



Services to Schools City of York Council Internal Audit Report 2018/19

Business Unit: Children, Education and Communities Directorate,
Responsible Officer: Assistant Director Education & Skills
Service Manager: Schools Business Support Manager
Date Issued: 09/07/19
Status: Final
Reference: 15697/004

	P1	P2	P3
Actions	0	1	3
Overall Audit Opinion	Substantial Assurance		

Summary and Overall Conclusions

Introduction

A range of traded services are offered to schools through the York Education Website. Maintained schools can order these services through the website against a standard specification and standard charges are applied. Alternatively a bespoke service can be commissioned. Services are provided directly by City of York Council or by the Council's service providers.

All services provided to external clients (eg academies) and all services provided by other than CYC, are covered by individual contracts (rather than an order through the website).

Charges for services to maintained schools are made by journal and to academies and other external clients by invoice.

Objective and Scope of the Audit

The purpose of this audit was to provide assurance to management that procedures and controls within the systems in place will ensure that:

- commissioned services are charged promptly and in accordance with agreed prices
- services are supported by contracts where necessary
- adequate systems are in place for the termination and renewal of service provision
- systems are in place to review and monitor the quality of service provision

Key Findings

CYC provides 30 traded services to schools. York Education Website provides a central system for schools to purchase these traded services and access their service resources. It also provides access to freely available resources, service information and links to available training.

For maintained schools traded services are ordered directly through the York Education Website on an annual basis. Schools can view their orders on the website at any time and verify the charges raised.

All traded services to maintained schools were supported by a service specification clearly stating the service to be provided, prices to be charged and conditions for termination. Services provided by an external organisation (or other than in partnership with CYC) are supported by a separate contract.

Ad hoc/bespoke services that may be required are ordered directly from the relevant service. Testing indicated that not all ad hoc or bespoke work was fully supported with a service specification and pricing schedule and, where appropriate, an agreement signed by both parties.

Traded services provided to academies and out of area schools are contracted through School's Business Support with the exception of Payroll Services and Governance Support Services who deal directly with external clients. Contracts (in a legally approved format) and service specifications detailing charges and contract termination conditions were in place for all services to academies and out of area schools tested except for Payroll Services. A contract for use in the provision of payroll services has recently been developed (for use in the next academic year). However, currently the Council pays the salary for the Academy and the raises an invoice to be reimbursed, effectively providing these academies with an interest free loan on each salary payment).

Good procedures are in place to ensure all traded services to maintained schools are accurately and promptly charged by journal raised in month 4. Any adjustments to charges are applied at year end.

Testing of charges to academies and out of area schools indicated that charges were accurately and promptly invoiced in all cases except one. This was a charge to an academy (Hope Learning Trust) for Payroll Services where audit queries are still outstanding.

Each service is responsible for monitoring delivery of their own services. Feedback on traded services in general is not formally requested but might be of benefit to service provision.

Overall Conclusions

It was found that the arrangements for managing risk were good with few weaknesses identified. An effective control environment is in operation, but there is scope for further improvement in the areas identified. Our overall opinion of the controls within the system at the time of the audit was that they provided Substantial Assurance.

1 Contracts for Academies & Out of Area Schools

Issue/Control Weakness

Contracts are not in place for Payroll Services purchased by academies and out of area schools.

Risk

Without terms being properly specified in an agreed contract disputes may occur and payments may not be made.

Findings

A sample of charges made to academies was selected and the contracts and service schedules for the services provided were requested. Contracts in an approved legal format were in place in all cases with the exception of Payroll Services.

Payroll Services are currently provided to two MATS (Hope Learning Trust and South York MAT) and two academies out of area (Scalby School and Norton School). An apparent discrepancy in charges raised for services to one academy was identified (an undercharge of £7352.80 to Hope Academy) and was notified to the Accounts Manager for investigation. The service provided includes payment of the client's payroll which is subsequently reimbursed via invoice. Payroll costs for the MATS and out of area schools are currently in the region of £2.3m, and the Council is effectively providing these academies with an interest free loan on each salary payment. To date all costs have been reimbursed in line with payment terms

Responsibility for the provision of contracted payroll services transferred to Business Support in the last 6 months. Pricing of services to academies and out of area schools, which appeared to be inconsistent, has recently been reviewed and a contract for the future provision of payroll services has been developed in conjunction with legal services. Both will be applied to services provided to academies for the academic year 2019/20

Agreed Action 1.1

The following actions have been agreed

1. Contract negotiations have commenced and contracts have been issued to academies and out of area schools. Contracts are to be agreed and signed between CYC and each academy/out of area school.
2. CYC are currently funding contract payrolls and invoicing for reimbursement. Payment terms are up to 30 days essentially giving an interest free loan for this period. Payment terms will require negotiation so each contracted payroll will ensure adequate funds are transferred to CYC within 3 working days prior to the payment date.
3. Investigation of discrepancies in 2018-19 charges will be completed and the outcome advised. A consistent pricing structure and payment schedule will be put in place for academies and out of area schools.

Priority

2

Responsible Officer

Business Support
Manager

Timescale

31 August 2019

2 Orders for Bespoke Services & Ad Hoc Work

Issue/Control Weakness

Bespoke Services & Ad Hoc services provided to schools are not always covered by a service schedule and a service level agreement where necessary.

Risk

The contractual arrangements may not be clear and disputes may arise.

Findings

The procedures for commissioning and charging for off contract work and bespoke services were reviewed for Schools Finance and Governance Services. A sample of off contract payments were selected for testing to ensure they were adequately supported by a schedule of service with an agreed price and a signed service level agreement where necessary. Finance services were adequately supported. However it was found that for Governance Services no specification had been issued for some services eg off contract Clerking and for Governing Body Reviews. Work had been agreed by e-mail only. It is suggested that these are covered by a schedule of services and in the case of provision to academies, a contract document or agreement.

Agreed Action 2.1

The contract template provided by the School Business Support Manager, following consultation with legal services, has been used for all future contracts for ad hoc work and anything falling outside of the main MAT Governance Service contracts.

Priority

3

Responsible Officer

Team Leader –
Governance and
Training

Timescale

Complete

3 Service Monitoring

Issue/Control Weakness

No feedback on traded services in general is formally requested from either maintained schools or external clients.

Risk

Services provided may not be meeting the customer's needs.

Findings

Each service area is responsible for monitoring delivery of their services and each has a named contact and contact details included in their service schedule and on the York Education Website. The York Education Website also has a feedback facility and maintained schools are given the opportunity to provide feedback on traded services at bi-annual Finance and School Business Manager meetings.

Contract management meetings are held with external clients for Governance Support Services and Payroll Services but are not routinely in place for other services. Feedback on traded services in general is not formally requested from the schools and academies but this might be of benefit by providing information for the improvement of services and the York Education website. This is particularly important with academies where the provision of support services is becoming increasingly competitive.

Agreed Action 3.1

Services will be reminded of the importance of seeking feedback from schools and they will be offered advice as to how they may do this at the services for schools staff meeting in July. The approach services take needs to be sensitive to any previous complaints and also not raise school expectations of any improvement when this may not be realistic.

Priority

3

Responsible Officer

School Business Support Manager

Timescale

31 July 2019

Agreed Action 3.2

The Governance Support and Development Service is looking to introduce questionnaires that will be completed following verbal feedback received when carrying out annual visits to discuss contracts with MATs in the spring term. In-year feedback from Chairs of Governors of maintained schools is also being considered for the autumn term.

Priority

3

Responsible Officer

Team Leader – Governance and Training

Timescale

31 December 2019

Audit Opinions and Priorities for Actions

Audit Opinions	
<p>Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit.</p> <p>Our overall audit opinion is based on 5 grades of opinion, as set out below.</p>	
Opinion	Assessment of internal control
High Assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial Assurance	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Reasonable Assurance	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited Assurance	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No Assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

Priorities for Actions	
Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.

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