

The Auditor

Termly School Newsletter from Birmingham Audit

Helping you to manage risks and provide effective services



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Foreword

How time flies – this is issue 60 of our newsletter. The Auditor has caught me up – both 60 in 2021! We have so much in common - both interesting and informative, both retain the enthusiasm to help, and both look better with age!

On a serious note, 2021 has been a difficult year for all of us on a personal and business level. As I write this introduction, the roads outside are covered with ice, the cost of living continues to rise, and we have Omicron, the latest mutation of Coronavirus, knocking on our door. Not good news for anyone. All these challenges do highlight how important good risk management processes are to businesses in general, and schools in particular. You need to be aware of the risks to the delivery of your services, strategic and operational, and, wherever possible, you need to have plans in place to minimise their impact. This gives you the best opportunity to respond when risks do occur, and to minimise their impact on your day to day business.

There is an article on risk management in this issue – please find time to read it and give it due consideration – I know everyone is really busy but effective risk management could save a lot of headaches and possible losses in the future. If you would like to talk to me, or one of the team, about risk management we would be delighted to speak with you and offer support and guidance.

I would like to finish by saying that I know how hard every one of you works every day to maintain the high standards of education delivered in Birmingham. As this year draws to a close I would like to thank each of you on behalf of the team for the work you do, and wish you a wonderful, restful winter break.

Merry Christmas Best wishes Don.



Foreword written by Don Price

School Audits

All you need to know about our school routine audits...

I would like to take the opportunity to thank those schools that have had an audit during the Summer and Autumn Terms 2021 for supporting the audit process and our auditors.



Full Audits

We were able to complete audits throughout the Summer term and Autumn first half term despite the challenges faced by schools due to the coronavirus pandemic. The approach to each visit was agreed with the schools involved and included the opportunity for remote auditing and on-site work where appropriate.

Intensive Progress Reviews

Our approach includes Follow Up audits called 'Intensive Progress Reviews' for schools that had received a report with a Level 3 Assurance/High risk rating. This includes two short management assurance discussions followed by a validation review.

The Intensive Progress Review process is having a positive impact on the implementation of recommendations and the ability of schools to manage risk effectively.

Outcomes

The outcomes from the audits completed this financial year continue to reflect the general trends from previous years. This is not unexpected as our work focuses on those schools with the greatest challenges selected through the risk-based plan.

Overall, there are still areas for development which would improve strategic and operational delivery - notably Financial Governance, Budget Planning, Financial Management and Purchasing. We have also seen a fall in compliance regarding the effectiveness of internet monitoring processes across several schools. Please see the article on page [4](#).

There are known financial challenges across the maintained school sector resulting mainly from reduced funding and increased staffing costs. We have therefore identified a continued increase in schools relying on previous years' carry forward surplus balances to achieve balanced budgets. Schools are working hard to address predicted deficits in future years.

Moving Forward

We shall continue to strive to give schools three weeks notice of a pending visit. In giving schools advance notice we hope you will be able to work with us in supporting any need for flexibility and start preparing the documentation in advance.

As ever we ask that you make contact with us as soon as possible on receipt of your visit notification if there are any reasons that the suggested date will cause significant operational challenges. We can give this consideration and possibly make changes to the plan so that another school can be slotted in.

In the interest of helping the environment and moving to our new way of working we will be asking for your support in providing evidence and documentation to us in an electronic format.

A full list of the controls reviewed during our audits is available on request. If you have any queries or concerns, please do not hesitate to contact me;

Karen Smith, Principal Auditor (Schools Lead)
Telephone: 07885236038
Email: karen.p.smith@birmingham.gov.uk

Risk Management

All you need to know about Risk Management ...

The DFE Governance Handbook is clear that the Governing Boards strategic leadership role includes the management of strategic risks. This can only be achieved with the support of Senior Leadership within the school.

Risk Management is about managing **all** resources wisely. **It is the process of identifying risks, evaluating their potential consequences and deciding on the most effective methods of controlling them or responding to them.** It is part of day to day management, and is **integral to strategic planning and operational management.** The process should be integrated into the School Development Plan and budget processes.

The Governing Board and Senior Leadership Team have an integral knowledge of their school and need to decide on a risk management policy and establish their 'appetite for risk' – the level of risk they are prepared to accept within their processes and procedures.

Most schools give due consideration to risks but this is normally on a 'piecemeal' basis, as and when an issue is discussed, a decision required or a policy reviewed or developed. **To manage risk effectively, the risks associated with running a school need to be systematically identified, analysed, controlled and monitored.** This is the risk management cycle.

The risk management cycle consists of six key steps:

- 1. Establish a Risk Working Group**
- 2. Risk identification** - The process of identifying **all** risks that could impact upon the school achieving its aims and objectives.
- 3. Risk analysis** - Each risk is assessed using any relevant historical or current information for likelihood of an event occurring, and the impact of it for the school. This is achieved by measuring the risk against a set scoring system.
- 4. Risk prioritisation** – Identifying the highest risks that are not being managed and prioritising these for action.
- 5. Risk control** – establishing how the prioritised risks will be controlled, and documenting this in a **risk register**.
- 6. Risk monitoring and review** - The risk register should be presented to the Full Governing Board who should be responsible for approving and monitoring it. The effectiveness in controlling the risks must be monitored and reviewed. This is vitally important as the nature or impact of the risk faced by a school may change over time and this will need to be reflected in the risk register.

Once established there should be an annual review of the register and new emerging risks after which the register should be refreshed with the reprioritised risks.

For more information on how we can support you with this process contact;
Don Price, Birmingham Audit, on 07517539015 Don.Price@birmingham.gov.uk

Internet Monitoring

Expected controls for Internet Monitoring...



One of the key areas we review during our school audits is the mechanisms in place to monitor the content of internet and email usage in the school. This financial year we have found a fall in compliance regarding the effectiveness of internet monitoring processes across schools.

With regards to monitoring and filtering, the 2021 KCSIE statutory guidance states “As schools and colleges increasingly work online it is essential that children are safeguarded from potentially harmful and inappropriate online material. As such governing bodies and proprietors should ensure appropriate filters and appropriate monitoring systems are in place.”

The controls we will be checking are in place during are audits are as follows;

The school has monitoring software in place across all PCs, Laptops and portable devices.

Head Teacher/Governing Board/Named officer is satisfied that the monitoring software is monitoring content as set out in DFE guidance provided by [UK Safer Internet Centre: appropriate filtering and monitoring](#).

In line with DfE recommended practice is online safety information/data highlighted within the Head Teacher’s report to the Governing Board.

Specific monitoring roles of staff and pupils usage have been assigned and are these appropriate; the individuals have the appropriate expertise and capacity to undertake the monitoring i.e. DSL and Safeguarding trained.

Procedures are in place to ensure that periodic reviews are undertaken. This should include daily reviews of high risk alerts and a weekly overview of lower risk alerts.

Where the school uses an external provider the Service Level Agreement should include the contact details of the individual expected to receive the alerts. This should be kept up to date.

There should be an audit trail for alerts and a log to show how the school have dealt with them. Ideally this should be in a format that will allow for the identification of trends.

Useful Links:

[UKCIS Online Safety Audit Tool](#)

[KCSE 2021](#)

Karen Smith Principal Auditor

Inventory Records

All you need to know about Inventory Records...



A key control in the management of non-fixed assets is the maintenance of an inventory record. The Schools Financial Procedures [Inventory Records Chapter](#) is clear that all schools should maintain such a record and provides detailed guidance on its format and how it should be managed.

The inventory record should include all equipment (existing and new) with a value of £1,000 or more or more 'attractive' items irrespective of value. This includes ipads, lap tops, digital cameras, musical equipment, scanners etc. New items should be entered onto the inventory record using the details from the delivery notes and invoices.

All entries into the manual records must be completed in ink. Obsolete inventory records must be retained for a period of no less than 3 years.

Most schools will choose to opt for computerised inventory records and there needs to be some key controls in place to manage such records;

The system should be password protected and limited to the nominated responsible officer. The transfer of handwritten records to computerised records should be verified by an independent officer and held on file for future reference.

A termly printout should be produced and checked by an appropriate member of staff noting items removed. Good practice would see this reported to the Governing Board.

The records should consistently record the information throughout the school and the Governing Board must approve its format. Key information includes; purchase order number, cost, date of purchase, date when checked and initials, Items disposed of or transferred - amount and receipt/date and serial number/inventory bar code if applicable.

An annual review should be undertaken to include a comparison between the inventory record(s) and the physical items held on site. This should be done by someone not involved in the maintenance of the inventory. In the case of computerised records, a hard copy should be produced and each item signed and dated to confirm it has been seen. This record should be retained and good practice would see this reported to the Governing Board.

All discrepancies found during the annual review must be followed up with the person responsible for the asset. After the records have been amended/updated the remaining errors should be listed, including the original cost, and reported to the Governing Body for the authority to write off or the identification of further action. Once approved then the inventory should be updated. See the SFPM [Inventory Records Chapter](#) for further guidance on VAT, Loans and Transfers.

In the event of items being stolen or misappropriated the Police should be informed, a crime number obtained and recorded against the item on the inventory.

Schools Financial Value Standard

Lets Talk about SFVS...



You will be aware that there have been changes to the Schools Financial Value Standard (SFVS) questions for 2021/22. Here is a snapshot of those changes:

Question 7 - Now asks “Is the financial strategy integrated with the school’s strategy for raising standards and attainment, through integrated curriculum and financial planning”?

Question 16 - New, “Has the school published on its website the number of employees whose **gross** salary exceeds £100K”?

Question 19 - Has the school leadership team considered the results of the self-assessment dashboard or other DfE benchmarking tools? In order to complete this part of the self-assessment dashboard you may wish to also utilise the ‘View my Financial Insights’ website.

Pre-registration is required to enable access and can be achieved via your DfE Sign In (DSI) or IDAMS account and been assigned a VMFI permission in order for you to log in and have data showing for your school.

The DfE have provided further guidance which can be viewed on the following link.
<https://www.gov.uk/government/publications/academy-trusts-view-my-financial-insights>

Question 26 - One of the most notable changes is the inclusion of reporting on related party transactions in section F question 26.

A related party transaction is a contract or agreement between the school and an individual or company that has a close link.

There should be effective procedures in place to ensure that open and transparent procurement procedures are followed, and any potential conflicts of interest are declared and then adequately and appropriately managed.

Record any related party transactions on the “template for recording related party transactions”. Which can be found on www.gov.uk.

Natalie Mardenborough Auditor

The 2021/22 SFVS should be submitted by 31st March 2022 to the Local Authority to the following mailbox;

SchoolsFinAssess@birmingham.gov.uk

Financial Management Activities

Working with Schools Financial Services...

Three-year strategic forecast

Lana Forrester, Head of Schools Financial Services, has asked us to remind schools that a revised three year forecast with updated pupil numbers as per October census should be completed and tabled for discussion with the Governing Board for approval and submitted to the Local Authority by **31st December**.

Importantly please ensure your submission includes written commentary of the assumptions that have been used within the financial forecast.

Three year forecasts should be submitted using the following mailbox;

3yrstrategicfinancialforecasts@birmingham.gov.uk

Schools Financial Procedures Manual

This is currently in the process of being updated with a number of chapters being revised. They will be published shortly on the BCC Website. The schools notice board will provide the details of the revised chapters and the relevant officers contact details for any queries.

For any queries on any of the above or support in any financial matters please contact the Schools Financial Services Team on the following:-

Schools Financial Services

Head of Service: Lana Forrester lanea.forrester@birmingham.gov.uk

SFS Area Finance Managers

Emma Dyer: emma.dyer@birmingham.gov.uk

Leigh Farmer: leigh.farmer@birmingham.gov.uk

Julie Hobbins: julie.hobbins@birmingham.gov.uk

Elaine Leith: elaine.a.leith@birmingham.gov.uk

Fraud Spotlight on Schools

Introducing John Preston Group Auditor Corporate Fraud ...



I would like to introduce myself as the new Group Auditor responsible for Corporate Fraud within Birmingham Audit, having replaced Neil Farquharson who retired earlier this year.

I have only been working for Birmingham Audit since the beginning of October but have already been very impressed by the great work that the team do on a daily basis to safeguard the Council and their schools from fraud.

I have worked for Birmingham City Council for 14 years, and up until my move to Audit, I worked in the Council's Trading Standards Department. I started off as a Trading Standards Officer, investigating complaints about unsafe goods and the sale of age restricted products to minors, before moving on to investigate and prosecute various frauds and scams – particularly those perpetrated on the internet and those targeted at the elderly and vulnerable.

For the last seven years, I have been qualified as a Financial Investigator, which affords me powers under the Proceeds of Crime Act, to investigate money laundering offences, obtain banking information, freeze bank accounts and secure assets to reimburse victims and strip criminals of their unlawfully obtained funds. I have brought those powers with me to my new role and hope to use them to their full advantage to assist the team in investigating cases of fraud and financial crime.

In my spare time, I am an avid Aston Villa fan and you will find me in the Trinity Road family stand on match days with my wife, my Dad and my two sons. It is certainly an interesting time to be a Villa fan!

Having school-age children and a wife who is a school governor, I am very aware of the pressures on schools, their staff and their finite resources. With public sector resources stretched in the way that they are, it has never been more important to tackle those who seek to divert funds away from where they are so desperately needed. However, we cannot do this in isolation. Fraud prevention requires a partnership approach and only through working together and sharing information can we ensure that we are best protected. If something doesn't seem quite right, however small or insignificant, please contact us. We would much rather spend time checking or verifying something, than investigating a fraud after it has happened.

You can call me on 07825979269 or 0121 303 9335, or you can email me – john.preston@birmingham.gov.uk.

If I am not available, please email FraudHotline@birmingham.gov.uk.

John Preston – Group Auditor – Corporate Fraud Team

The Fraud Spotlight on Schools

All the latest fraud information continued...

Staff Impersonation Frauds / Bank Mandate Frauds

In June 2021 we put out an alert on the School Noticeboard warning of a number of attempts to trick school staff into making payments to bank accounts belonging to fraudsters. This is a type of fraud that continues to be an issue and has been seen across other Council directorates, and so we thought it worth raising with you again.

This type of fraud involves the perpetrator pretending to be either a senior member of staff, or a supplier to an organisation, and sending an email to finance staff to ask that they process a payment urgently or change bank details held on file for a particular supplier. Fraudsters are becoming increasingly sophisticated in their approaches and can often make emails look as though they have come from a legitimate email address. In a recent case, fraudsters had set up an email address with a slight spelling change in the company's name and had requested that Council finance staff change bank details for one of our key suppliers.

If you do receive such an email, we advise:

- Do not make any payments
- Contact the senior member of staff or external supplier via a known telephone number, asking them to confirm their request
- Do not use any telephone numbers or alternative email addresses contained within the email you have received

If you are in any doubt, please contact the Corporate Fraud Team on 0121 303 9335 / 07825 979 269, or via email – FraudHotline@birmingham.gov.uk and we can help you to verify the email that you have received.

Coming Soon...

The Corporate Fraud Team are currently in the process of procuring a Fraud Awareness e-learning package, specifically designed for schools. The e-learning package will be available for all school staff to undertake, but we would particularly recommend it to all senior leaders, bursars, business managers and anyone else who has an involvement in receiving and processing invoices, payments and cash. We will circulate details of the e-learning package as soon as it is ready, so watch this space...

The Fraud Spotlight on Schools

All the latest fraud information continued...

The majority of maintained school employees are employees of the City Council and whilst the fraud story below did not relate to an individual working in a school its important for schools to realise our work extends to all employees.

As a result of a Council House Right to Buy application submitted by a third party, concerns were raised about the financial circumstances of a Council employee and his wife, who had obtained a Council House tenancy, claiming that they were homeless and had no savings.

However, an investigation conducted by Birmingham Audit's Application Fraud Team (AFT) identified that at the time of making the application, the employee had a bank account containing between £95,000 and £100,000. Investigators calculated, that by taking out a Council House tenancy, the couple had gained financially by over £12,000, as the rent of their Council property was significantly less than it would have been for a similar property rented privately.

Further ramifications of their act meant that they also deprived another family who were in genuine need of an affordable home.

At Birmingham Crown Court, the employee pleaded guilty to 4 charges of fraud by false representation and was sentenced to 16 months' imprisonment, suspended for 2 years. His wife admitted 2 charges of fraud by false representation and was sentenced to 6 months' imprisonment, suspended for 2 years. The couple will now be subject of a further investigation, under the Proceeds of Crime Act 2002, to calculate the full financial benefit of their crimes and secure assets to re-pay the public purse. The employee will also face an internal disciplinary hearing.

If you have any concerns, please direct these to the Birmingham Audit Corporate Fraud fraudhotline@birmingham.gov.uk

or

https://www.birmingham.gov.uk/info/20204/audit/261/birmingham_audit

or

Whistleblowing Email:
Whistleblowing@birmingham.gov.uk

Governance

Working with School and Governor Support ...

School and Governor Support (SGS) are now into their second year of running training for Governors online and they continue to have good attendance and feedback. Delegates have confirmed that they like attending the sessions and getting to meet the people who can support them if they have questions or a challenging situation.

Don Price and Karen Smith from Audit along with Lana Forrester from SFS have enjoyed supporting the Financial Governor Training provided by SGS. It's been very beneficial for Governors to meet officers in person (virtually) as they share what good practice looks like when managing school finances.

Most Governing Boards (GBs) have returned to some face to face meetings this term with some committees meeting virtually. Some GBs have reported that they are adopting a hybrid approach allowing some members to join remotely, reflecting the reluctance of some individuals to return to face to face meetings and last minute adjustments due to Covid impacting on attendance. Hybrid meetings can pose a challenge and some GBs are finding that investment in technology such as cameras, microphones and a display is essential to run the meeting effectively and ensure everyone has an equal voice.

The Autumn term is a busy one for Governors with many compliance duties to undertake from reading [Keeping Children Safe in Education 2021](#) to filling in and submitting pecuniary interest forms.

With the increased emphasis on safeguarding being the role of the entire GB and bringing School and Governor Services (SGS) advice into line with this and the Governance Handbook, SGS are now recommending that all governors read KCSIE in its entirety.

SGS continue to update all Governors and Trustees in Birmingham by sending out a term time fortnightly newsletter via email. This has recently been renamed from 'The Friday Update' to '**Spotlight on Governance**'.

Reviewing Terms of References

Remember, it is good practice at this time of year to review the terms of reference for any committees and this is particularly important for the Finance Committee; any changes must be ratified by the full GB. Terms of reference are an important document setting out the scope and limitations of any committee including any delegated authority.

School and Governor Support (S&GS) Contacts:

A list of contacts can be found on the Birmingham Education Support Services [BESS](#) website including the option of emailing school.support@birmingham.gov.uk requesting a call back at a time to suit.

Audit Service Team Contact Information

All the contact details you need for the team...

To remind you we are all currently working at home and can be contacted via email, Microsoft Teams or works mobile phone;

Don Price, Group Auditor
Works Mobile: 07517539015
Don.Price@birmingham.gov.uk

Karen Smith, Principal Auditor
Works Mobile: 07885236038
Karen.P.Smith@birmingham.gov.uk

Natalie Mardenborough, Auditor
Works Mobile: 07885236047
Natalie.Mardenborough@birmingham.gov.uk

Sally Bojang, Auditor
Works Mobile: 07885236043
Sally.Bojang@birmingham.gov.uk

Corporate Fraud Team
John Preston Group Auditor
Works Mobile: 07825979269
fraudhotline@birmingham.gov.uk

https://www.birmingham.gov.uk/info/20204/audit/261/birmingham_audit



TOP left to right—Don Price, Jenny Giles, Simone Beet, Paula Moloney, John P Grace, David Mallard, Brendan Sweeney and Jaspal Sehra

BOTTOM left to right—Sally Bojang, Natalie Mardenborough, Karen Smith