

Derbyshire Audit Services

AuditMatters

| Circulation List | | |
|-------------------------|--|--|
| Head Teacher | | |
| Governors | | |
| Finance Staff | | |

Welcome to the Winter edition of the Derbyshire Audit Services' newsletter for schools. To ensure that all parties are aware of the audit matters affecting Derbyshire schools, please ensure that this newsletter is made available to the Chair of the Governing Body, Chair of the Finance Committee, Head Teacher, and Bursar/Finance Manager.

Revised School Tests

In the New Year, Audit will be introducing a revised school testing regime, which will also retain a number of the core elements from the current programme.

We will be making enhanced use of data sampling in advance of a school visit, to enable targeted review of potential areas of concern or possible governance weaknesses.

Specific audit areas under consideration:

- Enhanced review of school governance; content of School minutes, declaration of business and pecuniary interests, conflicts of interests and private school funds.
- Use of vulnerability software to assess school IT resources, including email phishing software and 'Dark Web' scanning.

The changes will have little or no impact on schools in terms of preparation time. Further information will be sent to schools, once the revisions have been agreed and prior to any scheduled audit visit.



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*May we take this opportunity to wish you all a very Happy Christmas
and a Successful New Year.*

KEEPING SAFE THIS CHRISTMAS – CYBER SECURITY UPDATE
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External Review of Internal Audit

Audit Services are proud to report that resulting from an independent external review of its management, staff, reporting and operational procedures, we have been assessed as conforming to the requirements of the Public Sector Internal Audit Standards (PSIAS).

Following a procurement process, CIPFA C.Co Ltd were appointed to undertake the external assessment of the Council's Internal Audit function, which is a key requirement of the mandatory PSIAS and undertaken once every five years. At the conclusion of the review, Audit Services were judged as compliant with the PSIAS overall and in each of the four areas of focus.

| Area of Focus | Judgement |
|---------------------------|-----------------|
| Purpose and Positioning | Conforms |
| Structure & Resources | Conforms |
| Audit Execution | Conforms |
| Impact | Conforms |
| Overall Assessment | Conforms |

The assessment identified a number of areas of positive practice including:

- Recognition of an improved service since the last external review of Audit Services in 2014;
- Regular and transparent discussion between the Chief Audit Executive and those charged with governance;
- Multi-skilled and multi-disciplinary Internal Audit team;
- An Internal Audit team who support good governance and information security control frameworks; and
- Positive support and advocacy for Internal Audit from the Chair of Audit Committee.

Although the Assessment did not identify any areas for improvement, that materially and negatively impacted Internal Audit's conformance with the PSIAS, it did identify a number of areas where the level of conformance or wider added value of audit could be enhanced.

Audit Services have an ambitious audit plan during 2020 and will address the areas where added value can be incorporated into day to day operations.

A full copy of the external assessors report can be viewed on the County Council's website:-

<https://democracy.derbyshire.gov.uk/documents/s2476/External%20Review%20of%20Audit%20Services.pdf>

Declarations of Interests

Recent Audits have identified a number of instances where schools are not complying with their Codes of Conduct for both governors and staff. Schools have been procuring goods and services from contractors where there is clearly a direct, personal relationship between an individual at the company and at the school.

Whilst the existence of a relationship does not prevent a school entering into a contract with any supplier, it is essential that the school takes the appropriate steps to ensure their procurement process is open and transparent. This is important so that the school can demonstrate there has been no favouritism to any particular supplier, in order to maintain the school's integrity, ensure compliance with its Financial Regulations and Procedures and retain trust in the way public money is spent.

There are practical steps which can be taken in order that schools and their staff are protected and fully accountable for their actions:

- Adopt Codes of Conduct for both Governors and Staff which clearly identify the responsibilities of individuals in respect of personal and business interests.
- Ensure that these Codes have been circulated and understood by all governors and staff.
- Maintain a register of business interests using the approved declaration form. Each member of staff is personally responsible for the accuracy of their declaration.
- Ensure that there is a process to update the declaration forms at least annually and whenever declarations change.
- Include a standing agenda item at each governors' meeting to identify and record any potential conflicts of interest.
- Where there is a declaration of interest at a governors' meeting, the individual(s) should not participate in the agenda item. They should leave the meeting room prior to the item being discussed and this should be recorded in the minutes of the meeting.
- If a declaration relates to a contract or supplier, the individual who has made the declaration should not be involved in any aspect of the procurement exercise. The procurement exercise must be undertaken with quotations/tenders obtained by an individual who is independent and free from any influence.
- Evidence should be retained to demonstrate that an appropriate procurement exercise has been undertaken.
- Identify all work which needs to be undertaken, which may form part of a larger scheme, to ensure that the School is in a position to benefit from potential economies of scale.
- If in doubt make a declaration.

Unfortunately when these processes have not been followed, the school is left vulnerable and exposed to criticism of favouring suppliers because a relationship exists. Where significant breaches occur it may lead to disciplinary action and referral to the Police.

In a small number of recent cases, due to the serious nature of such activities and the value of specific contracts, staff and governors have been required to attend formal Audit interviews resulting in reports being issued to the Executive Director for Children's Services.

In certain cases Audit Memoranda have subsequently been issued with limited or no assurance, which means that the school will be subject to another Internal Audit inspection within the following 12-18 months.



Internal Audit Staff – DBS

The Disclosure and Barring Service (DBS) enables employers to access the criminal record history of people working, or seeking to work in certain positions, especially those that are involved with vulnerable individuals.

The level of the required DBS is dependent on the area of work that an individual is involved, or the level of contact with vulnerable groups.

It is on this basis, under the County Council's Criminal Background Checks Policy, that Audit Services staff are no longer required to hold a DBS check.

However, Audit are working with the Council's Child Protection Manager to complete the Keeping Children Safe in Education (KCSIE) Part one as a core element of Auditors annual training requirements.

NEW SCHOOLS FINANCIAL VALUE STANDARD (SFVS) 2019 - 2020

The new SFVS 2019 to 2020 consists of a self-assessment checklist and a **NEW** dashboard.

[NEW SFVS 2019-20](#)

The checklist asks questions of governing bodies in 6 areas of resource management. The dashboard shows how a school's data compares to thresholds on a range of statistics identified by the Department for Education (DfE).

[NEW SFVS Checklist guide 2019-20](#)

The dashboard guidance provides explanations of each of the indicators and helps schools in filling in their data and understanding the results. If you use assistive technology (such as a screen reader) and need a version of this document in a more accessible format, please email alternative.formats@education.gov.uk.

[NEW SFVS Dashboard guidance 2019-20](#)

SFVS returns must be approved at a meeting by the Full Governing Body and signed by the Chair of Governors, before being submitted to Audit Services prior to **31 March annual deadline**. Returns made after this date will be formally notified to the Department for Education as a late submission.

Schools should ensure that a meeting of the Full Governing Body has been scheduled for January or February to approve the SFVS submission, allowing sufficient time for re-scheduling if necessary.

When the School's SFVS return has been fully completed, approved by the Full Governing Body and signed by the Chair of Governors, please ensure that a copy is provided to Audit Services by *Perspective Lite (830AUD)*,

email at jayne.wallhead@derbyshire.gov.uk or

post to Audit Services, Farmers Annex, County Hall, Matlock DE4 3AH before **the 31 March deadline**.

Audit Request – Work Area

Despite previous requests Audit staff are still being provided with inappropriate working conditions at some schools.

To facilitate the smooth running of an Audit, it would be appreciated if an area could be made available, where the Auditors may conduct their testing, which provides a suitable work space, i.e. access to power sockets, an IT network connection point (if possible) and in particular chairs and tables appropriate for an adult.

We understand that at some schools space is at a premium, however schools are normally only visited by Audit Services once every four years and our staff would appreciate the school's co-operation in finding an appropriate work area for the single day on-site visit.

Administration of School Voluntary Unofficial Funds

Audit Services receive a number of queries throughout the year regarding the administration and management of Voluntary or unofficial funds, including Private School Funds. In particular, the responsibilities of the Independent Auditor. Details of the Auditor responsibilities (extract below – 3.2) and other guidance can be found in the Voluntary Funds Manual

(Voluntary Funds Manual 3.2):

- a. *To independently confirm that all income has been accounted for, that all expenditure has been appropriately made, that the balances in hand reconcile for the period being examined, and*
- b. *To supply further explanations or to give assistance should problems occur in connection with funds that have been certified as correct. (See Voluntary Fund Account Suggested Test Programme page 7)*
- c. *When the audit is complete the records should be marked to show when the audit was completed. The final accounts should include comments or qualifications as required and be followed by a signed and dated certificate similar to one of the following:-*

Example of appropriate wording for the Auditor's Certificate:

"I have audited the above / attached financial statements in accordance with approved auditing standards and the requirements noted in the Derbyshire County Council Scheme for Financing Schools. In my opinion from a comprehensive / sample check of the records and documentation presented and explanations received, the receipts and payments statement and the balance sheet present a true and fair view of the fund's accounts and comply with the fund's objectives."

In accordance with recognized accounting standards, it is good practice and provides clear accountability to include the words "true and fair view" statement within the annual PSF audit certificate, if everything is satisfactory

[Link: Voluntary Funds Manual](#)



CYBER SECURITY UPDATE

Cyber4Schools

East Midland Special Operations Unit (EMSOU) have developed a [website](#) to raise the profile of cyber security within schools. [Cyber4Schools website link](#)

It provides a range of resources for the school, teachers, students and parents, including:

- Sample policies
- information to support staff training
- Lesson plans and activities
- Assembly presentation
- Presentation and leaflet for parents
- Coding competitions

Source: Tracy Coates, Senior Community Safety Officer, Derbyshire County Council

Cyber Crime Warning

We have been informed by the Cyber Crime Unit, Derbyshire Constabulary that a number of councils across the East Midlands have recently been targeted in a Phishing campaign as below.

Please cascade this within your school and any other contacts that you believe may benefit from the warning.



i am well aware [REDACTED] is your passwords. Lets get directly to the point. There is no one who has paid me to investigate about you. You may not know me and you are most likely wondering why you're getting this mail?

ICT Removed Section due to profanity

You will have 2 choices. Why dont we study each of these options in details:

First choice is to just ignore this message. Consequently, I am going to send out your very own tape to just about all of your personal contacts and also think about regarding the awkwardness you can get. and definitely should you be in an affair, precisely how it will eventually affect?

Next solution should be to compensate me \$1526. Lets name it as a donation. in this instance, I most certainly will without delay eliminate your videotape. You can keep your way of life like this never occurred and you will not hear back again from me.

You will make the payment via Bitcoin (if you don't know this, search 'how to buy bitcoin' in Google).

BTC address to send to:

Cyber Protect Officer and Cyber Alarm

Jodie Nevin, Derbyshire Constabulary's Cyber Protect Officer's role is to provide free cyber security advice to organisations, such as businesses, charities and schools.

Jodie will undertake an assessment to identify any weaknesses in your school's cyber security and provide advice, and information, much of which is free. Tailored presentations are also available to inform staff how to protect themselves and the organisation.

Cyber Alarm is a service based at East Midlands Special Operations Unit. It is a 'near real-time' monitoring tool which collects metadata from your school's internet-facing devices and provides you with the following benefits:

- Weekly or monthly reports detailing trends and potential attacks for further investigation
- Information about cyber threats identified to enable you to improve your cyber security
- Preservation of evidence, if required for an internal or police investigation

The information collected does not include any personal or private information.

For more information or to arrange your free cyber security review.

Contact Jodie.Nevin.17222@Derbyshire.PNN.Police.UK

Increase in Scams

The theft of personal and financial data through social engineering and data breaches was a major contributor to fraud losses in 2018. The stolen data is used to commit fraud both directly and indirectly.

For example, compromised card details are used to make unauthorised purchases online and personal details are used to take over an account or apply for a credit card in someone else's name. Criminals also use personal and financial data to defraud customers, using information gained about an individual to add apparent authenticity to a scam.

Social engineering is a tactic by which criminals groom and manipulate people into transferring money or divulging their personal and financial details, with deception scams being a common method. In a deception scam, a criminal will typically pose as a representative from a genuine organisation such as a bank, the police, a retailer, utility company or government department. Fraudsters use a range of methods to contact customers in deception scams, including by phone, text message, email and social media.

To persuade people to act, the criminal often claims that there has been suspicious activity on an account that a refund is owed or that account details need to be 'updated' or 'verified' and the customer must act quickly. The criminal's aim is then to trick their intended victim into giving away their personal or financial information, such as security login details and card and bank account information, or allowing remote access to their computer. This stolen information is then used by the criminal to access accounts and make unauthorised payments.

Deception scams are also used by criminals to persuade people to authorise a payment to them. These include criminals impersonating a member of bank staff or a police officer and claiming there has been fraudulent activity on an account and that money needs to be transferred to a 'safe account'; impersonating a supplier and sending fake invoices or change of bank details for payment via same day transfer; online auction and sales scams; and investment scams. Criminals are increasingly using social media sites to entice victims with posts advertising items for sale and investments, both of which are fake.



Source: Derbyshire Trading Standards, Derbyshire County Council

During the School audit review the following documents will be assessed to confirm that the School has adequate policies in place and that once approved by the Governors they are made available to staff, contractors and pupils etc. as required. Below is a list of the policies reviewed during the audit and where available the link to the schools.net/Derbyshire.gov/DfE.

| <u>Policy/Document</u> | <u>Policy Template / Information Location</u> | <u>Audit Suggested Review (years)</u> |
|---|--|--|
| Absence Monitoring Policy | Traded Service Document (no link) | 3 |
| Acceptable Use of IT Policy for Pupils | Currently no link <u>available</u> | 3 |
| Acceptable Use of IT Policy for Staff | Link to schoolsnet | 3 |
| Charges, Remissions and Lettings Policy | Link to schoolsnet | 1 |
| Code of Conduct for Governors | Link to Governor Support | 3 |
| Code of Conduct for Staff | Link to schoolsnet | 3 |
| Confidential Reporting Code | Link to schoolsnet | 3 |
| Critical Incident Management Plan | Link to schoolsnet | 3 |
| Data Protection | Link to schoolsnet | 2 |
| Dinner Money Policy | Link to schoolsnet | 3 |
| Financial Regulations & Procedures and Roles and Responsibilities | Link to schoolsnet | 1 |
| Debit Card Policy | Link to schoolsnet | |
| Governing Body Induction Pack | Link to Governor Support | 1 |
| Governing Body Terms of Reference | Link to Governor Support | 1 |
| Terms of reference and Scheme of delegation for sub-committees | Link to schoolsnet | 1 |
| Governors' Expenses Policy | Link to schoolsnet | 1 |
| Improvement/Improvement Plan | Currently no link <u>available</u> | Periodic presentation of achievement |
| Summary Guidelines for Information Retention | Link to schoolsnet | 1 |
| Instrument of Government | Link to Governor Support | 3 |
| IT Administration Policy/Disaster Recovery Plan | Currently no link <u>available</u> | 3 |

Getting in touch

Audit staff are always available to provide advice and support. You may contact the Lead Auditor, who led the audit at your school, or any of the key contacts listed below:

| | | | |
|-----------------------------------|--|--|----------------|
| Carl Hardman | Assistant Director of Finance (Audit) | carl.hardman@derbyshire.gov.uk | (01629) 538708 |
| Jayne Wallhead Suzanne Kiernan | Audit Clerk | jayne.wallhead@derbyshire.gov.uk suzanne.kiernan@derbyshire.gov.uk | (01629) 538826 |