

Termly School Newsletter from Birmingham Audit

Helping you to manage risks and provide effective services



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Foreword written by Don Price



Hello, and welcome, to what may be the last Auditor newsletter for a while. I have to start this one by informing you that Karen Smith, who many of you will know personally, and my Principal Audit Lead on schools, is leaving Birmingham Audit on the 3rd of March to take on new challenges with the West Midland Combined Authority. This will be a significant loss for us, and for the school's sector in general - Karen has a huge knowledge of the education sector, and particularly schools.

We all wish her well for the future. Her replacement, initially on an interim basis, will be Julie Parry, a very experienced auditor. I am hopeful the Auditor will make a return once permanent arrangements for the school's Principal Lead have been sorted.

It is well documented that the City Council is experiencing significant challenges, and this is likely to continue for some time. Things are definitely moving forward, Oracle implementation problems are being addressed; financial challenges are being faced, and with the help of some very difficult decisions, the financial position is being stabilised; and there is a real determination to get things right. We are continuing to deliver our schools visit programme against this background, and your continued support for my auditors is really appreciated. We understand the pressures you are under, and we will work with you to minimise any additional pressure our visits may cause.

I hope you have a really good spring term.

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 Spring Term 2024 for supporting the audit process and our auditors. Your continued support is appreciated.



Since our last edition (issue 66) the routine audits visit programme has continued and 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.

I would like to add that when we move into the new financial year, we will be reviewing this situation and if issues with the implementation of Oracle have continued to stabilise and there is funding clarity, we will be returning to our normal approach and expecting compliance in related areas.

A full list of the controls reviewed during our audits is available on request.

Email: BirminghamAudit@birmingham.gov.uk

Moving on to pastures new....

I have some sad and exciting news. I am leaving Birmingham City Council to take up a new post as a Senior Internal Audit Officer at West Midlands Combined Authority (WMCA) on 4th March. It will be a wrench to leave but this is an opportunity I don't want to turn down and it feels like this is the right time to move on and begin another chapter.

Our paths may cross again in the future as you may be aware WMCA are the fund holders for the Adult Education Programme for the region and provide a variety of grants to the Local Authority for 14-19 year olds to support careers, mentoring, employment and apprenticeships. For those of you supporting young people leaving school why not have a look at their website [West Midlands Combined Authority \(wmca.org.uk\)](https://www.wmca.org.uk)

I would like to thank you all for being part of my journey in Birmingham Audit which started in 2009 when I became school's auditor, becoming fully qualified Internal Auditor in 2013, and principal lead for the schools visiting programme in 2015. I've met some wonderful people and made many friends both in schools and in the Local Authority, it's been a privilege, and I sincerely wish you all the best for your future endeavours.

Our Principal Auditor Julie Parry Julie.Parry@birmingham.gov.uk will be stepping in as schools lead until my post is filled.

Don is also available if you have any queries or concerns.

Telephone: 07517539015

Email: Don.Price@birmingham.gov.uk

Best Wishes

Karen

Financial Transparency

Article Written by Karen Smith Principal Auditor

As we move towards the end of the financial year, I want to share my thoughts with you on how school Leadership and their Governing Board can ensure financial visibility, transparency, and clarity.

Key to this clarity is ensuring that your school financial management system is as up to date as it can be, ensure:

- The approved budget is fixed onto the system as soon as possible after its approval, ideally before the first payroll run of the year. This will give clarity and visibility over any virements and budget adjustments that take place during the year.
- All orders have a purchase order raised on the system prior to the order being placed, or within 24 hours for emergencies. This will ensure that all commitments are known, there are no surprise invoices, and will support an effective reconciliation process.
- Raise blanket orders for utilities and call off contracts.
- Income is put onto the system within two weeks of banking. This will ensure that all income is known and will support the reconciliation process so that all income can be accounted for.
- Where there are ring fenced accounts such as before and after school clubs, consortia funding or building trust funds these should be accounted for through their own cost centre so that income and expenditure is visible, and governors can have oversight accordingly.
- Only official monies should be accounted for through the official fund / school budget share. All other monies should be banked through the unofficial fund see [page 5](#).

All the above will support the production of financial reports and financial planning. Financial reports to the Governing Board should include:

- Overall summary of the school's financial position.
- In-year balance and cumulative balance.
- To support transparency a Cost Centre Summary Review statement or equivalent, directly from the school's financial management system, not amended, this will allow governors to have confidence in the information provided.
- Details of virements or budget revisions undertaken.
- Details of any valid suspense charges (Not needed for cheque book).
- Cumulative expenditure for the current year/annual for 3/5 years. Including information on previous approvals to quotes or exemptions to Financial Regulations.

For cheque book and EPA schools a copy of the latest bank statement reconciliation, and Annex A (for cheque book schools) report to allow the Governing Body to verify the accuracy of the bank balances identified on the financial management system with an explanation for any variances.

Debit Cards

Article Written by Natalie Mardenborough, Auditor

We are beginning to see more schools using Debit Cards rather than Purchase/Virtual Cards when they are part of the full chequebook scheme.

In line with the Full Chequebook Scheme Chapter of the (SFPM), [Schools financial procedures manual | Birmingham City Council](#) when making payments by Debit Card the following procedures apply:



- Approval should be sought from the Governing Board for the use of Debit Cards.
- Advance permission should be sought from the Local Authority.
- Debit Card Request Forms should only be signed by officers identified on the bank mandate.
- There should be a maximum limit of £500 for any one transaction.
- Debit Cards must not be shared and only used nominated card holder.
- Debit Card users should sign for receipt of the Debit Card that includes a declaration confirming the use of the card the consequences of misuse (document retained in safe).

A debit card policy should be developed and implemented for use of the debit card to include:

- Acceptable use.
- The process for obtaining authority from the relevant budget holder before goods or services are purchased using the debit card.
- The debit card is stored securely when not in use e.g., in the safe.
- The debit card is not shared with other staff.
- The process for investigating and reporting unknown debit card transactions that are identified on a bank statement.
- The consequences of misuse, disciplinary measures.

Where possible a confirmation order to create a commitment on the system should be raised within 24 hours.

All transactions on the bank statement should be immediately verified and independently checked by an officer who does not have authority to use a debit card. If the only officer available to complete this task is also a Debit Card holder, then their bank statement should be immediately verified and independently checked by a senior member of staff.

All unknown transactions should be reported to the Head Teacher and investigated immediately.

N.B. As part of a routine school's audit, we will ask to see evidence of approval for the use of Debit Cards and review a sample of purchases made with the Debit Card for compliance with the SFPM and the schools own Debit Card Policy.

N.B. The use of Credit Cards is not permitted as in line with the Fair Funding Scheme schools are not permitted to take out loans or credit.

School Fund and Other Funds

Article Written by Natalie Mardenborough, Auditor

The school fund also known as the unofficial fund, are defined as funds operated wholly or in part by the employee of the school as part of their employment duties, for which the Local Authority does not have a statutory requirement to provide the resources for which the fund is being used. Such income and expenditure can include donations, tuck funds and school uniform. Some schools will set up a charitable school fund supported by a Trust Deed which will allow them to bid for funding e.g., Lottery Funding.

The Governing Board has overall responsibility for the proper operation and security of the school fund, they should nominate a member of school staff to be responsible for the day-to-day operation of the school fund which should be managed in accordance of the Schools Financial Procedures Manual (SFPM) [School Fund and Other Unofficial Funds | Birmingham City Council](#)

In discharging their responsibilities both the Governing Board and Headteacher should ensure that the accounts relating to the school fund are independently audited on an annual basis and presented to the Governing Board for review and approval.

To support this assurance, the procedures manual above, includes a control assessment document that can be used for self-assessment review. We strongly recommend that this is completed and reviewed.

The actions identified from either the annual audit or self-assessment should be monitored by the Governing Board until they have assurance that the action taken have resolved any issues.

In addition to the above the key controls that should ensure are in place are:

- The school adopts the procedures as set out in the SFPM and this is approved by the Governing Board.
- The Governing Board agrees who will manage the unofficial fund and who the cheque signatories will be.
- The bank account is set up in the school's name.
- Only unofficial funds are banked into the account, there should be no mixing of funds. N.B. There can be a donation from the unofficial fund to the official fund for a specific educational purpose, but not to take advantage of the VAT scheme for purchasing e.g., not for purchasing school uniform.
- There should be an audit trail for all transactions.
- Donations made for a specific purpose should be used as specified and ring fenced for this purpose.

N.B: All school trips should be of an educational nature, to comply with the Education Visits Regulations and therefore must not be accounted for through unofficial funds. All transactions should be recorded, through the school's financial management system, in accordance with the guidance notes for school trips. Cash received for these trips is 'official' money and must not be banked into any of the school's unofficial funds.

Statement of Internal Control

Article Written by Natalie Mardenborough, Auditor

It's that time of year again when the new financial year is fast approaching as is the Schools Financial Value Standard (SFVS) and the Statement of Internal Control (SIC).

The SIC is a requirement of the Local Authority as it provides an annual assurance statement regarding the control environment of the school as it looks back over the previous 12 months.

The SIC is one area where we often make recommendations. So, to support the process we have put together some tips to help.

- The SIC is a retrospective review of the internal controls in place over a previous period of time (usually the last 12 months) and should ideally be updated annually.
- A review of the effectiveness of the systems of internal controls should be undertaken and include the latest internal audit report and self-evaluation.
- To help inform the SIC, the Pre-Certification Checklist for Governors should be completed, the document should be presented with the SIC and retained for audit purposes.
- Any weaknesses identified through the review of effectiveness should be noted on the SIC along with an action plan to address any issues.
- The SIC should not be approved ahead of its end date i.e., if the SIC covers the period from 1st April 2023- 31st March 2024 it shouldn't be signed until or after the 31st of March 2024.
- The SIC requires three signatures usually the Headteacher, Chair of Governors and Chair of Finance. In the absence of Chair of Finance then a 3rd member of the Governing Board should be asked to sign (Vice Chair or Deputy). All three individuals should sign and date the SIC on the same day as its formally approved.

Further guidance a copy of a template SIC and Pre-Certification Checklist can be found in the SFPM [Schools Financial Value Standard | Birmingham City Council](#)

City Wide Follow Up

Article written by Sally Bojang, Auditor

In the last edition of the Auditor Issue 66, Karen spoke about our school audit follow up processes. You will recall that the City Wide Follow-up is part of our approach to provide assurance to the directorate regarding the control environment in schools which includes:



- Individual school audits selected on a risk basis.
- Intensive Follow up Reviews for school audit reports with Level 3 / 4 Assurance High Risk.
- Annual City-Wide management assurance/validation review for all other school audit reports.

Our City Wide Follow up work this year has concluded and we would like to share with you our general findings. We would like to thank all the schools for taking the time to respond to our request for updates and to the schools included as part of the validation exercise for their support.

The review for 2023/24 audit plan year, included those schools that were audited and received a final audit report between January 2022 and December 2022. These schools were asked to provide management assurance on progress, and we undertook some sample validation work.

The management assurance provided in the self-evaluations indicated a good level of compliance for the recommendations deemed to be fully implemented. This was however less than expected or agreed, and less than the previous year.

Furthermore, there was a large disparity with this assurance and our validation exercise which showed slower than expected progress being made. This trend in disparity that we continue to see year on year remains a concern.

Schools should contact us if they are not sure about what needs to be done to fully implement a recommendation.

We request that the final audit reports are a standing agenda item at Governing Board meetings until all the recommendations have been implemented in full.

We cannot reiterate enough the importance of schools ensuring that recommendations are implemented in full and within agreed timescales to ensure an effective and efficient control environment to mitigate risk.

Our work has been reported to the Local Authority who will be supporting schools and Birmingham Audit as we strive to see improvement.

Fraud Spotlight on Schools

Article Written by John Preston, Group Auditor

Alleged Subscription Trap – The Big Classroom

In November 2023, the Corporate Fraud Team were alerted by neighbouring authorities that a company called Machtech Media Limited, based in Blackpool, Lancashire, were contacting schools across the West Midlands, encouraging them to sign up to their education resource 'The Big Classroom'. The resource is reportedly aimed at delivering British Values / Prevent workstreams, but it is not entirely clear what exactly their service is.



Schools had been unaware that by signing up to The Big Classroom, they were entering into an annual subscription contract, which takes effect upon the expiry of an initial free trial if it is not cancelled in time. Schools were then receiving invoices for payment and some schools in other areas of the country have reported regular and sustained demands for payment and ultimately threats of court action.

There are a number of negative reviews about the service online - [Big Classroom Reviews | Read Customer Service Reviews of www.bigclassroom.co.uk \(trustpilot.com\)](#)

We immediately put out an alert on the virtual schools noticeboard ([Noticeboard - 16 November 2023 - Noticeboard \(birmingham.gov.uk\)](#)) to warn schools, but sadly have received contact from some schools in Birmingham who have already fallen victim.

Having reviewed the marketing material that has been emailed out to schools from the company, it is evident that it is very lengthy, wordy, and detailed. Throughout the email, it repeatedly refers to 'free access' and there is no mention of an ongoing subscription charge until you get to the very bottom of the email chain. The email is also written in such a way that it implies that it is a follow-up email from a previous communication with the school, which we believe may well be false.

It is likely that school staff will believe that The Big Classroom is a free programme and will not see the subscription charge at the bottom of the email. We have also received reports that any reminders about the free trial ending have gone straight to junk mail folders and therefore are also not picked up.

We have reported the matter to Birmingham City Council's Trading Standards Service, who are making enquiries with the Trading Standards Service in the Lancashire area where the company are based. We will try to update all schools, either via The Auditor or the Noticeboard with any further advice in due course.

In the meantime, please ask all staff in your school to check their email accounts, including junk folders, for any emails from The Big Classroom. The emails that we have seen have been sent from the following addresses:

helen.evans@bigclassroom.co.uk
accountsTeam@bigclassroom.co.uk
info@bigclassroom.co.uk
lee@bigclassroom.co.uk
natalie@bigclassroom.co.uk

The emails are often addressed to senior members of staff or the headteacher and may well have been sent to multiple staff within the school. The initial emails are marked as 'URGENT' and suggest that there is a deadline to respond.

If you feel that your school has signed up to the service and staff were not aware that it was a paid subscription, our advice is to:

1. Write to the Big Classroom immediately to advise them that you were not aware that this was a paid subscription and ask that it be cancelled immediately.
2. In your letter, advise the company that you feel that their marketing material is misleading and as such, deceived the reader into believing that The Big Classroom was a 'free access' service.
3. In your letter, state that you believe that the company's marketing material is in breach of The Business Protection from Misleading Marketing Regulations 2008 and that the matter has been reported to Trading Standards.
4. Ask that all invoices are cancelled and demands for payment cease immediately.
5. Send your letter via email and via recorded delivery letter to their postal address which can be found here:– [The Big Classroom Link](#)

Ultimately, it will be up to each school to decide whether to pay any invoice that they are sent by the company, based on the circumstances in which they signed up. We cannot offer legal advice and if you do receive demands for payment or even court documents, you will need to seek legal advice via School & Governor Support. Ultimately there will likely be a charge for any legal assistance and so you will need to weigh up the costs of legal advice versus the cost of the subscription fee.

Purchase Cards

Purchase Cards are a great, flexible way to buy goods and services for schools. However, they can also be a target for fraudsters, particularly if the card has been used online, with fraudsters stealing the information to make unauthorised purchases of their own.

Purchase Cards can also be misused internally by staff and so there are strict procedures in place to reduce the likelihood of this happening.

If you have Purchase Cards in your school, please ensure that you take the following steps:

- Check your online DCAL system regularly (monthly as a minimum) for any unauthorised purchases.

- Aim to check DCAL every week. The quicker suspicious transactions are picked up, the quicker they can be dealt with.
- Clear down your purchases on DCAL as soon as possible, by assigning the correct budget codes, VAT element and confirming that the transaction was made by the cardholder.
- Ensure that you keep receipts of your purchases. If you are concerned about losing them, take a photograph or scan the receipt in and save the images in a folder.
- Complete your Transaction Log as soon as possible after each purchase so that you do not forget what you have purchased and why.
- Ensure that your supervisor signs off your Transaction Logs every month to confirm that the purchases made are appropriate and are accompanied by supporting receipts / approval documentation.
- Check the individual transaction limits of your cards in school to ensure that they are appropriate and not unnecessarily high. Limits can be increased temporarily for specific purposes, so only have a limit that you need for normal monthly spend. Remember, the higher the limit, the more a fraudster can get away with!
- Read the Purchase Card guidance in the Schools Financial Procedure Manual and ensure that you are following it - [Purchase Cards | Birmingham City Council](#)
- Ensure that your school has its own internal Purchase Card Policy and that all cardholders have read and understood it.

If you have any concerns about unauthorised or suspicious transactions on your DCAL, 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.

Corporate Fraud Team Contact Details

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

Article Edited by Karen Smith, Principal Auditor

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

We mentioned in the last edition of the *Auditor* that School & Governor Support (S&GS) were seeking volunteers to be Local Authority nominated governors. S&GS were targeting those of you who work in schools and invited you to a lunch and learn session run in partnership with 'Inspiring Governance', a DfE funded recruitment service. The session included:

- Why governance is so important.
- The skills that Governing Boards are seeking.
- The difference it makes to have a diverse Governing Board.
- How becoming a governor can develop skills for your professional life e.g., project management, data analysis, board-level strategic leadership and working as part of a senior team.
- Hearing from Birmingham City Council members of staff who are volunteering as governors, including Audit's very own Natalie Mardenborough!
- How Inspiring Governance works and how to apply.

For those of you were unable to attend but would like to consider becoming a school governor a recording of the event can be viewed here [Governor Recruitment Event Recording](#)

We would still be delighted to hear from anyone who is interested in volunteering:

- You can apply directly to become a Local Authority nominated governor via the BCC website: [Interested in becoming a school governor](#) and download an [application form](#).
- You can also apply to become either a Local Authority nominated or Co-opted governor by searching for available opportunities via our partner page on Inspiring Governance: [Birmingham City Council - Inspiring Governance](#).
- If you wish to be considered for election as a parent governor at your child's school, you can contact the school office directly.

If you have any questions or queries about the role or the application process, please don't hesitate to contact Christine Stewart, Assistant School Support Manager on 07927 666 540 or via email christine.stewart@birmingham.gov.uk

Maintained School Governors and the SFVS

A reminder that the date for completing and submitting the SFVS, 31st March, is fast approaching. It is up to each board to decide who completes the SFVS form but is it the full **Governing Board** that actually approves it.

Contact Information

The Audit Service Team and Corporate Fraud Team

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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.