



**Stockton-on-Tees**  
BOROUGH COUNCIL

# Internal Audit Report

## Children, Education and Social Care Schools Forum

**Report Status:** DRAFT

**Date of Issue:**

**Auditor:** Paul Sunley

**Distribution:**

*For action:* Lynda Brown, Head of Service, Children, Schools and Complex Needs  
David New, Senior Finance Manager

*For information:* Eric Jewitt, Workforce Development Manager  
Lucy Emmerson, Senior Assistant School and Governor Support Officer

CUSTOMER  
SERVICE  
EXCELLENCE



The Government Standard



INVESTOR IN PEOPLE

**PLEASE RESPOND TO THIS DRAFT AUDIT REPORT BY: 25 April 2013**

## 1. Introduction:

This audit was included in the Internal audit plan for 2013/14 because of the introduction of a revision of the schools forum regulations which came into force from 1st October 2012. The audit primarily reviewed Stockton's compliance against the new regulations.

The schools forum is the formal advisory and decision making body in matters related to the funding of schools within the borough. Its main responsibilities include the Stockton schools funding formula, contracts for the provision of services for Stockton schools and the extent of resources retained by the council for the provision of central services such as special educational needs.

The audit also reviewed membership arrangements, proceedings and operational requirements of the forum including administration. In addition, the auditor also obtained details on other local authority school forums and their operation following the changes in regulations as a comparison.

The Schools Forum has not been subjected to previous internal audit review and there are no previous audit recommendations to be followed up as a result.

## 2. Executive Summary:

An opinion is given of the effectiveness of the control environment and indicates the level of assurance that can be taken based upon our testing and evaluation of the system. This opinion will feed into the Annual Audit Opinion Statement.

The significance of the control weaknesses identified enables us to give the following opinion:

**FULL ASSURANCE: A sound system of internal controls is being applied consistently, although there may still be areas where improvements could be made..**

The following levels of assurance can be placed on the individual control objectives examined as part of this review:

<b>School Forum Regulations 2012</b>	<b>Full Assurance</b>
The changes to the school forum regulations which came into force on 1st October 2012 have been received and the changes have been incorporated into the procedures followed and working practices of the school forum.	

<b>Constitution</b>	<b>Substantial Assurance</b>
Stockton school forum's constitution is contained in the operating procedures document. It is currently in the process of review and there is a recommendation made regarding this review process.	

<b>Membership Requirements</b>	<b>Substantial Assurance</b>
Good systems and procedures are in place for ensuring the membership requirements are adhered to. There are two recommendations made in this area surrounding a review of the length of terms of office as there is a likely increase in change of school and academy ratios. In addition consideration should be given to training and induction arrangements for members.	

<b>Meetings, Proceedings and Voting Rights</b>	<b>Full Assurance</b>
Good systems were found to be in place for arranging meetings, the meeting preceding's and voting arrangements. There are two recommendations made in this area, one surrounding the use of substitutes and the other relates to adherence to requirements surrounding contact details of member being available.	

<b><i>Powers and Responsibilities</i></b>	<b><i>Full Assurance</i></b>
The operating procedures/constitution details the powers that the forum have available. A review of recent meeting minutes found that these were being followed.	

<b><i>Budgetary Control</i></b>	<b><i>Full Assurance</i></b>
There are no issues with the budget for the school forum, expenditure is very limited to recharges for support costs.	

***Assurance Level Methodology:***

Internal Audit has adopted the following scale of assurances that can be given to indicate the effectiveness of the control environment and the likelihood of control objectives being met for the area under review.

<b>Level</b>	<b>Definition</b>
<b>FULL ASSURANCE</b>	A sound system of internal controls is being applied consistently, although there may be scope for these controls to be improved in some areas.
<b>SUBSTANTIAL ASSURANCE</b>	Overall, there is a reasonably sound system of internal controls; however, there are areas where internal controls need to be improved.
<b>LIMITED ASSURANCE</b>	A system of internal controls is being applied; however, there are significant weaknesses in the controls in place, which are posing a substantial risk to the achievement of system objectives.
<b>NO ASSURANCE</b>	The system of controls is failing and in need of urgent management attention.

**3. Purpose of the Audit:**

Internal Audit is an assurance function that provides the organisation with an independent and objective opinion on the control environment, by evaluating its effectiveness in achieving the organisation’s objectives. The work carried out during this audit forms part of a wider audit plan that has been developed to enable that opinion to be given.

The audit was designed, via a schedule of testing, to enable an opinion to be formed upon the control environment operating within a specific part of the council’s overall control environment. The schedule of testing has been designed to enable an objective examination and evaluation of the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

This report is designed to provide feedback to management on the results of audit testing.

It should be noted that the opinion relates to the control environment only. It is not designed and should not be construed as an opinion on the quality or performance of the service as a whole. The establishment of adequate control systems is the responsibility of management, and this internal audit review is conducted on a test basis and cannot therefore review every transaction. Thus, while the implementation of internal audit recommendations can reduce risk, and should lead to the improvement of these systems of control, responsibility for the management of these risks remains with the service manager.

The auditor has signed a declaration that he/she has no pecuniary interest in any aspect of the subject of this report.

**4. Management Action Plan:**

As part of the audit process, the auditor may have identified areas where the systems of internal control could be improved. Recommendations are made to improve the systems of internal control and are discussed with managers; an action plan is developed which will ensure internal control systems are strengthened in terms of their contribution to the proper, economic, efficient and effective use of resources.

Where recommendations have been made in previous audits, the management actions taken to address the controls will have been reviewed as part of this audit. When these actions are considered insufficient to fully satisfy the auditor that the systems have improved sufficiently to alter their opinion, the recommendations have been restated in the action plan of this report. The report shows the actions that had previously been agreed and the current position regarding these actions. The original comments made by the responsible officer are shown in italics. These previous recommendations can be identified by the inclusion of a date in the “Audit Ref” field.

Each recommendation is given a priority based on the risks posed to the delivery of priorities as defined in the methodology below.

***Recommendation Priority Methodology:***

Priority	Definition
<b>(4*) URGENT</b>	Actions that must be taken immediately to manage significant risks that are likely to prevent the Authority achieving one or more of its corporate objectives.
<b>(3*) SUBSTANTIAL</b>	Actions that should be taken as a matter of priority due to the issues identified posing a substantial risk to the achievement of service/system objectives.
<b>(2*) SIGNIFICANT</b>	Required actions to reduce the risk of systems failing to achieve their objectives.
<b>(1*) PRUDENT</b>	Beneficial to the improvement of internal controls, which will support the achievement of objectives.

**4. DRAFT - Management Action Plan  
Previous Audit Recommendations**

## 4. DRAFT - Management Action Plan

### New Audit Recommendations

#### Constitution

<b>No: 01</b>	<b>Priority: 1 Prudent</b>
<b>Finding:</b>	It is noted that Stockton Schools forum have recently reviewed the operating procedures/constitution document following the changes in regulations. Although the discussion is minuted, there is no evidence that it has been finalised and approved by the forum. In addition, the new regulations require the constitution to be open and transparent. The auditor reviewed 10 other local authority school forums and found updated constitutions were published on the respective council websites.
<b>Risk and Implications:</b>	New regulations are not being followed by Stockton Schools Forum.
<b>Recommendation:</b>	The constitution/operating procedure document should be approved by the schools forum and published on the councils website.

#### Membership Requirements

<b>No: 02</b>	<b>Priority: 1 Prudent</b>
<b>Finding:</b>	The recent regulation changes, have included a recommendation on the length of terms of office for forum members should not hinder the structure (as this needs to reflect pupil numbers from the various sectors). A review of 10 other Local authority school forums found the length of a term of office to be in between two and four years. Currently membership is three years in Stockton. Due to the increase in conversations to academy status there is a risk that the length of a term of office could be impractical.
<b>Risk and Implications:</b>	The effectiveness of the forum may be compromised if the ratios are not flexible for changes in circumstances
<b>Recommendation:</b>	During the approval process for the constitution, consideration should be given to reducing the standard length of the terms of office as this needs to be flexible to incorporate any changes to the structure that may be required.

<b>No: 03</b>	<b>Priority: 1 Prudent</b>
<b>Finding:</b>	There is no formal training process for forum members and no formal induction process in place. Informal training has however, has been undertaken on request. The operating procedures/constitution do not mention training.
<b>Risk and Implications:</b>	Members may not fully understand their roles and responsibilities in respect of the schools forum.
<b>Recommendation:</b>	Consideration should be given to formalising training arrangements for forum members, these should then be outlined in the constitution document

#### Meetings, Proceedings and Voting Rights

<b>No: 04</b>	<b>Priority: 1 Prudent</b>
<b>Finding:</b>	The arrangements for substitutes for absent forum members have recently been discussed, and a system has been approved. It is noted that eight out of the ten school forum constitutions examined had the arrangements for substitutes fully included and recorded.
<b>Risk and Implications:</b>	The absence of written procedures could cause confusion and dispute.
<b>Recommendation:</b>	Consideration should be given to include the substitution arrangements in the constitution in the event of dispute.

**4. DRAFT - Management Action Plan  
New Audit Recommendations**

<b>No: 05</b>	<b>Priority: 1 Prudent</b>
<b>Finding:</b>	It should also be noted that the new regulations encourage contacts to be listed and updates to be sent to schools, many other councils have a dedicated forum page on the website with email address of all representatives enabling contact and communication
<b>Risk and Implications:</b>	The new regulations requirements for openness are not being fully adhered to
<b>Recommendation:</b>	Consideration should be given to including details of members of the Forum contact details on the councils website.

## 5. Observations - DRAFT

The following points were noted during the audit review.