

**July 2015****Background:**

One role of Internal Audit is to investigate cases of theft, fraud and corruption and unfortunately this occurs more frequently than it should usually as a result of basic failings in internal controls. Nationally a few high profile cases have sometimes caused the closure of the school<sup>1</sup>, although this is an extreme example it does demonstrate the level of risk involved and even for the more common cases the outcome can still involve staff being dismissed.

Effective procedures also help to protect staff from unfounded/spurious allegations. It is entirely possible that innocent staff can be subject to a miscarriage of justice where evidence can 'on the balance of probabilities' (the standard of proof required in a disciplinary case) be construed to support an allegation made. In such a situation the lax control environment fails to protect staff as it does not allow the staff member to fully demonstrate their innocence. We use our knowledge and experience of these situations to try to ensure that schools put procedures in place that prevent the majority of these issues from ever arising.

In our opinion, relying on a manual process of approving orders/invoices on paper copies (ie outside of the school's Financial System) and then allowing one person to undertake all of the steps on the school's Financial System is not an effective control as the paper part of the process can be bypassed.

Enforcing segregation of duties is a basic control in any purchasing system and this should be put in place on the Schools Financial System. A decision not to implement such a basic control could leave the Governing Body and yourself vulnerable in the event of a fraud (occurring or alleged).

*Please Note:*

- *This approach holds true when the School utilises Bursary / finance support services.*
- *There should be no transactions carried out using the generic supervisor role / system manager role.*
- *The systems manager does not need to be technically proficient using the Financial System, as the setting up of the permissions can be done with the aid of some one who is. Once set up is complete the changes required would be minimal, primarily for starters / leavers who need system access.*
- *It is essential that these roles are not compromised by allowing others to log on using a role that is not theirs, ie passwords must not be shared – this is a disciplinary offence.*
- *Appendix B of the Local Bank Account Guidance for School has been updated to reflect this –*  
<http://www.milton-keynes.gov.uk/schools/displayarticle.asp?ID=31737>

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<sup>1</sup> <http://www.telegraph.co.uk/news/uknews/law-and-order/3851561/Bursar-who-stole-500000-put-future-of-university-college-at-risk.html>

<http://news.bbc.co.uk/1/hi/england/1711762.stm>

<http://www.telegraph.co.uk/news/uknews/1404436/Bursar-wrote-school-cheques-to-himself.html>

<http://www.bucksfreepress.co.uk/news/1636344.0/>