other errors. There is, however, an element of transactional testing that will include financial transactions.

Q: Can you fail an audit, or is it a set of recommendations? Please can we have the rating breakdown?

A: You cannot 'fail' an audit, however, there are four assurance ratings that can be provided. These are as follows:

Audit Opinions and Definitions

Opinion	Definition
Substantial Assurance	Controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
Reasonable Assurance	Most controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
Partial Assurance	There are weaknesses in the system of control and/or the level of non-compliance is such as to put the achievement of the system or service objectives at risk.
Minimal Assurance	Controls are generally weak or non-existent, leaving the system open to the risk of significant error or fraud. There is a high risk to the ability of the system/service to meet its objectives.

When an audit report is issued to a school it will contain recommendations to improve the control environment where weaknesses have been identified.

Q: So, will there be a follow-up for the "less positive" assurance ratings?

A: Yes, we will aim to undertake follow-up audits for those schools with partial and some minimal assurance ratings, as well as those findings which have been assigned a 'high' risk rating.

Q: Substantial means what? i.e. "… has substantial controls?".

A: Audit opinions and definitions are shown above. Substantial assurance means that 'controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.'

Q: Can an audit be deferred if other situations are being managed?

A: Yes, the audit process is flexible and we are able to defer or postpone audits where required by a school.

Q: How do we best present the controls in place? Process maps? Policies and evidence to show them in action?

A: Strong minutes from Governing Body meetings demonstrating that there is oversight and discussion where there are areas of weakness demonstrate good control. We do not expect schools to have extremely detailed process maps, risk appetite statements or risk registers if these are not used. Ensuring that your standard policies are up to date and accurate, and that there is evidence of review and approval from Governors is a good starting point.

Q: Are the reports made readily available to Governors?

A: Yes. If your school has an audit the report will be sent to the Chair of Governors. We request that it is distributed to all Governors and discussed as an agenda item at the next meeting Governing Body meeting.

Q: Is the assurance typically for the headteacher or someone else outside the school?

A: Internal audit reports do provide assurance to the Head Teacher and Governors, however, the main aim is to provide assurance to the Section 151 (Chief Finance Officer) Leigh Whitehouse. Leigh has a responsibility to ensure that there is a clear framework for the proper administration of the authority's financial affairs. To perform that duty the Section 151 Officer relies on, amongst other things, the work of Internal Audit in reviewing the operation of systems of internal control and financial management.

Q: Are there ever recommendations that are not shared with governors? I.e. is there ever a separate set?

A: Generally, no. We may make best practice recommendations in the closing meeting that aren't reported upon if these are solely best practice. Any areas of identified risk where we have made recommendations that we have reported upon, will be in the report that Governors received.

Q: Do you ever provide any info to schools so they can do their own audit/ahead of your audit (especially if it may be a while before an actual audit happens)?

A: School audit bulletins contain questions that we would recommend Governors ask their schools, and things for schools to consider. These sessions also show common findings, which schools can use to strengthen their controls.

Q: You haven't mentioned academies

A: Orbis Internal Audit do not undertake audits of Academies as part of the school audit programme. This is for maintained schools only.

Q: Are those objectives a standard template for a terms of reference for a single audit assignment or are these a range of objectives that you will look at across several visits?

A: The objectives are all looked at in one school audit, but we do exercise some flexibility depending on the school. If there is an area that requires more focus we may not look at another in quite so much detail.

Q: How do we access the bulletins?

A: Bulletins will be shared through SAfE. You can sign up to receive the bulletins on SAfE's governance resources page of the website.

Q: We had a question about the public liability insurance. How does this relate to PTA events on school premises? e.g. if a bouncy castle is hired by the PTA from an outside provider. Is this the school's responsibility?

A: Unfortunately, public liability is an area that requires a technical understanding that we don't have. Please speak to the insurance team who will be able to answer and specific insurance questions you may have.

Q: Are school internal audits mandatory? Who are the IA's providing assurance to? How is the scope of the audit derived?

A: School audits must be carried out, but we are able to be flexible to undertake them at a time that works for your school.

School audits provide assurance to the Section 151 (Chief Finance) Officer, Children's Services and the school and Governors.

The scope of school audits has been derived over a number of years of auditing schools and understanding their control environments. The audit covers the areas of higher risk where controls may be reduced and have an impact on the school.

Q: Could you clarify if audits are suspended still or being conducted right now?

A: Audits are being carried out remotely at present.

Q: Does this apply to all maintained schools?

A: Yes, school audits cover all maintained schools.

Q: Do you work with the GIAA

A: No, school audits are not related to the Government Internal Audit Agency.

Q: Are there any themes from the audits you have completed so far

A: Schools generally have robust internal controls, however, there are themes that have been identified where controls could be improved. These are detailed within the slides.

Q: Do you specifically look at the Schools Financcial Value Statement (SFVS)?

A: We do look at the SFVS to gain a deeper understanding of the school and any areas where the school has already identified areas for improvement. We do not provide any assurance over the content or implementation of the actions identified within the SFVS.

Q: You might cover this later, but what is the objective of an IA?

A: To provide assurance that controls are in place to meet the following objectives:

- Governance structures are in place and operate to ensure there is independent oversight and challenge by the Governing Body.
- Decision making is transparent, well documented, and free from bias.
- The school can operate within its budget through effective planning.
- Unauthorised or inappropriate people do not have access to pupils, school systems or the site.
- Staff are paid in accordance with the schools pay policy.
- Expenditure is controlled and funds are used for an educational purpose. The school ensures value for money on contracts and larger purchases.
- All Voluntary Funds are held securely, and funds are used in accordance with the agreed aims.

Q: Do you follow up on recommendations after the audit?

A: We follow up on 'high' priority actions after the audit and conduct a follow up audit for schools with a lower assurance rating.

Q: What is legal status of your remit of school funds?

A: As school staff who are employed by the school often administer school funds, we do have some remit should there be a fraud. We don't review school fund accounts in any detail other than to ensure they have been audited.

Q: Will remote IAs continue? Or will you revert to in person?

A: It is unclear as yet how the school audit programme will develop in relation to physical visits of schools, however, the remote audit programme is working well and we have had very positive feedback from schools.

Q: An IA provides an opportunity to learn some good practices. How is this learning shared?

A: Learning is regularly shared within Orbis Internal Audit, and with schools through bulletins and good practice recommendations during audits.

Q: You mention Scheme of Delegation, would you expect a maintained school to have one, or is it acceptable to have delegated responsibilities reflected in Terms of reference?

A: We would expect the school to have a document in place that has been agreed by the Governing Body which details the financial levels delegated from the Governing Body to school staff. Schools can choose the most appropriate location for this document.

Q: Declaration of Interest - ALL staff seems over the top. Surely it only applies to those involved in purchase decisions?

A: Declarations of interest cover more than just purchasing and also relate to secondary employment, relationships amongst staff members and business interests. They should be completed by all staff on an annual basis or where a change occurs in order to maintain transparency within the Public Sector. The SFVS has been amended from this year to cover related party transactions, which an all staff declaration process will help to complete.

Q: Could you expand on how governors can monitor financial information please? Very detailed reports from FMS are difficult for non-accountants to follow.

A: Using the Financial Monitoring Report (FMR), which should contain notes from the Business Manager or Bursar, is a good way to monitor financial information, as well as asking the school questions around financial performance and the current position. Has the school spent a large amount of its budget early on in the year, or does it appear that there will be sufficient budget remaining for the remainder of the year?

Q: Are there any templates for costing SDPs?

A: There are no specific templates for costing School Development Plans, but we would recommend that an additional column is added to detail the approximate cost. e.g. £100, £1000 etc. to ensure that sufficient budget is available to implement the objectives within the plan.

Q: Does that mean cash in hand payments?

A: IR35 checks are not specifically in relation to 'cash in hand' payments, but 'off-payroll working.' HMRC defines this as:

"*The off-payroll working rules can apply if a worker (sometimes known as a contractor) provides their services through their own limited company or another type of intermediary to the client.*

An intermediary will usually be the worker's own personal service company, but could also be any of the following:

a partnership
a personal service company
an individual."

Checks can be undertaken here [Check employment status for tax - GOV.UK (www.gov.uk)]

Q: Does that include all contractors including educational consultants? This seems unreasonably high for this.

A: Public Liability insurance should be in place for all contractors, including educational consultants. The Surrey Scheme for Financing Schools states that Governing Bodies are required to ensure that contractors they engage have

public liability insurance cover at the level determined by the Authority. This applies to all contracts, including those for less than £5,000.
Currently the insurance requirements are:
* £5m or higher for contracts for works and designated services valued at up to £499,000.
* £10m or higher for all other contracts for works and designated services.

Schools are advised to seek guidance from the SCC Insurance Team if they have queries about the level of insurance held by contractors, or wish to 'top up' a lower level of insurance.

Q: Is there guidance on what the £10m insurance covers?

A: The insurance requirements relate to Public Liability insurance.

Q: Clerks are often self-employed and there has been a lot of confusion over IR35. Do they need professional indemnity insurance?

A: Please do contact the insurance team for specific advice on insurance.

Q: Isn't that advice from Insurance Team based on DfE threshold?

A: Please do contact the insurance team for specific advice on insurance.

Q: Re SBM producing a high level summary - is that a report generated by FMS or something they produce themselves?

A: Schools generally produce their own FMR, using data from FMS but manipulating it for clarity, to add notes, and to make it easier to understand.

For further information or guidance, you can contact the Orbis Internal Audit Team vie email:

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