



STOCKPORT
METROPOLITAN BOROUGH COUNCIL

School Audit Visits

2020-2021

Summary of Findings Report

Final Report Distribution list:

School Business Managers - All Schools

Headteachers – All Schools

Director of Education

Schools Finance

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Statement of Responsibilities

We take responsibility for this report which is prepared on the basis of the limitations set out below.

The matters raised in this report are only those which came to our attention during the course of our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made.

Recommendations for improvements should be assessed by you for their full impact before they are implemented. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system. The performance of internal audit work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rest with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity.

The audit process is generally dependent upon the existence of an effective system of internal control. There is always a risk of an internal control system failing to operate as designed. There are inherent limitations as to what can be achieved by an internal control system. Any system of internal control may be ineffective against fraud involving collusion among employees or fraud committed by management, for instance management overriding controls, faulty judgement in decision making processes or breakdown in controls due to human error.

No matter how well designed and operated, sound internal control systems can only provide reasonable assurance and not absolute assurance that objectives have been, and will continue to be, met. Furthermore there is no certainty that internal controls will continue to operate effectively in future periods or that the controls will be adequate to mitigate all significant risks which may arise in the future. Such inherent limitations of internal control systems also contribute to inherent limitations of an audit. Decisions made in designing internal controls inevitably involve the acceptance of some degree of risk. As the outcome of the operation of internal controls cannot be predicted with absolute assurance, any assessment of internal control is judgmental.

Internal audit procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their records and transactions for the purposes of our audit work and to ensure the authenticity of documents.

Introduction

- 1.1 This report details a Summary of Findings from the 17 schools audited in the 2020/21 financial year. This is the 3rd year that we have prepared a summary report following the audit of schools.
- 1.2 The aim of this report is to communicate to all schools the key and recurring issues, risks and subsequent recommendations made from these audits. A further objective is that the report will help facilitate discussion between schools and clusters and to encourage best and consistent practices around the management of control and risk.
- 1.3 The key recurring issues are current budget forecasts showing a deficit position, policies and procedures not being reviewed or updated, strategic plans not including sufficient information, and a lack of adequate asset-management procedures.
- 1.4 This year we have reported on some new issues which may be unique to the pandemic situation, namely Health and Safety walkarounds not being carried out, and governors not being appropriately involved in strategic and financial decisions. This has mainly been as a result of Covid restricting access to school premises.
- 1.5 If you have any further queries please contact one of the Internal Audit Team as follows:
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2. Summary of Findings

- 2.1 Overall, we consider that the current control environment around governance, financial planning & budgetary control, payroll management, procurement, income and bank accounts are operating well within schools and address the majority of risks.
- 2.2 We were satisfied that there are appropriate budget monitoring procedures in place. However, we did note, that increasingly an issue for schools is that current budget forecasts show that the school will be in a deficit position in future years, consequently this is a key risk that needs to be managed on an ongoing basis to avoid it materialising.
- 2.3 The Governing Body and the Finances / Resources sub-committee often meet regularly and review of the minutes of their meetings and supporting documentation showed detailed challenge of the school's activities, particularly the financial management arrangements. We did report at a couple of schools, a lack of separate Finance / Resources Committee, or the committee meetings being cancelled due to Covid. FGB meeting minutes suggest that sufficient time is not afforded to detailed oversight of the school's finances. Best practice and Schools Financial Value Standard states that each school should have a dedicated Finance / Resources Committee.
- 2.4 A review of a sample of procurement exercises showed that three competitive quotes were not always obtained nor was there evidence of discussion and approval by Governors. In addition a number of schools has had long contractual arrangements with existing suppliers which had not been subject to review or re-tendering. This may be in part an impact of the pandemic, as Governors were initially advised to only discuss priority issues at the beginning of the year. However, as business in schools returns to normal, the standard procurement rules must apply and be adhered to.

- 2.5 A review of the Declaration of Business Interests for Governors showed that in the main these had been completed and updated at most schools, but not all. Again the reason given by the schools affected, was that the exercise had been delayed by Covid. Register of Interests should be completed at the beginning of term, as should the Governor Skills Matrix, so that the governors themselves are aware of any conflict of interests, or any training needs which should be addressed.
- 2.6 We found some schools that have a number of plans and policies that are in need of review and update. Consequently, we recommended that these schools arrange for its plans and policies to be reviewed and updated on a regular basis and submitted to the respective committee for approval. It is good practice to have a renewal schedule for policies, and for all policies to include an approval date and review date.
- 2.7 Particular focus should be given to the School Finance Manual, which in the majority of schools did not contain all the information required relating to finances in school. A template for the Finance Manual can be found on Office Online, and we would recommend that all schools use their annual review of the manual to ensure it contains the relevant information.
- 2.8 We found that some aspects of asset management had been affected by the pandemic and the resulting restrictions. Inventories in some schools had not been kept up to date, and inventory checks had not been carried out, due to a lack of staff available in school, and other tasks being prioritised. Similarly, in some schools, annual inspections and or services of equipment had not been carried out, due to not being prioritised, the equipment not being used, or external contractors being unable to attend school premises. As lockdown restrictions lift, it is essential that all asset management arrangements are reimplemented, and any delayed inspections or checks are carried out.
- 2.9 Similarly, we found that some Governor and/or SLT Health and Safety Walkarounds had not been carried out, and that some general risk assessments were overdue, as Covid Risk Assessments had been carried out instead. We advise schools to reintroduce Health and Safety walkarounds and general risk assessments as soon as possible.
- 2.10 A review of the arrangements for the administration and accounting of the monies relating to the Breakfast Club and lunch revenue at some schools identified that there is a need for a more robust audit trail to be in place, to confirm that all monies can be fully accounted for. Most schools have seen a reduction in cash handling as a result of the pandemic, and an increase in electronic payments, which is a positive step, as this reduces the chance of error and reduces risk to staff. However, we would advise that regardless of the payment method, schools ensure that all payments are fully reconciled, so that schools can assure themselves that their income is correct.
- 2.11 Our reviews found that most Information Governance requirements were met by schools, although some did not have the required Privacy Notices on the website. We found one school which hadn't completed its "Self-Assurance Dashboard" for the IG team, and we would recommend that all schools complete this, as it may prove helpful in identifying any gaps in their IG arrangements.
- 2.12 We reviewed whether schools were complying with the new requirement (from January 2021) that links to financial benchmarking information are on the school website, along with the number of staff earning £100,000 or more. Not all schools were aware of these new requirements, although some were.
- 2.13 The detailed findings from the school visits are summarised in Appendix A.

No.	Finding	Risk	Priority	Recommendation
1	<p>Future Budget Position</p> <p>At 14 of the 17 schools visited, we found the budget predictions show expenditure exceeding income levels, and a deficit budget arising within the next three years (if not already in place).</p> <p>The reasons given for these predicted losses include high staffing costs, increasing building costs, and falling pupil numbers. Therefore, future changes to staffing, or a rise in pupil numbers may prevent these losses materialising.</p> <p>Of the three schools not predicting losses, two were primary schools, and one was a junior school.</p>	<p>Unsustainable budget pressures resulting in a need to set a deficit budget</p>	<p>High</p>	<p>We have recommended that the Head teachers, in conjunction with the Finance / Resources Sub-committee, continue to monitor future budget scenarios and risks to ensure that any shortfalls can be met. Mitigating actions to avoid a deficit budget should be discussed with School Finance Officers where appropriate.</p>
2	<p>Policies and Procedures</p> <p>We found that nine of schools had out of date policies, meaning a policy which has not been reviewed at least within the last two years, although some had not been reviewed for even longer.</p> <p>Two schools had policies which were undated, so it was unclear if they were in date or when they should be reviewed.</p> <p>Two schools had policies with no review date, so it was unclear if they should be reviewed annually or every other year.</p> <p>One school did not have all the essential policies on the school website, and one school had old versions of some policies on the website.</p>	<p>Staff unaware of the processes to follow leading to an inconsistent approach applied by different staff</p> <p>Policies may become out of date without staff realising</p> <p>School may be in breach of regulations if all essential policies are not accessible.</p>	<p>High</p>	<p>We recommended that schools arrange for its plans and policies to be reviewed and updated on a periodic basis. They should then be submitted to the respective committee for approval.</p> <p>It is also good practice to maintain a schedule, and review policies on a cycle, so that policies are reviewed at the appropriate time.</p> <p>All policies should have the date agreed and the date the review is due, recorded on the front page of the policy, so that staff can easily see when policies should be reviewed.</p> <p>Schools should ensure that all essential policies are accessible on their website, and that the latest versions are available.</p>

No.	Finding	Risk	Priority	Recommendation
3	<p>Finance Manual</p> <p>Issues were identified with the Finance Manual at the majority of schools visited, with the main issues being information missing from the Manual, as follows:</p> <p><u>Overtime process – 13 schools.</u></p> <p>Auditors found that most schools had robust procedures in place relating to overtime, but that these were not recorded anywhere.</p> <p><u>Pupil debt procedures – 9 schools.</u></p> <p>Again, most schools had informal debt procedures, but these were not recorded anywhere, which meant that governors had no oversight of the level of pupil debt in the school, or how the school managed it.</p>	<p>Staff may not be aware of the correct process to follow, and governors may not have full oversight of processes in school.</p>	<p>Medium</p>	<p>The Finance Manual should outline the overtime process, such as any proformas which need to be completed in advance of overtime, or after overtime has taken place, who can authorise overtime, how it will be verified afterwards, and how any records should be stored. It should also outline steps taken to ensure the segregation of duties, so that staff do not authorise or input their own overtime details.</p> <p>If this information is already recorded elsewhere (for example in an Overtime Policy), it is <u>not</u> necessary to repeat the information in the Finance Manual. However, the relevant document should be referenced in the Finance Manual, so that staff know where to locate this information.</p> <p>The Finance Manual should include any existing pupil debt processes, such as:</p> <p><i>How pupil debt is recorded and monitored.</i></p> <p><i>Debt limits which will trigger contact from school (whether this be the amount owed, or the number of days unpaid).</i></p> <p><i>How requests for payment will be escalated (ie through texts, calls, standard letters etc.)</i></p>

No.	Finding	Risk	Priority	Recommendation
	<p><u>How monies and income are recorded and reconciled – 6 schools.</u></p> <p>The quality of recording and monitoring systems in relation to income varied between the schools audited. In particular, there were differences in the way lunch monies were recorded and verified, depending upon the type of meal system or canteen run by the school.</p> <p><u>Banking procedures – 6 schools.</u></p> <p>Auditors found that there were generally good safeguards in place in relation to banking, but that many of these safeguards were not recorded in the Finance manual.</p>			<p><i>What will happen if the debt relates to lunch monies (ie, whether pupils will be refused food)</i></p> <p><i>Whether debt can be transferred to siblings.</i></p> <p><i>When debt can be written off and by whom.</i></p> <p>Including this information in the Finance Manual ensures that the governors are involved in agreeing the process. Again, if the information is already held elsewhere, the Manual merely has to reference where the information is held.</p> <p>The Finance Manual should include details of how all income and payments are recorded and reconciled. This should include payments from lettings, trips, uniform, breakfast club, vending machines, and break and lunch monies where appropriate, plus fundraising and any other income the school may have. The Manual should outline procedures for both cash and electronic payments where these are in place, and the procedures to follow should any discrepancies arise.</p> <p>The Finance Manual should outline the banking procedures, including the procedure for banking cash in those schools which still accept cash, and how staff safety is prioritised when attending the bank. It should also outline the signatories on the account, steps taken to ensure the safety of any cards or cheques, and any internet banking arrangements, including controls (such as staff having different passwords, PINs or security devices in order to trace transactions).</p>

No.	Finding	Risk	Priority	Recommendation
	<p><u>Date of Manual – 2 schools</u></p> <p>In one school, auditors found the Finance Manual to be out of date, and one school the manual was undated.</p>			<p>The Finance Manual should have the date agreed at the start, and should be reviewed annually.</p>
<p>4</p>	<p>Procurement</p> <p>At a number of schools, we found some procurement practices which could be improved. These are set out below:</p> <ul style="list-style-type: none"> • Insufficient number of quotes for a large purchase • 4 incidences where schools have procured services without re-tendering to ensure value for money is being achieved. • PO dated after the invoice, suggesting that the correct purchasing process has not been followed. • Delegation Grid does not show progression of authorisation limits 	<p>Inability to demonstrate value for money and transparency</p> <p>Lack of evidence to demonstrate decision making and that best value is being achieved</p> <p>Purchasing process may become confused or unclear</p> <p>Purchases may not be adequately challenged.</p>	<p>Medium</p>	<p>We recommend that in instances where the school obtains competitive quotations to choose a supplier, such quotations should be retained on file as evidence.</p> <p>We recommend schools reviews the contracts it has with its suppliers to determine if they are getting value for money and if they should continue on the current basis. Contracts with the same provider should be kept to a maximum of 3 years before schools should go through a competitive procurement process and obtain quotes.</p> <p>Schools should introduce spot checks to ensure that the correct purchasing process is being adhered to.</p> <p>Schools should ensure that the delegation grid shows a clear progress of authorisation limits, with the smallest amount authorised by the Head Teacher alone, then the Head Teacher</p>

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				and Chair of Governors, then the Resources Committee, and finally, for the largest amount, the Full Governing Board.
5	<p>Governance</p> <p>In two schools, we noted that governors did not provide sufficient challenge on budgeting and financial decisions. In one school, governors were not consulted before buy-backs or write offs, and in one school, governors' attendance was inconsistent.</p> <p>Auditors found that one school did not have a separate Resources Committee, and insufficient attention was given to finances in the Full Governing Board meetings. Another school did have a Resources Committee, but it had not met in 2020 due to Covid.</p> <p>In one school, we noted that the meeting minutes did not evidence that training had been offered to governors, and in another school, we found that the Governor Skills Matrix was not accessible to senior staff.</p> <p>In two schools, we found that the governor details held on the website were out of date, and in one school we found that the governor's Register of Interest was not available on the website.</p>	<p>Governors may be unable to perform their function and hold the school to account.</p> <p>Finances do not receive the appropriate level of scrutiny from governors.</p> <p>Governors may not engage in the appropriate training to enable them to carry out their role.</p> <p>School may be in breach of regulations if governor details are not accessible.</p>	Medium	<p>Governors should be reminded of the importance of their role as a critical friend of the school. They should always be involved in important financial decisions, and schools should monitor the attendance of governors over the year.</p> <p>It is best practice, and a requirement of the SFVS, to have a separate functioning Resources Committee, so that school finances can be scrutinised in detail.</p> <p>Schools should encourage governors to attend training, and this should be minuted. SLT should also have access to the Governor Skills Matrix, so that they can support governors to access the appropriate training.</p> <p>Governor details on the school website should be kept up to date, and the Register of Interests updated at least annually.</p>

No.	Finding	Risk	Priority	Recommendation
<p>6</p>	<p>Health and Safety</p> <p>In five of the schools audited, we found that the usual Health and Safety Governor Walkarounds had not been carried out, due to Covid restrictions.</p> <p>In two schools, we found SLT or Governor H&S walkabouts had been conducted, but not evidenced.</p> <p>In two schools we found that site Risk Assessments were overdue, with schools sometimes stating that Covid Risk Assessments had taken priority instead.</p> <p>In six schools, it was noted that the regular checks carried out by the Site Manager were either not fully evidenced, or not evidenced at all.</p> <p>Once school had no H&S governor in place</p>	<p>Governors have reduced oversight of health and safety issues within the school.</p> <p>Risks within school may not be identified.</p> <p>The school is not able to evidence that regular checks are carried out.</p> <p>Governors have reduced oversight of health and safety issues within the school.</p>	<p>Medium</p>	<p>Whilst it is understandable that H&S walkarounds could not take place when visits to the school were limited, some alternative should have been provided, such as SLT carrying out the walkabout and reporting to governors.</p> <p>All H&S walkabouts should be recorded or minuted in some way, and notes held to evidence that they have taken place and recommendations from them have been actioned.</p> <p>General Risks Assessment of the school site should not be replaced by Covid Risks Assessments. The schools should carry out both, as they each have different purpose.</p> <p>Scheduled checks by the Site Manager (whether daily or weekly) should be evidenced by them, using a proforma agreed with the school. The checks which the Site Manager will carry out, and the frequency of these checks, should be agreed in advance, recorded, and reviewed when appropriate.</p> <p>All schools should have a H&S governor in place, who oversees H&S on behalf of the Governing Board, and reports back to the governors on H&S matters.</p>
<p>7</p>	<p>Assets</p> <p>The management of school assets varied greatly between different schools. Whilst some schools had good asset management systems in place, in other schools, auditors found the following issues:</p>		<p>Medium</p>	

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	<p>In one school, the inventory was incomplete (i.e., serial numbers or date of purchase were not always recorded) and in two schools, the inventory was out of date, meaning that recent purchases were not recorded.</p> <p>In three schools visited, the inventory check had not been completed within the last year.</p> <p>Five schools were found to have no Asset Maintenance Plan in place and in one school, the AMP was out of date.</p>	<p>In the event of an insurance claim, schools lack the information required by insurance companies.</p> <p>SLT have no assurance that items recorded on the inventory are present within school.</p> <p>Equipment which requires scheduled maintenance or inspection may become faulty, presenting a risk to staff and pupils.</p>		<p>Inventories should include all relevant information and should be updated whenever new items of value are purchased.</p> <p>Inventories should be checked at least annually to ensure that they are accurate. This task can be broken down so that staff check their own classrooms or blocks, so that the task is not reliant on one or two staff.</p> <p>All schools should hold an Asset Maintenance Plan, indicating when equipment in school should be serviced or inspected – either by school staff or external contractors. The AMP ensures that inspections and services are carried out in a timely manner, and it should be updated regularly, in order to provide staff with an accurate overview.</p>
8	<p>Business Continuity Plan</p> <p>In eight schools, we found that the BCP was out of date and included old contact details, sometimes of previous members of staff, or of Council staff who have since left.</p> <p>We did not find evidence that this had impacted the running or business continuity of the school. Indeed, during the last year, all schools have found their ability to provide business continuity tested, due to the Covid crisis. Rather, we found that schools had achieved business continuity despite out of date BCPs, and had followed other processes not outlined in the plans.</p> <p>In three of the schools, we identified that the BCP made</p>	<p>In the event of an emergency, staff may not have access to the contact details, helpful names and numbers, or processes which they should follow.</p> <p>If staff are required to</p>	Medium	<p>Schools should review their BCP regularly and ensure that the details contained within them are up to date, and reflect current processes. The BCP can then aid staff in the event of an emergency or crisis, and provide clear procedures to follow.</p> <p>Unofficial procedures, or procedures which are not in the BCP, are not helpful in the event of key staff who know these procedures being unavailable. Therefore, the accuracy of the details included in the BCP is essential if, in the event of an emergency, members of the SLT are unavailable, and other staff are required to take action based on the procedures outlined in the BCP.</p>

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	no mention of remote learning.	provide remote learning in the future, the effectiveness of this may be hampered by a lack of consistency or clear direction.		It is essential that BCPs include provision for remote learning, and outline how staff will teach remotely, and how pupils will be supported to access online learning. This is important not just in case of future lockdowns, but in any situation in which access to the school premises is affected (such as fire, flood, or damage to school buildings). We would recommend that all schools ensure that their BCPs reference the provision of online learning.
9	<p>Payroll</p> <p>The most common issue relating to Payroll was the lack of evidence that overtime payments were authorised in advance (4 schools).</p> <p>Another issue was insufficient segregation of duties (3 schools). In one of these schools, it should be stated that this was a temporary arrangement due to an office vacancy.</p>	<p>Overtime payments may not be budgeted for.</p> <p>Staff may be responsible for submitting their own overtime claims, which is not best practice.</p>	Low	<p>Schools should ensure that there is evidence held that all overtime has been authorised before it is taken. This evidence could be in the form of an Overtime Request Form, or even just an email from the Head Teacher, agreeing that overtime on a certain day will be paid.</p> <p>Schools should ensure that wherever possible, staff do not input their own overtime claims onto the Payroll system, or the claims of their friends or family who work in the school. In the rare circumstances where this may be required (for example, due to staff shortages) additional verification should be put in place, such as spot checks by senior members of staff.</p>
10	<p>Information Governance</p> <p>Most schools demonstrated good compliance with IG requirements. A small number of IG issues were noted by auditors:</p> <p>In two schools, Privacy Notices were not on the website.</p>	Schools risk being non-compliant with IG Requirements.	Low	All schools should ensure that the relevant Privacy notices are accessible on their website.

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	<p>In one school, the Self-Assurance Dashboard, recently sent out by the IG Team had not been completed.</p> <p>In one school, which used an external Data Provider, we found that the company did not provide adequate information on how the school's data was held.</p>	<p>Schools may miss important opportunities to improve their IG compliance.</p> <p>Data holding may be non-compliant with regulations.</p>		<p>Schools should complete their IG Self-Assurance Dashboard and return it to the IG team as requested. The deadline was 31st January 2021.</p> <p>Schools which do not use the Council Data Provider (AVA) must take responsibility for ensuring that the external provider they have chosen holds their data securely.</p>
<p>11</p>	<p>Finance and Banking</p> <p>In two of the schools visited, auditors found that no up to date bank mandate was held, showing signatories on the school account.</p> <p>From January 2021, all school websites should contain the following financial information:</p> <ul style="list-style-type: none"> • A link to the school's financial benchmarking • The number of staff within school earning £100,000 or more. <p>In one school visited, we found this information had not yet been added to the website.</p>	<p>Confusion about which staff members are bank signatories.</p> <p>School may be in breach of regulations set out by the DfE.</p>	<p>Low</p>	<p>Schools should aim to hold a copy of the most recent bank mandate, showing all current signatories and signatures. Where possible, a copy of the form sent to the bank should be held. Where the signatories have been in place for some time, and the bank is unable or unwilling to provide a copy of the mandate, it should at least be able to confirm the names of all signatories by email, and this should be stored safely with the banking information by school.</p> <p>Schools should ensure that their websites contain all the information they are legally required to display, including the two new requirements added in 2021.</p>

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12	<p>School Development Plan</p> <p>We found upon review of the School Development Plan at 5 schools, that where financial resources are required to achieve specified outcomes, these did not always include the financial details, or spends were not aligned to the budget.</p>	<p>Budgetary needs to meet the school's priorities may not be set aside.</p>	<p>Merits attention</p>	<p>Where applicable, the link between the required financial budget / resources to meet the targets in the School Development Plan should be included. This will ensure that there is sufficient money in the budget, and that governors have full oversight of spending priorities.</p>