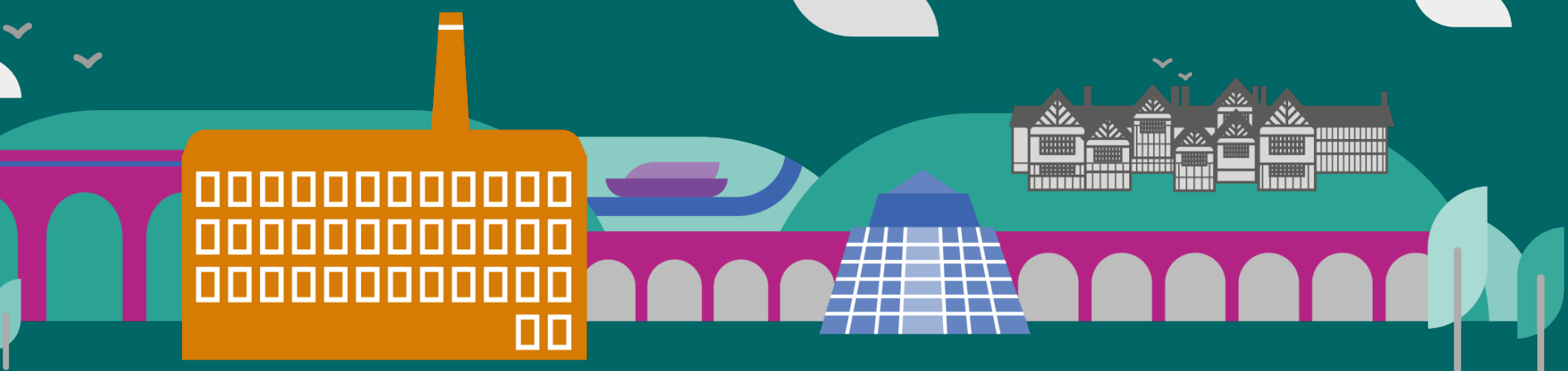


# School Audits 2023-24

## Summary of Findings Report



# 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

This report details a Summary of Findings from the 12 schools audited in the 2023-24 financial year. This is the 6th year that we have prepared a summary report following the audit of schools.

We offered schools the choice of either a two-day onsite visit or remote audit. Both types of audit were performed at the schools audited throughout 2023-24.

The aim of this report is to communicate to all schools the key and recurring issues, risks and subsequent recommendations made from these audits.

We hope this report will help facilitate discussion between schools and clusters on these arising risk and encourage best and consistent practices around the management of control and risk.

We will add this report as an agenda item at all Governing Board Meetings in Autumn 2024. We hope this will give Governors good oversight and encourage discussion and action on the report's findings between Governors and the school's Senior Leadership Team.

In addition, we have issued three thematic reports via SLA online (Cybersecurity, Use of Sport Coaches and School Trips) which covers key control areas that schools should consider.

If you have any further queries, please contact one of the Internal Audit Team as follows:

John Eaves - [john.eaves@stockport.gov.uk](mailto:john.eaves@stockport.gov.uk)

Harriett Rudd - [harriet.rudd@stockport.gov.uk](mailto:harriet.rudd@stockport.gov.uk)

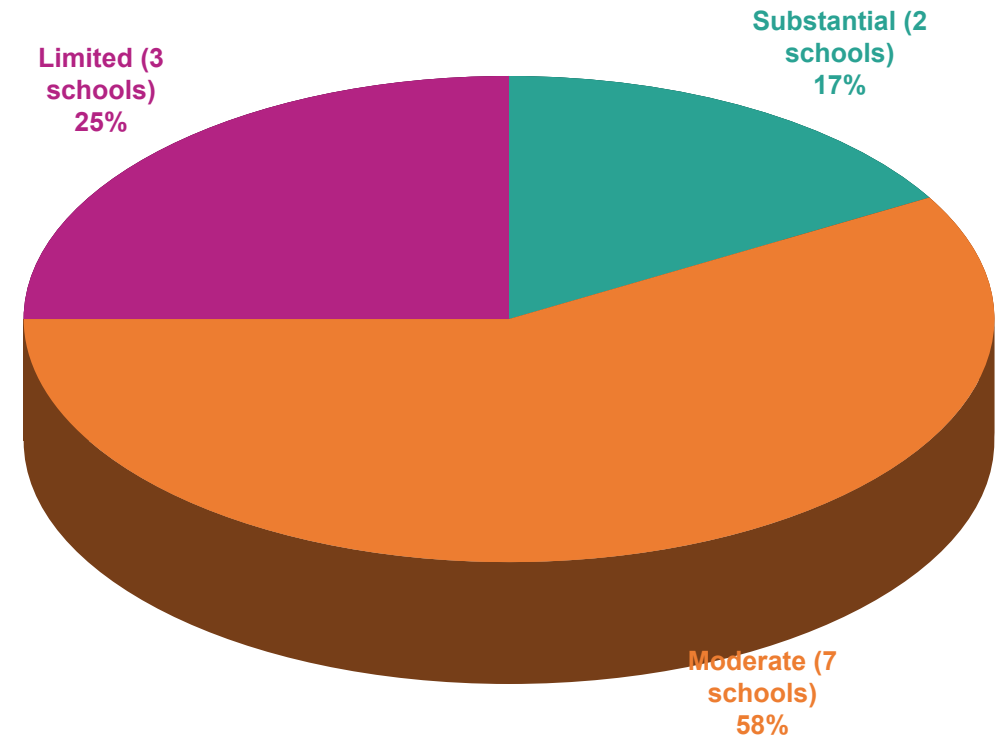
Wendy Christie - [wendy.christie@stockport.gov.uk](mailto:wendy.christie@stockport.gov.uk)



# Overall Opinion and Assurance Statement

- On the basis of our programme of work for the year, we can provide moderate assurance overall that there is a generally sound system of internal control within schools, and controls are generally being applied consistently.
- However, some weaknesses in the design and inconsistent application of controls put the achievement of particular objectives at risk.
- Each of the issues the Internal Audit service has raised during the year has been discussed with the relevant school management teams as part of a formalised closure meeting.
- Action plans have been subsequently agreed and actions are already being implemented. The Council's Education services work closely with some schools to ensure agreed actions are implemented.
- The Internal Audit service will during 2024/25 follow up the findings for those schools where a limited opinion and assurance was given and provide support to management to develop and implement solutions to the control issues identified.

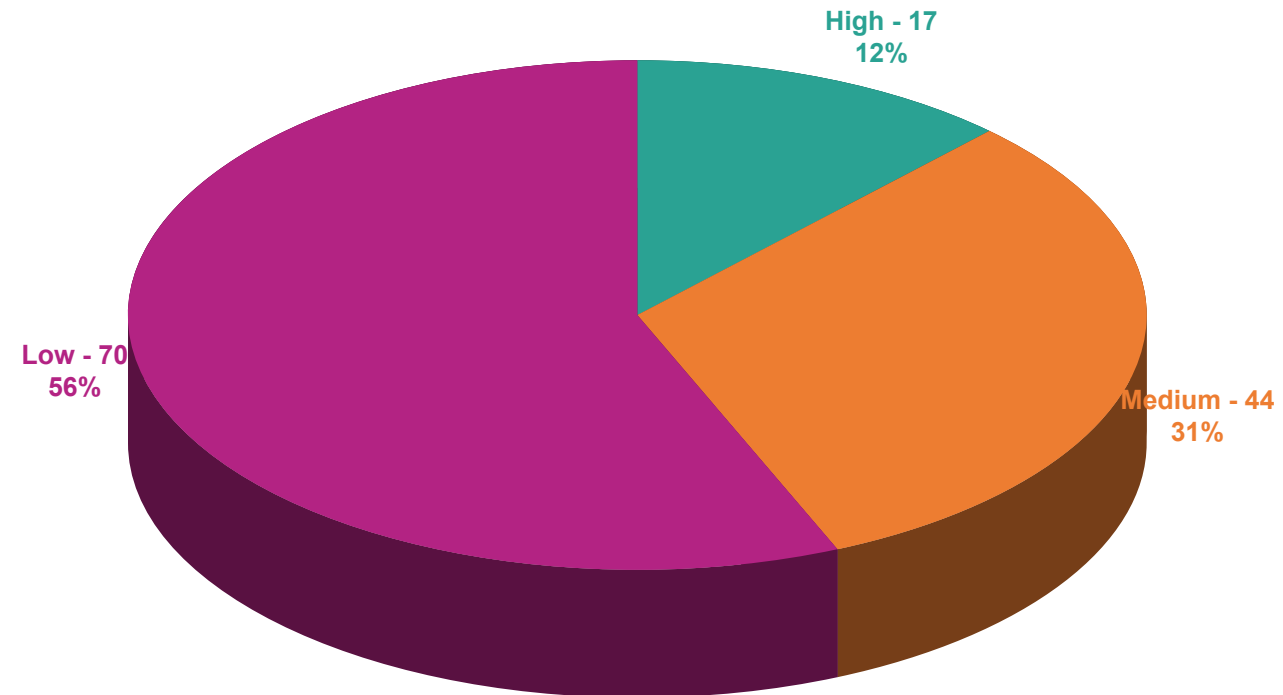
## Opinion assurance levels



# Number of Recommendations

- We issued 140 recommendations at 12 schools visited during 2023/24
- The majority of these recommendations were low priority and represent good practice for schools to follow
- A small number of recommendations were deemed high priority and schools are working towards implementing these.
- Where schools have high priority recommendations, the Internal Audit service will during 2024/25 follow up these.
- For some schools where strategic and high priority recommendations were made, the Council's Education services work closely with them to provide support to enable these recommendations to be implemented

## Number of Recommendations by Priority



# Summary of Key Findings

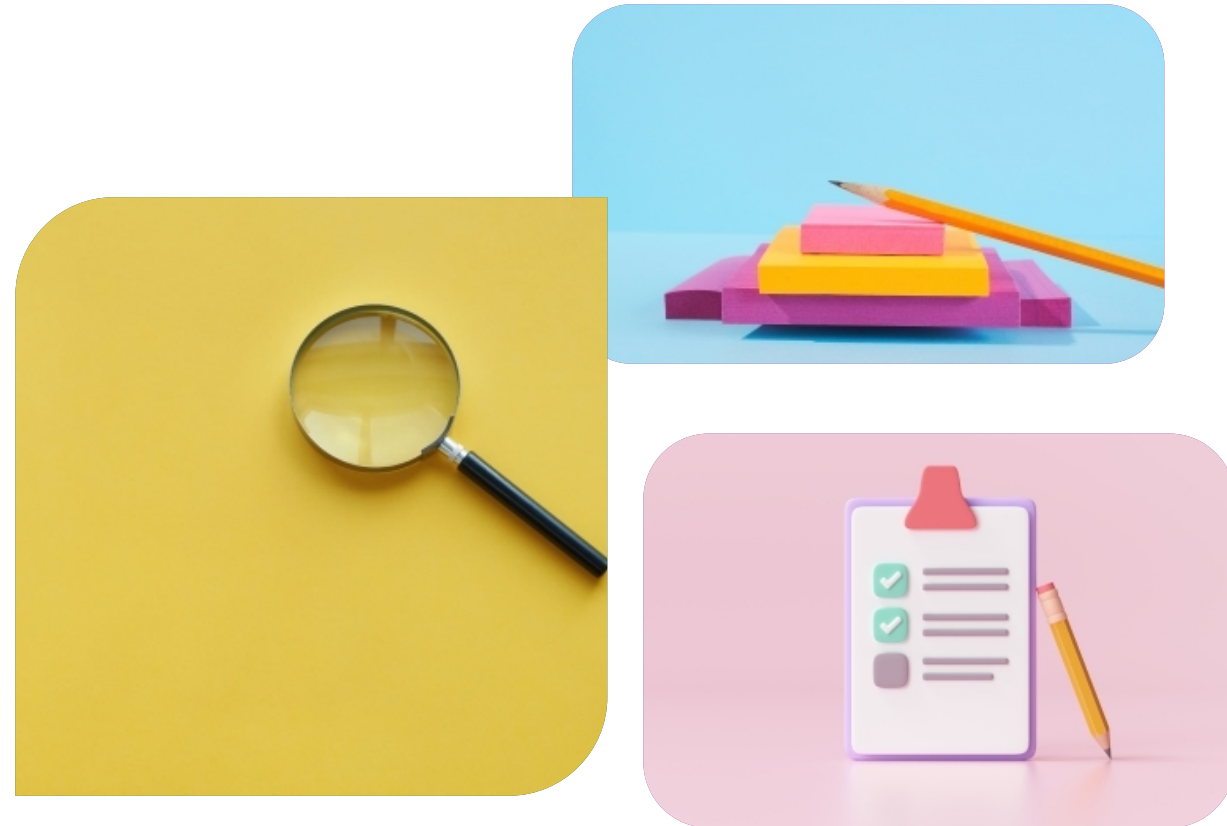
The 2023-24 audits have identified some findings that have been raised for the first time this year. A review of assets within one school, identified a high value religious item relating to their heritage. The school needed to confirm if this was included in their current insurance policy to ensure the unique item was covered in the event of loss or damage.

In addition, this is the first year where a review of governance has identified an issue around a lack of documented evidence at Governing Board meetings for the declaration and approval of a conflict of interest for a member of staff. It was also the first year where a finding has been raised for a committee making decisions on matters that do not fall under their remit.

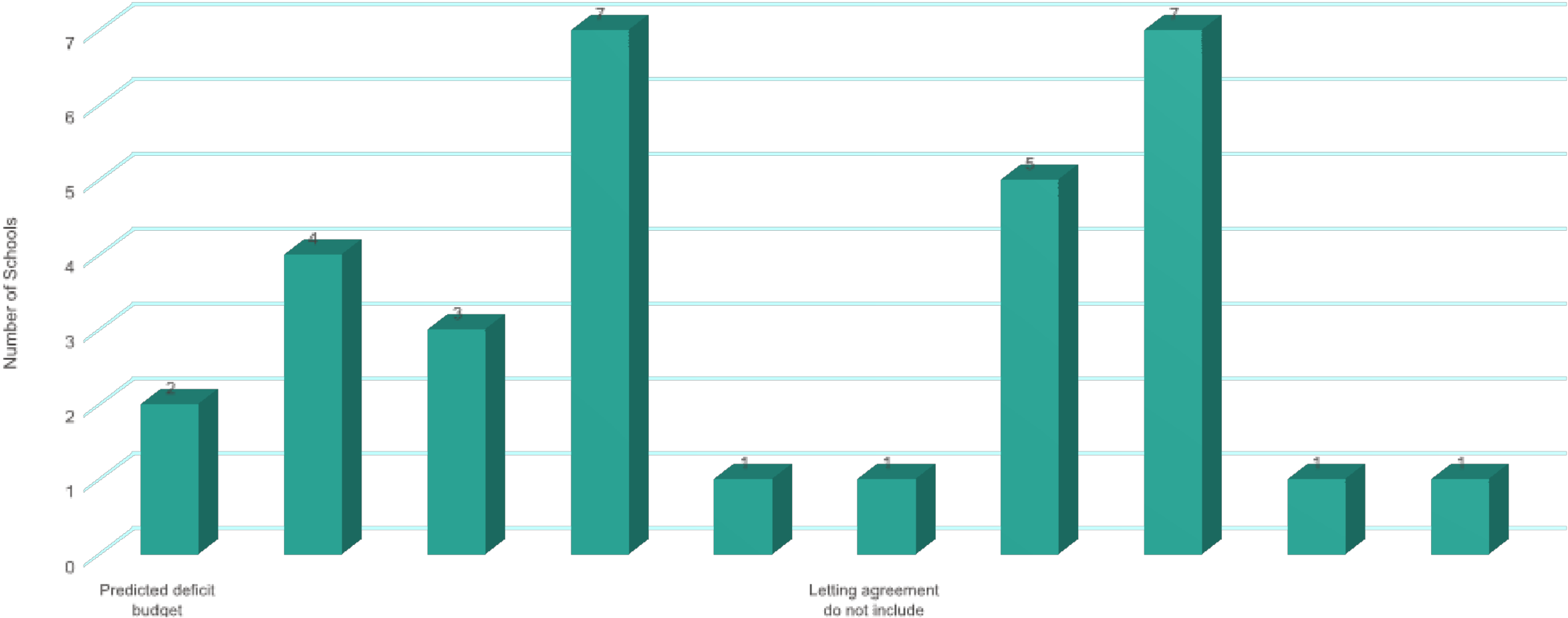
Review of payroll practices identified some new areas of risk around payment of staff. There was one instance of a member of staff being paid a cheque that did not go through the payroll system, meaning the staff member received income without being subject to PAYE or National Insurance contributions. One school was also unable to verify that multiple one-off discretionary payments and Educational Standards payments, did not cover areas for which they were already getting payments for

The following three slides show the number of schools with findings categorised as

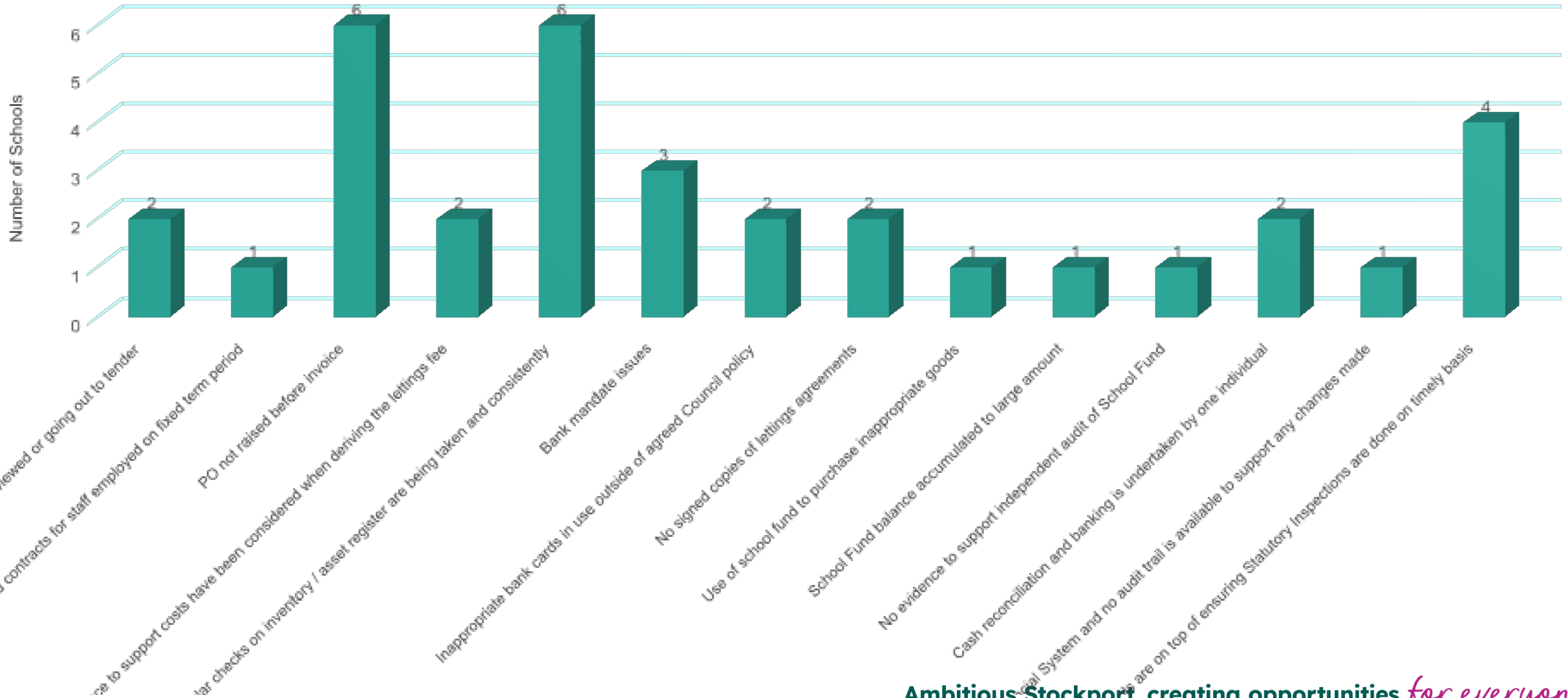
- Strategic high level issues
- Medium level issues
- Low level issues



# Strategic – High level issues

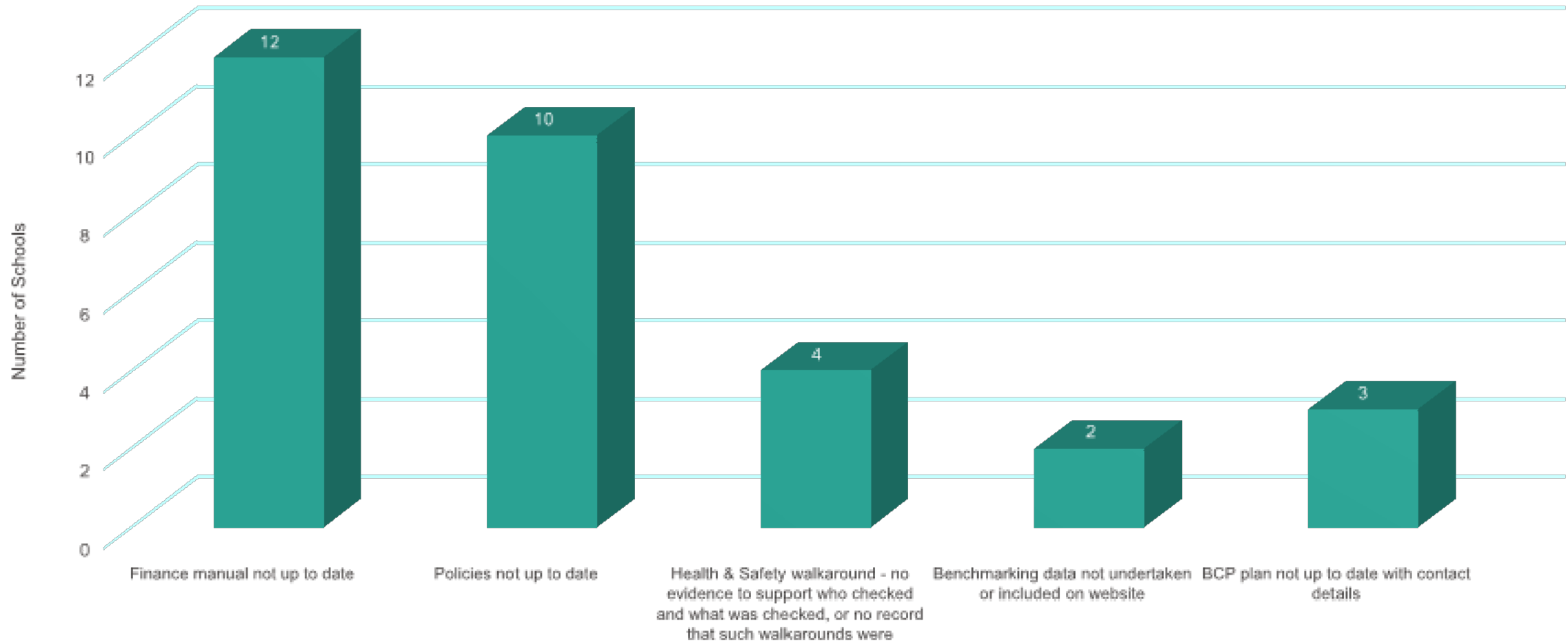


# Medium level issues





# Low level issues



# Continuing issues

This year's audits has also revealed many of the same findings that have been raised in previous years.

Table 1 summarises the findings that have been identified in schools since 2019, with high-risk areas around deficit budgets and governance being raised every year.

We have observed that schools are experiencing increased financial pressures.

National projections are predicting that state funded nursery and primary schools in England will have 412,000 less pupils by 2028, with a predicted 2,000 less in state funded secondary schools.

This presents increased risks to Stockport schools with falling pupil numbers and reduced funding.

It is important that schools should take on board the recommendations around improving future budget positions.

	19/20	20/21	21/22	22/23	23/24
Deficit Budget	X	X	X	X	X
Policies	X	X	X	X	X
Finance Manual	X	X	X	X	X
Strategic Plans	X	X	X	X	X
Payroll	X	X	X	X	X
Buy Backs					
Purchasing	X	X	X	X	X
School Fund	X		X	X	X
Governance	X	X	X	X	X
Assets/Inventory	X	X	X	X	X
Income	X			X	X
Health and Safety	X	X	X	X	X
Financial Benchmark	X		X	X	X
Cash Banking	X			X	X
Bank Accounts	X	X	X	X	X
Conflicts of Interest					X
Information Governance		X	X	X	X
Insurance					X
Petty Cash			X		X
Financial Systems					X
Key services			X	X	

Table 1.

# Summary of Findings – Finance Manual

Missing information from the Finance Manual is an ongoing issue each year. 21 areas in total were highlighted as missing from Finance Manuals this year. Chart 1 highlights a rise in missing information from Finance Manuals since Internal Audit started recording the specific areas in the 2020-21 annual School Summary Report.

**The following areas have been missing or incomplete in Finance Manuals for the first time this year:**

- Budget Setting Procedures
- Clerking Arrangements
- Digital Payment Procedures
- IT Data Back-Up Procedures
- Lettings Procedures
- Retention of Documents
- Security of Cash and Systems

**The following have been missing or incomplete in Finance Manuals every year since 2020-21:**

- Banking Procedures
- Debt Procedures
- Manual Approval Date or Next Review Date
- Overtime Procedures
- Recording of Income

*Detailed findings from the school visits are summarised in the following pages.*

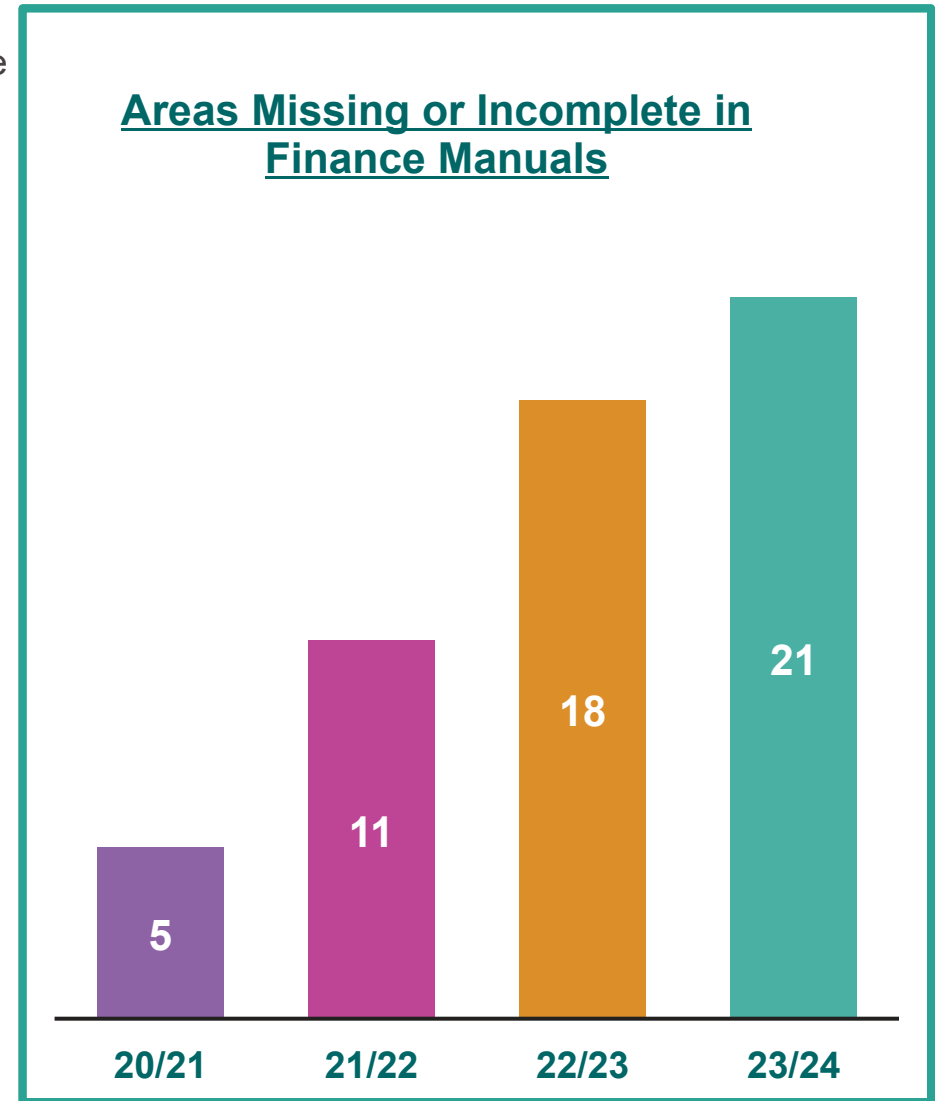


Chart 1.

No.	Finding	Risk	Priority	Recommendation
1.	<p><b><u>Future Budget Position</u></b></p> <p>At four of the schools visited, we found a cumulative deficit budget forecast within the next three years (if not already in place).</p> <p>Reasons given for a deficit include high staffing costs, high energy costs, increasing building costs, and falling pupil numbers.</p>	<p>Unsustainable budget pressures resulting in a need to set a deficit budget.</p>	<p>High</p>	<p>We have recommended that 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.</p> <p>Mitigating actions to avoid a deficit budget should be discussed with School Finance Officers where appropriate. If the predicted deficit is within the next twelve months, we recommend that a Recovery Plan is implemented.</p> <p>Schools that are not in a deficit, should still ensure that the downward turn in pupil numbers is being reflected in their budget forecasting, to try set a balanced budget.</p>
2.	<p><b><u>Governance</u></b></p> <p>Two schools were identified as having little to no challenge from Governors around their budget positions, including lack of appropriate plans being made to address deficits.</p> <p>There were four schools that had issues around their Governor Skills Matrices that included, not being completed, being out of date or not including all Governors.</p>	<p>Governors may not have the skills to ensure effective financial governance.</p> <p>Without completing the full Governor Skills Matrix, the board may not have oversight of their strengths and weaknesses.</p>	<p>High</p>	<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 the meeting minutes should reflect the support and challenge offered by Governors.</p> <p>Governors should ensure that they have the skills required to support and challenge schools by attending training where needed and maintaining an up-to-date Skills Matrix. This should be minuted in Governor meetings, and the Skills Matrix should be made available to Governors on GovernorHub.</p>

No.	Finding	Risk	Priority	Recommendation
	<p>There was one school that did not display their Governor Register of Interests on their website, whilst one was unable to be viewed correctly when the link was accessed.</p> <p>Three schools had Governor Register of Interests that were out of date or incomplete and one did not have a date to show when it was last updated.</p> <p>One school did not have a Chair of Governors, with meetings being chaired by the Clerk. There were also issues around attendance at Governor meetings.</p> <p>One school had the same Chair for both their Resources Committee and Governing Board, who was also taking minutes for both meetings.</p> <p>The Pay Committee at one school was shown to have made a decision that was outside of their delegated function.</p> <p>One school was unable to provide evidence of a conflict of interest being declared and approved in any or the Full Governing Board meetings.</p>	<p>School may be in breach of regulations if Governor details are not accessible.</p> <p>Governors may not be adhering to best practice.</p> <p>Having one Governor chair both Full Governing Board and Resources Committee reduces the breadth of scrutiny which Governors have over important issues within the school.</p> <p>Committee operating outside of their remit.</p> <p>Lack of transparency and openness.</p> <p>Conflicts not being managed.</p>		<p>Governor details on the school website should be kept up to date, and the Register of Interests updated at least annually, or when material changes occur.</p> <p>Governors should be reminded of the importance of their role and encouraged to prioritise attendance at meetings. Schools can work with the Council's Governor Support Service around recruitment and retention of Governors.</p> <p>In terms of overall scrutiny, Schools and Governors should consider whether it is in the best interests of the school to have the same person chair both the Governing Board and Resources Committee. It is also not appropriate for the meeting Chair to take the minutes.</p> <p>Schools should ensure that the function of their Pay Committee is to review and implement the pay policy and employer pay related matters only.</p> <p>All conflicts of interest should be declared and recorded at the appropriate point at Governing Board meetings.</p> <p>Conflicts of interest that have an operational impact should be openly discussed and recorded within the minutes so the Governing Board can make it clear how they expect this to be managed, to ensure full transparency and impartiality between all parties involved.</p>

No.	Finding	Risk	Priority	Recommendation
3.	<p><b><u>Policies and Procedures</u></b></p> <p>Several schools had various findings around their policies and procedures that included:</p> <ul style="list-style-type: none"> <li>• Policies that did not show an approval or next review date.</li> <li>• Key policies not displayed on the school website or old versions not replaced.</li> <li>• Policies that were overdue review or were not being reviewed within the Department for Education’s guidelines and contained out of date/inaccurate information.</li> <li>• One school had a policy that belonged to a different school, which had not been updated for their own purposes.</li> </ul>	<p>Policies may become out of date without staff realising.</p> <p>Staff unaware of the correct processes to follow, leading to an inconsistent approach applied by different staff.</p> <p>Some policies may not be reviewed as frequently as recommended.</p>	High	<p>We recommend that schools arrange for plans and policies to be reviewed on a regular basis to ensure they remain up to date, even if no changes are required or identified. 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 approval date and next review date recorded on the front page of the policy, so that staff can easily see when policies should be reviewed.</p> <p>When policies are updated, it should be made clear who is responsible for updating them on the school website.</p>
4.	<p><b><u>Finance Manual</u></b></p> <p>Issues were identified with the Finance Manual at all the schools visited, with the main issue being information missing from the Manual as follows:</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>	Medium	<p>The Finance Manual is an essential document for the School Business Manager and other staff involved in financial management/administration, as it should document the correct financial procedures to follow for all aspects of the school’s financial management, as per the SMBC Finance Manual Template.</p> <p>A thorough and up to date manual will also ensure business continuity in the event of staff absence or changeover.</p>

Finance Manual – Missing Information	Recommendation
<p><b><u>Asset Inventory – Three schools</u></b></p> <p>In two of the manuals reviewed, we found that arrangements for updating and checking the school’s asset inventory were either not given or the information in the manual was insufficient.</p> <p>One school had not updated the manual to include the process for monitoring assets through the new electronic asset management system.</p>	<p>The Finance Manual should outline the minimum value of items on the inventory, as well as who has responsibility for adding and removing items from it. It should also specify how often the inventory is checked, by whom, and how this is recorded.</p> <p>If the school has a separate inventory policy which includes this information, this policy should simply be referenced in the Finance Manual so that staff know where to locate it or merged with the Finance Manual.</p> <p>It is important for schools to update their Finance Manual when processes change or are no longer in use. This will make sure that staff follow the most up to date process and ensures a consistent approach.</p>
<p><b><u>Banking Procedures – Two schools</u></b></p> <p>Two schools were missing information around the controls for online banking, whilst another did not include enough information on the banking and reconciliation process.</p>	<p>The Finance Manual should outline the banking process, including the procedure for banking cash for schools which still accept it and the reconciliation process used.</p> <p>If online banking is used, then it is important to include information on the security of the passwords used for that online account, such as their strength and how often they are updated.</p>
<p><b><u>Budget Setting Procedures – One school</u></b></p> <p>One school did not include the process for budget setting within their manual.</p>	<p>The full process for how the budget is set should be defined within the manual, including who is involved in the process and their responsibility at each stage.</p>
<p><b><u>Cash Handling Procedures – Four schools</u></b></p> <p>In four of the schools audited, the Finance Manual either did not outline the procedures for cash handling, or the procedures given were unclear and open to misinterpretation.</p>	<p>The Finance Manual should make clear the procedures for cash handling, if cash is still accepted in the school. It should outline which staff are responsible for accepting cash, receipting (if receipts are in place), counting, recording, and reconciling all cash. It should also define how segregation of duties is maintained.</p> <p>The manual should state where cash is held within school, how it is kept safe, and what the agreed cash limit for the school is. If cash is not accepted, the manual should state this.</p>

Finance Manual – Missing Information	Recommendation
<p><b><u>Credit Card Procedures – Three schools</u></b></p> <p>In two schools, we found that the procedures around the use of the credit card were either missing from the manual, or the information contained within the manual was insufficient.</p>	<p>The Finance Manual should outline the procedures for the use of the credit card, including as a minimum; the credit limit, acceptable use, the signatories, whether there is a PIN, and if so, who can access it, where the card is stored and the safeguards in place around its storage, how often it is reconciled, and what happens when a card holder leaves the school.</p> <p>If a separate Credit Card Policy is in place, this could be merged with the Finance Manual for ease of review.</p>
<p><b><u>Debt Procedures – Eight schools</u></b></p> <p>Many of the schools audited were either missing information on debt management entirely, or aspects of it had not been covered around limits and who was responsible for chasing the debt.</p>	<p>The Finance Manual should include any existing pupil debt processes, such as:</p> <ul style="list-style-type: none"> <li>• How debt is recorded and monitored.</li> <li>• Debt limits which will trigger contact from school (whether this be the amount owed, or the number of days unpaid).</li> <li>• How requests for payment will be escalated (i.e. through texts, calls, standard letters etc).</li> <li>• What will happen if the debt relates to lunch monies (i.e. whether pupils or staff will be refused food).</li> <li>• Whether pupil debt can be transferred to siblings.</li> <li>• When debt can be written off and by whom.</li> </ul> <p>Including this information in the Finance Manual ensures that the Governors are involved in agreeing the process. If the information is already held elsewhere, this could be merged with the manual for ease of review.</p>
<p><b><u>Delegation Limits – Four schools</u></b></p> <p>In four of the manuals reviewed, delegation limits/grids (for purchasing, virement, or sale of assets) were either not included, or out of date.</p>	<p>The Finance Manual should include the delegation grid which outlines the authorisation limits for the purchase of goods, virement of funds and sale of assets. This should include all staff and Governors who have any authorisation limits in these areas.</p>



Finance Manual – Missing Information	Recommendation
<p><b><u>Expenses – One school</u></b></p> <p>One manual reviewed did not document how staff expenses are claimed and processed, including appropriate authorisation.</p>	<p>The manual should outline which staff are able to claim back expenses, what type of expenses are allowed, the maximum limit, and how expenses will be reimbursed. It should also make clear how segregation of duties are maintained when paying and claiming back expenses and how they are approved.</p>
<p><b><u>IR35 – Ten schools</u></b></p> <p>Nearly all the school's audited this year were missing the process for ensuring compliance with IR35 regulations from their Finance Manual.</p>	<p>Schools should confirm the requirements around IR35 through their HR/Payroll provider and how and when it might apply to them. The process for ensuring that regulations are adhered to, should then be defined within the manual.</p>
<p><b><u>IT Data Back-Up Procedures – One school</u></b></p> <p>One manual did not include any information on the school's data back-up arrangements.</p>	<p>Data back-up arrangements, that are a requirement of the school, should be recorded, including what is being backed up, the level of encryption, ownership of the data and its retention and disposal.</p>
<p><b><u>Lettings – One school</u></b></p> <p>One school had not included the lettings process, including the reconciliation of payments within their manual.</p>	<p>If the school has lettings in place, it is important to include the process for the collection of that income, including its reconciliation, controls and responsible parties.</p>
<p><b><u>Manual Dates – One school</u></b></p> <p>One of the manuals did not display a date for when it was next due for review.</p>	<p>The Finance Manual should have the date it was approved and the next review date, which should be annual. This ensures that all staff know they are using the most up to date version of the manual and reminds staff that the manual should be reviewed and ratified annually.</p>

Finance Manual – Missing Information	Recommendation
<p><b><u>Overtime – Ten schools</u></b></p> <p>Auditors found that procedures relating to the recording and authorising of overtime were not recorded in ten manuals reviewed.</p>	<p>The Finance Manual should outline the process for managing overtime, such as any proformas which need to be completed either before 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 clear segregation of duties, so that staff do not authorise or input their own overtime details.</p>
<p><b><u>Petty Cash – One school</u></b></p> <p>One manual was missing information on its acceptable use and the time limit for reimbursement.</p>	<p>If schools operate a Petty Cash Fund, the rules and procedures around the fund should be included within the Finance Manual. This should include as a minimum; the fund limit, transaction limit, what it can be spent on, who can access it, who can authorise spends, how it is stored safely, and how it is monitored, reimbursed and reconciled.</p>
<p><b><u>Purchase Orders – Two schools</u></b></p> <p>Two schools needed to include the process for ensuring that Purchase Orders are raised before an invoice is received whenever possible.</p>	<p>It is best practice to raise Purchase Orders before an invoice for goods are received and this should be defined within the manual. This helps to ensure funds are allocated for that purchase. This is not always possible for items where the cost is unknown, but the manual should make clear that this as an exception and not the rule.</p>
<p><b><u>Recording of Income – Six schools</u></b></p> <p>In half of schools audited this year, the process for the recording and reconciliation of income was either not given in the manual, or the process given was incomplete.</p> <p>Income reviewed included lunch monies, uniform sales, snack monies, club fees, trip monies, and lettings.</p>	<p>The Finance Manual should include details of how all income and payments are recorded and reconciled. This should include all income the school may have.</p> <p>The Manual should outline recording procedures for both cash and electronic payments where these are in place (eg ParentPay), how segregation of duties are maintained and the procedures to follow should any discrepancies arise.</p>

Finance Manual – Missing Information	Recommendation
<p><b><u>Retention of Documents – One school</u></b></p> <p>One of the manuals reviewed did not have any information on record retention at the school.</p>	<p>The data section of the Finance Manual should include details on the school’s record retention process. This should say how long records are retained for and how they are stored.</p> <p>Schools that adopt the Local Authorities Retention Guidance should state this.</p>
<p><b><u>School Fund – One school</u></b></p> <p>In one school, we found that the procedure around the School Fund was not given.</p>	<p>The Finance Manual should include the process around the School Fund, such as which staff member/s are responsible for it, what the monies can be used for and how it is reconciled and audited. If this information is held in a separate School Fund Policy, the Manual could be merged with the manual for ease of review.</p>
<p><b><u>Security of Cash and Systems – One school</u></b></p> <p>The review of one manual identified that information was missing around the security of cash and financial systems.</p>	<p>The Finance Manual should include the controls in place for the security of cash and financial systems used at the school. This could include access controls around storage, passwords and levels of staff access.</p>
<p><b><u>Segregation of Duties when Purchasing – One school</u></b></p> <p>One manual did not make clear the controls in place around segregation of duties when purchasing.</p>	<p>It should be clear from the manual what controls are in place around the segregation of duties when making purchases for the school.</p>
<p><b><u>Tendering – Four schools</u></b></p> <p>Four manuals did not include a description of the tendering process for high spends.</p>	<p>The Finance Manual should make clear the limit at which tendering processes apply, and what process should be followed.</p>

No.	Finding	Risk	Priority	Recommendation
5.	<p><b><u>Strategic Plans</u></b></p> <p>One school had a Critical Incident Plan dated 2017, which did not reflect current business continuity plans.</p> <p>In two schools, we found that the Business Continuity Plan (BCP) included old contact details of Council staff who have since left.</p> <p>Review of the School Development Plan (SDP) at seven schools, found that where financial resources were required to achieve specified outcomes, the SDP did not always include the financial details, or spends were not aligned to the budget.</p>	<p>Staff may not act consistently without up-to-date policies and procedures to follow.</p> <p>In the event of an emergency, staff may not have access to essential names and contact details.</p> <p>Budgetary needs to meet school's priorities may not be set aside.</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>The budget should be explicitly drawn from the SDP. Therefore, where applicable, the link between the required financial budget / resources to meet the targets in the School Development Plan should be made clear. This will ensure that there is sufficient money in the budget, and that Governors have full oversight of spending priorities.</p>
6.	<p><b><u>Information Governance</u></b></p> <p>There were various issues with Information Governance found across a number of schools around the following:</p> <ul style="list-style-type: none"> <li>• Privacy notices required to be displayed on school websites were missing at three schools.</li> <li>• Five schools had privacy notices that were out of date.</li> <li>• Three schools had not completed Self-Assurance Dashboards.</li> <li>• No declaration on one school website to show whether any staff were earning over £100,000 or not.</li> </ul>	<p>Schools may not comply with requirements, and miss opportunities to improve their Information Governance compliance</p>	Medium	<p>Privacy Notices should be kept up to date and displayed on school websites in line with Information Governance guidelines.</p> <p>Schools should complete their IG Self-Assurance Dashboard and return it to the Information Governance Team as requested.</p> <p>This will help schools to identify if they are compliant with regulations and outline any steps they need to take.</p>

No.	Finding	Risk	Priority	Recommendation
7.	<p><b><u>Payroll</u></b></p> <p>There were four instances where schools had not formally recorded or authorised overtime.</p> <p>Two schools had no process in place to ensure that they were following government IR35 guidelines for off-payroll working when applicable.</p> <p>One school's third-party payroll provider had not supplied any confirmation in the SLA on how the school data is protected.</p> <p>There was one instance of a school that was unable to verify that multiple one-off discretionary payments and Educational Standards payments to members of staff, did not cover similar areas for which they were already getting payments for.</p> <p>One school processed a cheque payment to staff whilst avoiding the payroll system.</p> <p>One school had two members of staff on fixed term contracts but did not hold copies of any written contract within their employee files.</p>	<p>Overtime payments may not be budgeted for.</p> <p>Breach of legislation.</p> <p>Information not provided in the SLA leading to ambiguity should a breach of contract occur.</p> <p>Lack of transparency.</p> <p>Failure to pay tax and NI to HMRC.</p> <p>Neither party aware of contractual obligations.</p> <p>Possible legal ramification should an employment dispute arise.</p>	Medium	<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 an email from the Head Teacher, agreeing that overtime on a certain day will be paid.</p> <p>Schools should follow IR35 requirements as per government guidelines and ensure that the process is included in their Finance Manual.</p> <p>Contracts with third party payroll providers should contain details on:</p> <ul style="list-style-type: none"> <li>• Where the payroll data is being held by the provider and</li> <li>• The security arrangements for any portal used to ensure that data is protected.</li> <li>• How the data is disposed of on termination of the contract.</li> <li>• Who legally owns the data held.</li> <li>• Whether the system enforces complex passwords and their periodic change.</li> </ul> <p>Any additional payments made to staff should be fully approved and documented in the appropriate Committee/Board meetings to ensure transparency. Any additional payments made to staff must be processed through HR/payroll to ensure that all government requirements are being met.</p> <p>Schools should ensure that all employees have a written contract in place on employment and that these are maintained and stored in the appropriate HR files for that member of staff.</p>

No.	Finding	Risk	Priority	Recommendation
8.	<p><b><u>Purchasing and Procurement</u></b></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"> <li>• Purchase Orders not raised for purchases that had been made.</li> <li>• Purchase Orders were not authorised as per the defined process.</li> <li>• Purchase Orders dated after the invoice, suggesting that the correct purchasing process has not been followed.</li> <li>• Large payments not authorised as per the school's delegation grid.</li> <li>• School made inappropriate purchases (such as gifts or food for staff, or where personal loyalty cards were used)</li> <li>• Incidences where schools have not tendered certain high value contracts for a number of years.</li> <li>• Contract with the supplier had not been signed by a member of staff without the delegated authority to do so.</li> <li>• Contracts not signed by either party.</li> </ul>	<p>Purchasing processes may become confused or unclear.</p> <p>Invoices may be received for purchases which have not been authorised.</p> <p>Purchases may not be adequately challenged.</p> <p>School cannot evidence that spending benefits pupils.</p> <p>Lack of evidence to demonstrate decision making and that best value is being achieved</p>	Medium	<p>Schools should ensure that Purchase Orders are raised before invoices are received where possible. All Purchase Orders should be authorised as per the school's delegation grid.</p> <p>Schools should ensure that the delegation grid shows a clear progress of authorisation limits, with the smallest amount usually authorised by the Head Teacher alone, then the Head Teacher and Chair of Governors, then the Resources Committee, and finally, for the largest amount, the Full Governing Board. However in larger schools, other members of SLT may also have authorisation limits – including the SBM or Heads of Department. In this case, they should also be included in the Delegation Grid.</p> <p>Schools should ensure that all spending is appropriate and for the clear benefit of pupils. Further guidance can be found in the Council's Scheme for Financing Schools</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 3-5 years before schools should go through a competitive procurement process and obtain quotes, in order to ensure value for money.</p> <p>Schools should ensure that contracts are signed by both parties and that these are retained. Contracts should only be signed by the person in the school with the delegated authority to do so.</p>

No.	Finding	Risk	Priority	Recommendation
9.	<p><b><u>Health and Safety</u></b></p> <p>One school did not have a formal asset maintenance plan in place.</p> <p>Some asset maintenance plans were only accessible to one member of staff and were not managed centrally.</p> <p>One inspection had only been partially completed.</p> <p>Four schools were either unable to provide evidence that governor health and safety walk arounds had taken place, or the information provided was incomplete or lacked detail of what had been checked.</p> <p>Some maintenance plans did not make it clear when inspections were due or overdue, with some dates missing.</p> <p>One school that had an electronic maintenance tracking system was still entering inspection dates manually onto a spreadsheet.</p>	<p>Essential maintenance not being accurately monitored, leading to inspections being overdue and assets potentially becoming a Health and Safety risk.</p> <p>Governors are not able to evidence that they are aware of relevant H&amp;S issues within school.</p> <p>The school is not able to evidence that regular H&amp;S checks are carried out.</p> <p>Maintenance checks could be missed if they are not manually entered onto the calendar.</p>	Medium	<p>Maintenance plans should be in place to record as a minimum:</p> <ul style="list-style-type: none"> <li>• The area/equipment being maintained.</li> <li>• The date maintenance checks are due.</li> <li>• The date maintenance checks are completed.</li> <li>• Who has performed that check.</li> <li>• Frequency of those checks</li> </ul> <p>It is also recommended that the asset maintenance plans are accessible to all key staff, to allow collaborative monitoring of maintenance and inspections.</p> <p>Schools that have third party facilities management contracts, should still ensure that they are aware of what inspections are due and when, to maintain oversight.</p> <p>H&amp;S governor walkarounds should be clearly recorded or minuted, and notes held to evidence that they have taken place and recommendations from them have been actioned. These notes should be available to all relevant members of staff and Governors.</p> <p>Schools that have electronic maintenance systems such as Smart Log, should consider using the function for recording Health and Safety maintenance, so the system can generate the yearly notifications based on the previous year's inspection date.</p>

No.	Finding	Risk	Priority	Recommendation
10.	<p><b><u>Assets</u></b></p> <p>The following issues were identified by auditors across a number of schools around the management of assets: In three schools it was unclear when the asset register had last been checked.</p> <p>One school only had some of their assets listed, with no overall asset register in place.</p> <p>One asset register at a school had not been updated since 2018.</p> <p>Details on one asset register were inconsistent.</p> <p>A school was paying an external company to check their inventory.</p> <p>The controlled stationery at one school was not kept secured throughout the day.</p>	<p>Staff cannot evidence when high value items were last accounted for in school.</p> <p>Items may be lost or stolen without the school's knowledge.</p> <p>School is unable to track the location of items of value.</p> <p>The company used for the inventory check may not be providing best value for money for the school.</p> <p>Unauthorised payments could be made</p>	Medium	<p>A whole-school asset inventory should be maintained, which lists the location of all items of value.</p> <p>The inventory should focus on items which could potentially be removed from school. The minimum value for inclusion on the inventory should be decided by Governors.</p> <p>The frequency of inventory checks should be agreed by staff and Governors, and this information should be added to the Finance Manual.</p> <p>When the inventory is checked, the date of the check should be recorded.</p> <p>The school and Governors should balance the risk of checking the inventory themselves against the cost for an external company to perform the check. It may also be beneficial to do a cost comparison with other schools who pay for the same service.</p> <p>Controlled stationery should be kept in a locked cupboard or drawer when not in use and access only given to appropriate members of staff.</p>



No.	Finding	Risk	Priority	Recommendation
11.	<p><b><u>Income</u></b></p> <p>There were issues identified where some Breakfast or After School Clubs were operating at a loss, with no plans in place to subsidise them.</p> <p>One school would sometimes take card payments from parents over the phone but had not completed the relevant PCI self-assessment questionnaire.</p> <p>Two schools did not hold signed copies of the lettings agreements they had in place.</p> <p>One lettings agreement was inconsistent with the times that the hirer was letting the space.</p> <p>One lettings agreement did not indemnify Governors against claims arising from use of premises.</p>	<p>School budget subsidising non curriculum activities</p> <p>Non-compliance with PCI Standard.</p> <p>The responsibilities of the school and third party may not be clear without a current letting agreement.</p> <p>Not able to hold the hirer to account if the terms / conditions of agreement are broken.</p> <p>School/Governors incurring additional costs.</p>	Medium	<p>Schools should monitor the full cost of operating Before and After School Clubs, along with the number of pupils attending, to identify appropriate rates to avoid operating at a loss. It could be beneficial to run a cost benefit analysis to see if clubs could be brought back in-house.</p> <p>Should schools wish to subsidise or offer free non-curriculum services, for person(s) who meet the 'Poverty Proofing Guidelines', then they need to identify funding to cover this cost e.g. pupil premium, along with maximum number of children, to ensure they remain appropriately funded.</p> <p>Any school that is taking payments with a card machine must complete a PCI Self-Assessment Questionnaire to ensure compliance with PCI regulations.</p> <p>Schools should ensure that current lettings are formalised with a signed lettings agreement and that they are renewed annually, along with letting fees, to ensure appropriate costing.</p> <p>Lettings agreements should include the start, end date, days and time the hirer will occupy the specific space, along with the frequency and any exclusions.</p> <p>It is important that lettings agreements include a paragraph about indemnifying the Governors and school against any claims arising from the use of the premises.</p>

No.	Finding	Risk	Priority	Recommendation
12.	<p><b><u>Insurance</u></b></p> <p>One school had insurance through the Risk Protection Arrangement but had high-value items relating to their heritage that were not separately insured.</p>	<p>Unique and high-value assets may not be covered by insurance in the event of loss or damage.</p>	<p>Low</p>	<p>Schools should identify any items of high value, such as heritage and religious items and follow the direction of their insurance provider on whether they may require an independent valuation, depending on the items identified.</p>
13.	<p><b><u>Petty Cash</u></b></p> <p>One school was topping up the petty cash to the limit each time it was reimbursed, instead of just reimbursing the amount required to bring the fund back to the designated limit.</p>	<p>Petty cash will hold more than has been authorised.</p>	<p>Low</p>	<p>The cash and receipts held in the Petty Cash Fund should always total the amount authorised by Governors.</p> <p>Only the amount of the receipts should be requested from the bank for reimbursement. This will ensure that the fund remains at the authorised limit.</p> <p>The process and controls around petty cash should be included within the Finance Manual.</p>
14.	<p><b><u>Financial Management Systems (FMS)</u></b></p> <p>Review of FMS in one school identified that:</p> <ul style="list-style-type: none"> <li>• Only the School Business Manager had access to FMS which did not allow for segregation of duties or business continuity.</li> <li>• No information was being generated to review any changes that might be made within the system.</li> <li>• FMS did not enforce strong passwords or password changes.</li> </ul>	<p>Lack of business continuity.</p> <p>Inappropriate or unauthorised usage.</p> <p>Unauthorised access to sensitive information.</p>	<p>Low</p>	<p>More than one suitable member of the Senior Leadership Team should be able to access the FMS system to ensure business continuity.</p> <p>It is also recommended that a report could be run from FMS to monitor any changes made to the master data, thus reducing the risk of unauthorised activity.</p> <p>All FMS users should be set up to require strong passwords when using the system. If this can't be achieved within the system, staff should ensure strong passwords are used and update them regularly.</p>

No.	Finding	Risk	Priority	Recommendation
15.	<p><b><u>School Fund</u></b></p> <p>In three of the schools audited, the following issues were identified:</p> <ul style="list-style-type: none"> <li>• Reconciliations and audit of the fund were being carried out for a very small amount.</li> <li>• School was unable to locate the year end certificate or identify who the current external auditors were.</li> <li>• Balance for the fund was over £19,000.</li> </ul>	<p>Schools are paying for the annual external audit of an account which is rarely utilised.</p> <p>Lack of clear audit trail.</p> <p>The pupils may not fully benefit from the funds held in the School Fund account.</p>	Low	<p>Schools can close the School Fund if they are not making use of it. If schools use a School Fund infrequently, they can transfer the monies to their main account and ringfence it if they wish, removing the need for a separate annual audit.</p> <p>All external audit certificates and information should be retained for record purposes.</p> <p>Schools with a large amount in their School Fund should consider holding a documented discussion about the best use of the money held and how this can benefit all pupils.</p>
16.	<p><b><u>Cash Banking</u></b></p> <p>At two of the schools reviewed, cash was only being reconciled and banked by one member of staff, with no segregation of duty in place.</p>	<p>The school cannot demonstrate transparency around its cash handling and banking procedures.</p>	Low	<p>Best practice is for the cash to be reconciled and checked by two members of staff before it is banked. This will make the cash handling procedure more transparent and protect any one member of staff from being solely responsible for the cash.</p>
17.	<p><b><u>Financial Benchmarking</u></b></p> <p>One school had not been able to perform any benchmarking for the last financial year, whilst another had not added this information to their website.</p>	<p>School may be in breach of regulations set out by the DfE.</p>	Low	<p>Schools should ensure that benchmarking is being performed for each financial year and that their websites contain a link to the latest financial benchmarking.</p>

No.	Finding	Risk	Priority	Recommendation
18.	<p><b><u>Bank Accounts</u></b></p> <p>One school had a debit card attached to their bank account and the account needed changing to a business account.</p> <p>In one school, we found that the bank account name did not include SMBC.</p> <p>Two schools did not hold up to date signatory details for the bank account.</p> <p>One school was unsure if they were able to make direct payments from the online bank account.</p> <p>One school's credit card had a limit of £5,000, which is higher than recommended by SMBC Scheme for Financing Schools.</p>	<p>The school is in breach of local guidance.</p> <p>The Council may be unable to access the bank account when required if the account name does not include SMBC.</p> <p>Staff cannot evidence which members of staff can authorise payments.</p> <p>Inappropriate and unauthorised usage of the banking system.</p> <p>The limit on the school's charge card is above that recommended in local guidance.</p>	Low	<p>Schools bank accounts should be business accounts and no debit cards should be attached to that account as per SMBC guidance.</p> <p>Schools should ensure that their bank account name includes SMBC, which can be either at the beginning or end of the account name.</p> <p>Schools should ensure they keep up to date bank mandates showing the account signatories. Where this proves difficult, because banks are reluctant to issue updated mandates, school should hold written evidence of which staff they have requested as signatories (i.e. copies of emails to the bank).</p> <p>Schools should explore with their bank whether they are able to have read only access for their online banking. Where this is not possible, it should be made explicit within the Finance Manual that online banking should not be used to make payments, with disciplinary action for its misuse.</p> <p>SMBC's Scheme for Financing School's Guidance recommends a credit card limit of no more than £3,000.</p>



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