

Section 5: School Council Financial Assurance Program

5.1 Overview

The Schools' Financial Assurance Framework (SFAF) was developed with mutual consultations between Financial Services Division (FSD) and the Assurance Branch. The School Council Financial Assurance (SCFA) program is part of the Department's SFAF and covers all Victorian Government schools.

Under the SCFA program, the Assurance Branch conducts the Agreed-Upon Procedures, Topic Audits and/or Ad-hoc audits at Victorian Government schools.

5.2 Agreed-Upon Procedures

5.2.1 Overview

The Department engages external auditors to perform Agreed-Upon Procedures (AUP) in schools. The AUP program assesses application of key financial controls and tests school transactions across multiple business processes. Simultaneously, the AUP program also assesses the reasonableness of School Council Governance.

5.2.2 Why perform AUP?

The AUP approach is intended to assist the Department achieve additional assurance over financial internal controls and transactions at the school level for the purposes of consolidation into the Department's 30 June financial accounts.

5.2.3 Who is covered under the AUP program?

Schools are selected for the AUP program using a random sampling method after applying statistical methods to determine the sample size.

Schools are notified of their selection via the Schools' Bulletin and fieldwork takes place throughout the year. Schools selected for the AUP program are contacted directly by the Department's contracted external audit firms to organise a suitable time for the field visit. The firms will provide information to help schools understand what is required and what they can do to prepare. The visit is anticipated to take between 2-3 days; however, the days are subject to change considering the change in procedures performed each year. The school notification for AUP selection will include anticipated fieldwork dates each year.

5.2.4 Mandatory policy (Must do):

Sequence Number	Information	
5.2.4.1	Participation in the SCFA program will not preclude schools from other audits. However, the number of times each school is audited each year will be kept to a minimum.	
5.2.4.2	The AUP program: <ul style="list-style-type: none">• assesses key transactional level and entity level financial controls;• tests school transactions that impact the financial statement line items at the department level;• assesses involvement of school councils in school financial affairs;• assesses school compliance with Department policies and procedures.	

Business cycles and/or processes generally covered under the AUP program are:

- locally raised funds;
- school council governance;
- expenditure and accruals;
- payroll;
- cash and bank;
- fixed assets.

5.2.5 How does AUP reporting work?

The AUP report to schools includes factual findings resulting from each procedure.

Schools are requested to comment on the factual accuracy of the findings and suggested actions to rectify the findings in the final report.

Findings from individual schools are compiled by the Assurance Branch and assessed for potential impacts at the Departmental level. A collective assessment for each individual procedure is performed to ensure consistency in risk ratings across all schools.

Based on overall risk ratings, each school is categorised into one of the following categories:

- good;
- acceptable;
- needs improvement;
- unsatisfactory.

In addition to the overall assessment of AUP, the Assurance Branch performs root cause analysis of the findings based on the nature of the procedure, factual finding and comments from the school on the finding.

A State-wide report on the AUP is prepared, based on the overall results and root cause analysis. This State-wide report is approved by the Department's Audit and Risk Committee and circulated to the regional offices, Financial Services Division and all the schools to ensure corrective measures are taken to rectify the findings at the Department and school level.

5.2.6 Mandatory policy (Must do):

Sequence Number	Information
5.2.6.1	Schools are requested to comment on the factual accuracy of the findings and suggested actions to rectify the finding in the final report.

5.2.7 How to prepare for AUP?

The Department expects schools to properly prepare for and understand their role in the AUP process. Schools are expected to read and understand the relevant policies and guidelines to ensure that the smooth and efficient conduct of the AUP program.

5.2.8 Mandatory policy (Must do):

Sequence Number	Information
5.2.8.1	Complete end-of-year processes, including running all CASES21 reports for both the year end and period specified by the Assurance Branch. Some of these reports cannot be run once operating in the New Year. For more information, refer to the CASES21 Finance Business Process Guide Section - 11 End of Year .
5.2.8.2	All monthly reconciliations are up-to-date. For example, if a visit to your school is scheduled for April, reconciliations up to March must be completed.
5.2.8.3	All records are kept on site for all financial transactions covering the period of the AUP. For example, if your school outsources its stocktake to an external party, you must ask for a copy of the relevant records and reports completed by the external party.
5.2.8.4	All minutes from the school council and school council finance committee meetings are available along with the financial reports presented at these meeting for the period being covered.
5.2.8.5	Assign an appropriate staff member (usually the business manager) to be responsible to support the AUP process.
5.2.8.6	Ensure all records and registers are up-to-date.
5.2.8.7	Asking and clarifying any questions with the auditors or School Financial Liaison Officers (SFLO's) if unclear.

5.2.9 What are schools' responsibilities in the AUP

The role and responsibility of the external auditors are to perform the AUP, document the factual findings and enquire reasons for any exceptions identified.

5.2.10 Mandatory policy (Must do):

Sequence Number	Information	
5.2.10.1.	Co-operate and provide auditors with access to all information reasonably required for them to perform the AUP.	
5.2.10.2	Ensure the principal and business manager are available to answer questions and discuss the preliminary findings (auditors may also ask the school council president to attend).	
5.2.10.3	Be professional in their approach to the AUP and co-operate with auditors in the discussion of any identified issues.	
5.2.10.4	Provide management comments within the specified timeframe to auditors to be included in the AUP report.	
5.2.10.5	Organise for the final audit report to be tabled and formally minuted at a school council meeting.	
5.2.10.6	Ensure all records and registers are up-to-date.	

5.2.11 Prohibited policy (Must not do):

Sequence Number	Information	
5.2.11.1	Schools are advised not to obtain any advice or interpretation of the Department's school council financial policies and/or guidelines from the external auditors. All such enquiries need to be made with the Financial Services Division.	

5.2.12 What to expect on fieldwork day

Auditors will arrive on a scheduled day and time and hold an entry meeting with the principal and the business manager to confirm the scope of the AUP.

5.2.13 Mandatory policy (Must do):

Sequence Number	Information	
5.2.13.1	School must make available records and clarify certain areas at the auditor's request.	
5.2.13.2	The duration of the AUP will be determined by factors including: <ul style="list-style-type: none">• school size;• identified level of risk;• availability of required records;• the complexity of issues that arise.	
5.2.13.3	The AUP will conclude with an exit meeting to discuss preliminary findings.	
5.2.13.4	Remedy non-compliance identified in the audit.	

5.3 Topic Audits

5.3.1 Overview

In addition to the AUPs, each year, the Department identifies several topic audits to be carried out at schools. Examples of topic audits can include the review of:

- key financial management controls;
- school council governance;
- school purchasing cards;
- locally raised funds.

5.3.2 Mandatory policy (Must do):

Sequence Number	Information	
5.3.2.1	The Assurance Branch of the Department selects schools to be included in the topic audits based on multiple risk factors, which vary from year to year.	
5.3.2.2	Schools are notified of their involvement in topic audits via email by the Assurance Branch. The email notification will include the following items as a minimum: <ul style="list-style-type: none">• objective of the audit;• fieldwork days;• period being covered.	

Sequence Number	Information
5.3.2.1	The Assurance Branch of the Department selects schools to be included in the topic audits based on multiple risk factors, which vary from year to year.
5.3.2.3	Schools who are selected to participate in topic audits must comply and provide the necessary co-operation and documentation as requested to the Assurance Branch of the Department.

5.4 Ad-hoc Audits/Reviews

Ad-hoc audits/reviews may occur outside the plan based audits on requests from management and the Audit and Risk Committee, or are self-initiated by the Department's Assurance Branch of the Department, based on a risk assessment.

Schools will be notified individually if they are selected to take part in an ad-hoc audit/reviews.

Timelines and reporting format for such reviews is agreed upfront with the stakeholder/s for each individual audit separately.

5.4.1 Mandatory policy (Must do):

Sequence Number	Information
5.4.1.1	Schools who are selected to take part in an ad-hoc audit/review must co-operate and provide any necessary documentation that is requested by the Assurance Branch of the Department.
5.4.1.2	The principal must make a Declaration of Private Interest (DPI) on appointment and annually thereafter. Refer to definitions section for further explanation.

5.5 Independent audit conducted by a School

If a school engages an external audit firm to conduct an independent audit on the school's finances and processes and receives a report on the result of the audit, it is requested that the school forward the report to:

- Business Monitoring Team, Finance and Compliance Branch, Financial Services Division to the following email address: schools.transactions@edumail.vic.gov.au

An independent audit conducted by a third party organisation engaged by the school does not include the Department's schools audit – Agreed-Upon Procedures program.

Legislative requirements

Legislation

The advice in this section was based on requirements outlined in the following legislation:

- *Audit Act 1994*
- *Education and Training Reform Act 2006* – Part 2.3 – Division 7 – Reporting and Accountability Requirements
- *Education and Training Regulations 2017* – Part 4 – Government School Councils and Parents Clubs
- *Financial Management Act 1994*
- *Public Administration Act 2004*
- Standing Directions of the Minister of Finance 2018 under *Financial Management Act 1994* – Section 3.2 Oversight and assurance

Definitions

Item	Definition
Ad-hoc audits	An audit and review that may occur outside the plan based on requests of management of the Department, the Audit and Risk Committee, or are self-initiated by the Department's Assurance Branch and is based on a risk assessment.
Agreed-Upon Procedures (AUP) approach	The AUP program assesses application of key financial controls and tests school transactions across multiple business processes. The AUP program also assesses reasonableness of school council governance.
Declaration of private interest (DPI)	Declaration made via Edupay of potential conflicts of interest including, but not limited to, other sources of income, any positions of office held in public or private companies, shareholdings and other business interests, relationships with trusts, holdings of real estate, agreements and contracts, other financial interests and any probity issues.
Topic audits	The Department identifies several topic audits to be carried out at schools. Some examples of topic audits can include the review of key financial management controls, school governance and locally raised funds.

Additional resources

- If you require additional information on the SCFA program, email the assurance branch on: scfa@edumail.vic.gov.au or visit our homepage on edugate.
- [School Policy and Advisory Guide](#)

Version and revision control record

Date	Version	Approver	Next Review
01/2019	1.2	Chief Finance Officer - Financial Services Division	01/2020