

Termly School Newsletter from Birmingham Audit

Helping you to manage risks and provide effective services



Contents

Page 2	School Audits
Page 3	Inventory Records
Page 4	Citywide Follow up
Page 5-7	Fraud Spotlight
Page 8	Financial Management
Page 9	Financial Governance
Page 10	Audit Contacts

Foreword written by Don Price

The pressures to achieve, to deliver results, to be seen as progressive, has never been greater, but as we all know too well, those pressures can potentially bring stress, worry, and if not managed effectively can impact upon mental health. It is really important that we all consider how we treat our colleagues within the City Council, within Schools, and during interactions with people outside of our organisation. Everyone should be challenged to deliver what is expected of them, to improve, but they should feel supported, and no one should go home from work in tears.



Accountability and measurement of performance/compliance is important, but I believe that this can be achieved with respect, understanding and kindness. Even the most difficult of conversations can be delivered with compassion and consideration. I realise that most people don't relish the thought of an audit but our schools visiting team officers visit as critical friends, looking to help schools, to provide a framework for development. As we develop relationships with schools our support continues after the audit, and I hope schools realise we are always here to provide advice and guidance when needed.

We have worked hard to reduce the pressure on school staff, we look to give a fair amount of notice before audit visits, we have amended our focus in light of some of the current issues, and we listen and act when schools request postponements, but please be aware that we have a visit programme to deliver. Our colleagues in SFS are also doing their very best in difficult circumstances to support schools. If there are things, we could do better let me know – I am always willing to listen and consider constructive comments.

I will end with a request to everyone – schools, audit, SFS, City Council and all other colleagues – please take time to think about how you deal with those you come into contact with and treat them how you would expect to be treated. That way everyone wins.

Don

School Audits

Article Written by Karen Smith Principal Auditor - Editor

I would like to take the opportunity to thank those schools that have had an audit during the Spring term 2023 for supporting the audit process and our auditors. Your continued support is appreciated.



Since our last edition (issue 63) there was a pause with the full audits during December / January and we concentrated on follow-ups. Since then, the routine audits visit programme has been fully up and running and we have continued to ensure that schools who received an audit have not been penalised for any issues found that are caused by any implementation issued with Oracle as we understand that this is out of the school's control. Where schools feel that we haven't got this quite right we are approachable and would welcome a conversation about how any concerns can be resolved.

As always, the approach from the Audit Team will be flexible and to work with schools to support school staff throughout the audit process. We ask that you notify us as soon as you can if there are any reasons why the school cannot fully support the audit at the time given, as this gives us the opportunity to move audit visits round.

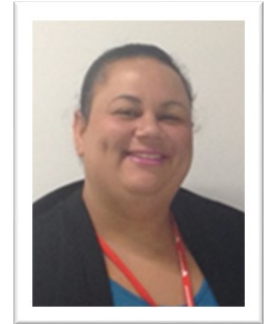
Other work that has been completed since the last edition is the Themed Audit on Inventory Records and the City Wide Follow-Up. See pages [3](#) and [4](#) respectively where we have provided key messages as a result of our findings.

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. Telephone: 07885236038. Email: karen.p.smith@birmingham.gov.uk

Inventory Records

Article written by Natalie Mardenborough, Auditor

In the Summer 2022 Auditor (Issue 62) we informed you that the audit team would be undertaking a themed audit on Inventory Records. Our work is now complete, and we would like to share with you the work we have done and key areas of compliance which schools should review to see if they are in place.



Overall, our findings from sample testing indicated that if extrapolated across all schools there is excellent compliance with schools establishing an inventory record and/or are working towards ensuring it is up to date. Question 8 in the Schools Financial Value Standard requires all maintained schools to provide assurance in this area. Our detailed review during visits to eight schools has highlighted some key areas that require attention and review by all schools as follows:

- Inventory records should include for all school equipment (not just IT) of value £1,000 or more, and for all attractive items regardless of value.
- Inventory records should be held in a consistent format and include all elements as stated in the Schools Financial Procedures Manual (SFPM), including date item added and associated purchase order number.
- The Governing Board should establish a control framework for the approval, reporting and write off of obsolete/damaged items and obsolete inventory records should be maintained for the required period – 3 years.
- Access to the inventory record should be restricted to key individuals, with a termly check and annual review being undertaken by someone not involved in the maintenance of the record.
- The inventory record should be updated promptly when new items are received or moving location and completed in full.
- During the annual review of the inventory record there should be a process in place for identifying and addressing discrepancies.
- Where portable equipment is issued/loaned to staff/pupils there should be a clear audit trail and records that include issue date, return date and condition of the items and there should be a clear approval process in place.

Most schools visited maintained an electronic inventory held either on Microsoft Excel or Access software and a small number of schools had moved over to cloud based inventory products that were proving to be effective and efficient and gave great value for money.

We acknowledge the for the current financial year school support staff have been under additional pressures due to funding and Oracle challenges and that the maintenance of the inventory record can often become low priority. However, schools are encouraged and reminded to continue to strive to ensure they have, and maintain, such records as this in the long term will save time and money.

City Wide Follow Up Audit

Article written by Sally Bojang, Auditor

You will be aware that those schools that receive a Level 3 / 4 Assurance High risk rating report receive targeted follow up reviews, all other school reports are followed up via our annual 'Citywide Follow-up' review.

This financial year, our Citywide Follow-up review covered the schools audit reports finalised between November 2020 and December 2021. During this period, we issued a total of twenty-six final audit reports (there was limited visits between January - March 2021 due to the Coronavirus pandemic) and our review captured a total of fourteen schools (the other twelve were either captured in intensive the follow-up progress review, have converted to academies, or are about to convert).



We contacted the fourteen schools requesting management assurance on the progress made in implementing the agreed recommendations and completed a validation exercise based on a sample of five recommendations for each of the fourteen schools. The validation reviews this year consisted of both remote and onsite visits. We accepted management assurance for one school because the validation exercise could not be completed.

The outcome from our work is that overall, we continue to see slower than expected progress being made in implementing the agreed recommendations and similar trend to previous years of significant disparities between schools' self-evaluations and our opinion.

- The school's self-evaluation indicated that **91.5%** of recommendations had been fully implemented.
- Our validation exercise established that only **61.4%** of recommendations had been fully implemented.
- We acknowledge the majority of recommendations, **84.3%**, have been either fully implemented or actions are in progress towards being fully implemented (therefore deemed partially implemented), however, similar to what we have seen in previous years reviews, the disparity in the implementation rate between the school returns and our own evaluations is greater than we would have hoped.

We will continue to make our recommendations succinct to ensure actions required to fully implement the recommendations are understood. Schools should contact Birmingham Audit if they have any questions and/or require any clarification in implementing the agreed recommendations.

We ask that audit reports are a standing agenda item at Governing Board meetings until all the recommendations have been fully implemented.

Fraud Spotlight on Schools

Article Written by John Preston, Group Auditor

Please Check Your Purchase Card Spend!

We have been alerted to a recent spate of purchase card fraud involving cards issued to Birmingham schools. It appears that somehow, fraudsters have got hold of purchase card details and have been using them to make unauthorised purchases online. Schools holding 'virtual' purchase cards seem to have been particularly affected.

The instances have been made worse because some schools have not been clearing down their purchase card transactions in a timely manner, leading to the unauthorised transactions going undetected for some time.

Please remember that if you are responsible for a purchase card, you are required to review your transactions on DCAL on at least a monthly basis. If you can review them more frequently than that, all the better, as the quicker unauthorised usage is identified, the quicker it can be dealt with.

If you spot an unauthorised or suspicious transaction on your DCAL account, please call NatWest Bank immediately using the telephone number on the back of your card. Once you have done this, please report the matter to the Purchase Card Team - PurchaseCards@birmingham.gov.uk and to us - BirminghamAudit@birmingham.gov.uk

If you are a 'virtual' purchase card holder, then please contact the Purchase Card Team, who will report the matter to the bank on your behalf.



The Risk of School Clubs and Cash Payments

We recently investigated concerns that cash was being misappropriated from a school's before and after school club facility, even though the school operated a cashless system. Our investigation found that an employee associated with the club regularly accepted cash from parents for their children to attend the facility yet failed to pass the cash onto the school.

Some parents were following the correct procedure and paying via the school's payments system. However, other parents were paying cash directly to the employee for their children to attend, seemingly unaware that the member of staff was concealing it. The fraud went undetected for a significant period of time, because there was no reconciliation of payments received via the cashless system against the register of children actually attending the club. Had this taken place, it would have identified that more children were attending the club than were officially paying for the provision.

There is a risk that this practice could potentially happen at any extracurricular club where separate payments are made to the school for a child's attendance. It is important that schools carry out random checks on a regular basis of who is attending school-run clubs and reconcile payments received against those children actually attending. It is also important that parents/guardians of those children using school club facilities fully understand that the formal payment process adopted by each school should be adhered to at all times, particularly when a cashless system is in place.

Fraud Spotlight on Schools

Article Written by John Preston, Group Auditor

Cheque Fraud

We have received some recent reports from schools who have unfortunately suffered frauds involving cheque payments made to suppliers.

The cases have come to light when suppliers who were expecting to receive payment by cheque have made contact with the schools to report that the payment has not been received. However, when schools have consulted their bank statements, they can see that the cheques have been cashed. Enquiries with banks have revealed that names have been amended on the cheques to allow them to be paid into different accounts. In one case, both the name and the amount were changed on the cheque, meaning additional funds were debited from the school's account.

We're not entirely sure how fraudsters are getting hold of the cheques in order to amend them. It is most likely that they are being intercepted in the postal system, although we cannot rule out the involvement of staff working for suppliers.

It is believed that the frauds have been made easier by new banking technology, which allows account holders to deposit cheques into their accounts by taking photographs of the cheques and uploading them via their banking apps. It is suspected that fraudsters are covering the payee details on the cheques with slips of paper that bear different payee details. In most of the cases we have had reported to us, the cheques were produced using typed payee names and amounts, making it easier for fraudsters to replicate them with false details.

If you do have to make payments using cheques, please try to handwrite the payee name and amount where possible. It is harder for fraudsters to mimic handwriting. Ensure you write the words and numbers as close to each other as possible and fill any empty spaces with lines. This will help to prevent further digits or words being inserted.

When posting out cheques, please ensure that the cheque cannot be seen through the envelope window and that it is not obviously a remittance payment. Where possible, please contact the supplier within a few days to ensure that they have received the cheque payment.

If you believe you have fallen victim to a cheque fraud, please report it to your bank as soon as possible, so that they can get the cheque cancelled and try to recover the funds. Please also let us know - BirminghamAudit@birmingham.gov.uk.

Fraud Spotlight on Schools

Article Written by John Preston, Group Auditor

Fraud Awareness in Schools E-Learning Module

Time is running out for school staff to undertake the Fraud Awareness E-Learning course procured by Birmingham City Council's Corporate Fraud Team.

The package, which is available free of charge to all Birmingham schools, will close on **30th April 2023**, so please act fast to ensure you have had an opportunity to complete it.

The overall aim of the learning package is to equip staff with the necessary knowledge to help minimise the risk of fraud in relation to the work that they do in schools.

We recommend that the Chair of Governors, the Chair of the Finance Committee, the Headteacher and all staff involved with the finances of the school complete this important training.

The learning should give a greater insight into the different types of fraud that can affect schools and provide tips on preventing and detecting fraud, along with what to do if you have any suspicions.

To register for the training, please follow these steps:

1. Click on this link <http://eawareness.meritec.co.uk/Register/BirminghamCityCouncil>
2. Input your name, email address and choose a password. The 'Department / Organisation' field can be left on 'Select', as this isn't used.
3. Shortly afterwards, you should receive an email with further details about how to access the course and be prompted to login. A further guide will be attached to the email in pdf format.

In case of potential issues with email firewalls or spam filters, the email will come from noreply-eawareness@meritec.co.uk and providing the URL eawareness.meritec.co.uk is allowed on your school firewall, it should work OK. If you have any issues with your firewall, please contact your IT provider to resolve it. You can also complete the training from your home computer / internet connection if you wish.

Don't forget to submit feedback once you've completed the learning, as this will allow you to obtain a completion certificate and will allow us to gauge how useful the training has been to you.

Corporate Fraud Team Contact Details

Unfortunately, we have had to close our 'Fraud Hotline' email address. If you need to contact the Corporate Fraud Team, please use the following details:

BirminghamAudit@birmingham.gov.uk

John Preston - 0121 303 9335 / 07825 979269

You can also report concerns under the Council's Whistleblowing and Serious Misconduct Policy by emailing whistleblowing@birmingham.gov.uk

Financial Management Activities

Article Edited by Karen Smith, Principal Auditor

Working with Schools Financial Services...

Lana Forrester from Schools Financial Services has asked us to provide some useful reminders:

Multi-Year Budget Plans

It is a DfE requirement to complete and submit a multi-year plan to the Local Authority. This plan should cover the following financial years: -

- 2022/2023 – Forecasted outturn
- **2023/2024 – Approved budget plan that will be fixed on the schools MIS system to be in operation in the 2023/2024 financial year. Approval should be sought and included as agenda item for the Governing Body Meeting. Minutes should reflect the discussion and the approval being granted.**
- **This should be completed prior to the budget being fixed on the school MIS and prior to any expenditure being incurred including the April payroll.**
- 2024/2025 – Forecast of Income & Expenditure
- 2025/2026 – Forecast of Income & Expenditure

Deadline for the submission of the signed budget plan to SFS is the 31 May 2023 to the following mailbox: -
SchoolsBudgetPlan@birmingham.gov.uk

N.B. If the budget plan is forecasting a deficit position as at 31/03/24 the school must contact Schools Financial Services as a matter of urgency. A deficit repayment plan will need to be put into place. The deficit repayment plan will need to be approved by the Governing Body and Schools Financial Services approval.

SFVS Reminder - maintained schools only

Thank you to all the schools who have already submitted the SFVS return. For any schools that are haven't submitted the signed SFVS document the deadline is the 31/3/2023. Submission should be made to the to the following mailbox: -

SchoolsFinAssess@birmingham.gov.uk

N.B. All schools should please include the Related Party Transaction declaration including a nil return if applicable.

Financial Returns - Financial returns that will be needed for the 2023/24 financial year

Compliance return Autumn by 22/9/2023 lacompliancereturns@birmingham.gov.uk

Compliance return Spring* by 26/1/2024 lacompliancereturns@birmingham.gov.uk

Three Year Forecast (Autumn) 31/12/2023 3yrstrategicfinancialforecasts@birmingham.gov.uk

Financial Governance

Article Edited by Karen Smith, Principal Auditor

Working with School and Governor Support...

The School and Governor support team have asked us to talk about the role of Governors, their oversight and personal responsibility in relation to cyber security – an issue covered regularly in our Fraud Spotlight provided by Group Auditor John Preston.

To support schools and to be compliant Governing Boards need to be working with senior leaders to meet the DfE's new [Cyber security standards for schools](#). This includes the requirement that at least one current governor has completed the same [cyber security training](#) as all staff with access to school IT networks; and read the NCSC publication [Cyber security in schools: questions for governors and trustees](#). The Corporate Fraud Team recently published guidance on the Schools Noticeboard: [recent cyber attacks in schools and how to minimise data security risks](#).

All governors at schools who buy into the DfE's Risk Protection Arrangement (RPA) insurance and who have access to the school's IT system (i.e. have a [name@school](#) email address) should complete [cyber security training](#). **Evidence of having done so may be required in the event of the school making a cyber claim.** Governors who do not have access to the school IT system and do not use associated email addresses would not need to evidence completion of the training. (However, the RPA advise that the training is a short, informative video that would be of benefit to everyone, even for their own personal cyber security information.)

For context, the DfE's [Cyber Security Breaches Survey 2022](#) found that 41% of primary schools and 70% of secondary schools surveyed had identified breaches or attacks in the past 12 months. The survey also found that more than half of schools update their governors or senior managers on cyber security at least quarterly, and around two-thirds of schools have a governor or senior manager with responsibility for cyber-security. Schools' business and continuity disaster recovery plans should include a regularly tested contingency plan in response to a cyber attack, and, in considering this, governors may find a recent Schools Week article of interest: [How to respond to a cyber attack to minimise damage](#)

Whether it is theft of school cash or property, irregular spend on purchase cards, unusual withdrawals from accounts, or fraud against the school from an external source, such as a cyber security breach, it is imperative that the matter is reported to the Corporate Fraud team at the earliest opportunity. See [page 7](#) for contact details.

Schools are under a duty to report suspected fraud and financial irregularities to Birmingham Audit under Financial Regulations, but aside from that, the sooner the matter is reported the quicker we can act. We can ensure evidence is gathered properly, we may be able to safeguard funds before they are lost completely, and we can give advice on what action needs to be taken next. Longer term, we can also give you advice and guidance to help reduce the likelihood of the incident happening again.

Contact Information

The Audit Service Team and Corporate Fraud Team

Helping you to manage risks and provide effective services...

Don Price, Group Auditor

Works Mobile: 07517539015

Don.Price@birmingham.gov.uk

BirminghamAudit@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

BirminghamAudit@birmingham.gov.uk



The Service Team: 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.