

Termly School Newsletter from Birmingham Audit

Helping you to manage risks and provide effective services



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Foreword written by Don Price



At times of pressure and stress, often the first actions are to remove what seem like unnecessary additional pressures. Whilst this is certainly an appropriate action to enable focus to be given to the issues causing concerns, care should be taken not to react without due consideration. I feel this has happened, in a small number of cases, with schools wanting 'finance' audit visits stopped whilst dealing with the impacts of Oracle implementation. I have to say that the majority of schools have been prepared to work with us and I really appreciate that.

I can assure all school staff and governors that we appreciate that our work is being undertaken at a time when schools are facing many challenges including ongoing difficulties with the implementation of the new Oracle system. This has been considered during our work, and whilst we may still comment on financial issues, we will not penalise a school for issues resulting from the implementation of Oracle as they are primarily out of the school's control. Our visits look at many important areas including Governance, Accountability, Openness, Procurement as well as Finance and can offer support and guidance for developing effective systems and controls. We aim to be always flexible and work with schools to ensure the audits are as supportive as possible, many Head Teachers have commented on how useful the audit visit was.

I hope this gives some assurance to schools selected for visits in the coming months, but if anyone wishes to discuss what we cover please do not hesitate to call either myself or one of the school team (details are at the end of the newsletter) and we can talk you through our approach.

Hope everyone has a well-deserved summer break. Thanks 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 summer term 2023 for supporting the audit process and our auditors. Your continued support is appreciated.



Since our last edition (issue 64) the routine audits visit programme has continued and as Don has explained in his foreword, we have aimed to ensure that schools who received an audit have not been penalised for any issues found that are caused by any implementation issues with Oracle. When we don't get this quite right, we are happy to listen and make necessary adjustment during our work.

A Review of 2022/23 Financial Year

Throughout 2022/23 financial year when undertaking maintained school audits our work considered any challenges that have occurred due to the roll out of the local authority's new ERP system, Oracle. There was a pause with new school audits during December 22 - February 23 in response to capacity concerns raised by schools because of Oracle implementation.

Overall, there has been an improvement in the outcomes compared to previous years. Our visits are chosen through a risk-based selection methodology, so most are schools facing greater financial challenges, or who have not received a routine audit visit for several years, and therefore the potential for finding areas for development and improvement is greater. Key areas identified for development were around financial governance, budget planning, financial management, purchasing, compliance with delegated framework and internet monitoring. **I have provided a highlight summary of key controls that require attention for you to review on [page 3](#).**

No significant concerns were identified from the Governor and Senior Leadership pre-audit surveys on their views on financial management within their school and if the Governing Board is fulfilling its core function. Any minor issues have been appropriately escalated and support provided.

Despite the challenges, during the year schools have endeavoured to reconcile their accounts so that an accurate closedown can be achieved for 2022/23 whilst agreeing budget plans for the next financial year and preparing medium term financial plans. Outturn for 2022/23 has yet to be confirmed, budget deficits continue to be one of the key risks for schools and the Council, there is a continued increase in schools relying on carry forward surpluses to achieve balanced budgets along with predicted deficits in future years. Schools are finding it more difficult to make further savings whilst ensuring they continue to provide a quality education.

Our follow up reviews have been successful in supporting schools improving their systems and controls, as well as placing a focus on their financial position. However, we have continued to face significant challenges in getting schools to implement our recommendations in a timely manner.

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

School Audits

Article Written by Karen Smith Principal Auditor - Editor

A Review of 2022/23 Financial Year – Checklist summary of key controls requiring attention

Delegation frameworks - The terms of reference for your Finance Committee and Headteachers Financial Delegation Framework should include a list of financial reports that should be presented to the committee. Tender limits should be up to date or stated as in line with Public Contract Regulations PCR. There should be a clear approval process for expenditure and virements, cumulative expenditure to be reported termly for current year and annual 3/5 years. Importantly the financial limits in both documents should concur.

Reports to Governors – These should include all the required elements as per financial procedures including cumulative supplier reports, bank reconciliation and statements etc to enable Governors to understand and scrutinise finances. Governors should receive financial reports at least six times per year see [Page 8](#).

Statement of Internal Control (SIC) – The SIC document is a retrospective review of the previous financial year and should be signed by three individuals: Headteacher, Chair of Governors and Chair of Finance Committee on the day it is approved at the Governing Board.

Pecuniary Interest Forms – All staff and governors should complete an annual declaration in full, N/A or none written where there is no interest to declare, and they should be signed and dated. An accurate and up to date governor pecuniary interest register should be published on the school website.

Gift and Hospitality Policy and register – The Policy should be approved by the Governing Board and the register should be presented to governors on a termly basis even with nil returns.

Responding to deficit and forecast deficit budgets – Deficit budgets will require consultation with Schools Financial Services to agree a repayment plan. Action plans should be developed to address forecast deficits.

Purchase Orders – Official orders should be raised and approved on the school's financial management system in advance of making purchases. Only in exceptional circumstances should verbal orders be used. In such circumstances, official orders should be raised and authorised within 24 hours of the order being made.

Cumulative Expenditure – Cumulative expenditure monitoring should take place termly for the current year and annually for 3 / 5 years. Quotes should be obtained where expenditure exceeds £10,000, decisions should be clearly recorded in the minutes and future financial reports. Where exemption to financial regulations is obtained this should be clearly recorded in the minutes and future financial reports.

HMRC IR35 – Such checks are still required when engaging individuals and evidence filed. When using agency staff, you will need to get confirmation from the agency that the staff are on their payroll.

Staff Reimbursements – Prior approval to spend should be documented so there is a clear audit trail.

Purchase Card Policy - Schools should have an up to date purchase card policy that includes the card holders and agreed transaction limits for the school including action to be taken if misused. [See page 4](#).

Transaction Logs – Transaction logs for purchase cards should be completed in full monthly even if nil returns. Supporting documentation should be attached including prior spend approval, purchase order (for internet spend over £100.00) VAT receipts and bank statement.

Internet and email monitoring – Regular monitoring should be always in place with cover for staff absences. A log of captures of actions maintained and this should be reported on to Governors in the Headteacher report.

News from the Schools Visiting Team

Congratulations to Natalie Mardenborough, Auditor

Congratulations to Natalie Mardenborough our schools visiting team auditor who has successfully completed a Level 7 Apprenticeship in Internal Audit, an MSc in Internal Audit Management and Consultancy and is now a Chartered Member of the Institute of Internal Audit. I know Natalie received lots of support and well wishes during the past four years of studying and wanted me to pass on her thanks for the many words of wisdom she received from those of you that have been through similar studying experiences.



Purchase Cards

Article written by Natalie Mardenborough, Auditor

The management and use of physical and virtual purchase cards in schools continues to be an area for development. One key risk is ensuring there is a division of duty in the process, especially when authorisation of the DCAL has been delegated to someone other than the card holder.

There should be controls in place to ensure that the card holder is seeking documented prior approval before making any purchases. The cardholder or designated DCAL clearer should assign the VAT by the 6th of each month; and the transaction log should be authorised by the Authorising Officer promptly. There should always be at least three people involved in the process to ensure a division of duty.

Please ensure physical purchase cards are kept on the person of the nominated card holder and removed from school at night.

Virtual cards must be kept in the safe and only used by those nominated in the purchase card policy.

As we approach the end of the academic year for those schools who don't use the card over the summer a transaction log should still be completed by the cardholder in September to demonstrate that the card has not been used.

When did you last review the purchase card policy? Many schools will have done this around the time of budget setting or may plan to do this in September if there are planned changes to staffing.

Things to consider:

- Is the policy up to date?
- Are the limits for individual spend and monthly spend, correct?
- Are the nominated card holders listed in the policy the current card holders?
- Does the policy include the action that will be taken in case of misuse of the card?

As always if you have any questions regarding the purchase cards please contact the Purchase Card Team PurchaseCards@Birmingham.gov.uk or us at BirminghamAudit@Birmingham.gov.uk

Related Party Transactions

Article written by Sally Bojang, Auditor

As part of the Schools Financial Value Standard (SFVS) submission schools are now required to report on related party transactions and complete a template for question 26 of the standard.

The DFE [Checklist guidance - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/checklist-guidance-to-report-related-party-transactions) provides detailed guidance regarding related party transactions in schools.

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.

If you are unsure whether a situation constitutes a related party transaction, feel free to contact us and we can talk this through.

Audit Review

We are currently undertaking a review of the arrangements in place to manage related party transactions at those schools who declared high value transactions in their SFVS for 2022/23. Our aim is to provide an assurance to the Local Authority that open and transparent procurement procedures were followed, and any potential conflicts of interest declared and then adequately and appropriately managed.

During the Summer term we will be working with those schools who declared high value related party transactions asking them for each transaction to provide:

- Relevant Governing Board minutes showing transparency in procurement arrangements and process.
- Pecuniary Interest Declaration form of the related staff/governor.
- Copy of related purchase orders and invoices.
- Copies of quotes relating to procurement.

While this will be primarily a desk top exercise, if needed, we will visit the school to discuss matters further and view evidence.

As part of this review, we will provide feedback along with advice and guidance to those schools that have been captured and will report the general themes in the next edition of *the Auditor*.

Fraud Spotlight on Schools

Article Written by John Preston, Group Auditor

Forgery of School Admissions Letters

We have been made aware by the Department for Work and Pensions (DWP) that fraudsters have been forging letters from Birmingham schools concerning admission arrangements for prospective pupils.

It appears that fraudsters have obtained genuine letters written by schools to advise them of admission procedures and waiting lists and have then re-produced them in a number of different names and identities.

It is believed that this is being done to try to claim state benefits for children who either do not exist, or who are not actually present in the country.

You may receive contact from investigators at DWP to help verify letters that have been submitted in support of applications for benefits.

If you do receive such contact and require any support with this, please feel free to get in touch with us via birminghamaudit@birmingham.gov.uk



Fraud Awareness for Schools E-Learning Course

I am pleased to announce that we have renewed our annual subscription to the 'Fraud Awareness for Schools' e-learning course. It is now live and is available free of charge to all Birmingham maintained schools.

Feedback from schools who have already undertaken the e-learning has been overwhelming with positive comments. Here are some of the comments made by your colleagues so far:

"A very clear, well laid out course. There was good detail about all the warning signs and necessary internal controls needed. I came away with a much **greater awareness of how to detect and prevent fraud or corruption** in our school."

"I learnt a lot about fraud which could happen just in school that I wasn't previously aware of and **how important it is to put measures in place to protect the school's finances** and the education of the pupils."

"The training was useful for identifying what fraud and corruption could look like within a school setting. The **exercises were good for testing knowledge** too."

"Very **useful for school staff involved not just in school finances, but also recruitment and main office too.**"

"Very good user-friendly course, would **highly recommend this course to others, especially governors.**"

School staff also found that the course was easy to follow and thought the case studies were useful and relevant.

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

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 internet connection.

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.

If you have any questions or concerns you would like to discuss, please feel to call me on: 07825 979 269 or 0121 303 9335, or you can email me: john.preston@birmingham.gov.uk

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

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 Governance and Management

Article Edited by Karen Smith, Principal Auditor

Working with School and Governor Support and Schools Financial Services...

School and Governor Support and Schools Financial Services have asked us to provide some useful reminders for the Autumn Term and the new academic year.

As we speed towards the end of this academic year, we thought it might be useful to provide a reminder about some of the compliance and financial governance business that Governors should be planning for early in the Autumn term. It can be useful to schedule a 'housekeeping' Governing Board (GB) meeting in September. This gives the GB the opportunity to work quickly and efficiently through the essential business such as:

- Agreeing the Code of Conduct.
- Completing Business & Pecuniary Interest forms and ensuring that details are updated on the school website.
- Reviewing whether the committee structure is still fit for purpose and ratifying:
 - What the 2023-24 committees will be
 - Membership of those committees
 - Terms of reference for each committee
 - Don't forget to appoint the committee and External Adviser to conduct the Headteacher's Performance Management.
- Agreeing full GB and committee meeting dates and getting these into governors' diaries:
 - Tie meeting dates into key data monitoring milestones
 - Ensure you have provided for "the governing body [to] receive clear and concise monitoring reports of the school's budget position at least 6 times a year" in order to meet the requirements of the [SFVS](#), [Q3 see page 9](#).

At the first Finance Committee meeting GBs should:

- Agree the [Financial Delegation Framework](#);
- Schedule the Statement of Internal Control: "The Finance Committee, on an annual basis, will prepare and submit for discussion to the GB, a Statement of Internal Control identifying any key areas of weakness within the financial control systems of the school and propose actions that need to be taken to address issues around financial control and probity" ([Schools Financial Procedures Manual](#))

Financial Governance and Management

Article Edited by Karen Smith, Principal Auditor

Working with School and Governor Support and Schools Financial Services...

Schools Financial Value Standard SFVS

To meet the SFVS requirement to review the school's budget position at least 6 times a year, the expectation is that financial data is presented to the GB every half term, for example:

- 1- Multi-year budget setting report
- 2-Year End Report
- 3- Monitoring report for the current year
- 4- Revised 3 year forecast to include October pupil numbers update
- 5- Outturn/monitoring report for the current year (schools sometimes take the consultancy visit form that has been provided)
- 6- Another outturn/monitoring report for the current year (schools sometimes take the consultancy visit form that has been provided).

The Local Authority Financial returns that will be needed for the 2023/24 financial year

Further information regarding financial returns for the Autumn term will be provided in due course via the schools notice board.

Budget Management Training Programme

Schools Financial Services will be running the Budget Management Training Programme in the second half of the Autumn Term. Further details will be sent out but please email linda.a.brighton@birmingham.gov.uk if you would like to be added to their mailing list and to receive updates on this and other courses.

Contact Information

The Audit Service Team and Corporate Fraud Team

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

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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.