Schools Business Managers Forum

Internal Audit & Audit Investigations Update

08 July 2026

Audit and Anti-Fraud Division

Internal Audit Service

Audit Investigations

Tenancy Fraud Investigations

Risk Management

Internal Audit Update

- Overview of 2025/26 Audits
- Audited Areas
- Approach to Auditing Schools
- Changes to Internal Audit Coverage
- Anti-Fraud - Reporting Fraud
- Any Questions

Overview of 2025/26 Audits

- In 2025/26, Internal Audit reviewed 12 Schools
- Six schools achieved a ‘Significant’ Assurance, with four achieving a Reasonable Assurance, 1 Limited Assurance, and 1 No Assurance.
- In 2026/27, 12 Schools are on the Audit Plan to be reviewed. Two secondary, nine primary, and one nursery school.
- Additional Schools can be added to the Annual Plan anytime at the request of Hackney Education Management

Audited Areas

- Governance arrangements, including reporting to governing bodies & committees, scheme of delegation, declarations of interest, financial training and procedure notes
- Finances including budget monitoring, expenditure, cash flow, and petty cash
- Administration of income collected
- Bank account administration
- Procurement, contracted services and processing of payments, Purchase cards
- Setting up supplier accounts Voluntary funds
- Assets register
- Payroll management & Pre-employment checks (DBS)
- The areas audited are not limited to the above, and include anything covered in the Schools Financial Procedures Manual / best practices

Hackney

Approach to Auditing Schools

- Hybrid approach replacing the off-site approach adopted during Covid -19
- At least one day will be spent on site at the school
- Pre-Audit ICQ and request for information will continue to be used
- Audit evidence/documents are expected to be sent when returning the ICQ
- A draft action plan and report will be issued with audit recommendations
- Exit meetings to agree findings and recommendations will in take place
- Management comments on the each recommendations to be completed by the school.
- A final action plan and report will be issued with management comments

Internal Audit Coverage

- Through regular discussions with Hackney Education Management & Finance Team
- Where a school is awarded a No or Limited Overall Assurance a follow up audit will be carried out the following audit year.
- Possible Themed Reviews e.g Procurement procedures
- Schools in a Federation are reviewed at the same time
- Schools are audited at least every 4 years, or based on annual risk assessment of schools
- Follow up on internal audit recommendations

Role of the Headteacher and SBM in Internal Audit

- Agree the draft and final Terms of Reference
- Complete and sign the pre-audit internal control questionnaire before the audit starts
- Submit all requested audit evidence and documentation promptly
- Receive audit reports, agree them and develop an action plan to implement the recommendations
- Maintain robust internal financial and governance controls, ensuring they are documented in accordance with the SFPM, Schools Financial Value Standards & current best practices
- Ensure internal audit recommendations are implemented by agreed dates.
- It is considered best practice to provide the GB with updates regarding the implementation of Internal audit recommendations and other Internal Audit and Fraud activities

Mandate Fraud in Schools

- Payroll Fraud - Change of bank details - Payroll diversion scams. **Section 3.24 SFPM**
- Supplier Fraud - Change of bank details - **Section 3.25 SFPM**
- In most cases once the money has left the schools bank account it is difficult to recover
- The scammers succeed because schools are negligent, poor controls,and fail to follow documented procedures
- A template form should be completed with every request and approved by the SBM or the Headteacher. The form should be retained at the School
- Bank Validation and Payment Processing Checks - *This helps validate and verify customer bank details to make sure that an account not only exists but belongs to the right customer. This cuts the risk of fraud and error significantly*.

Internal Audit Team

Ade Ayinde	ademola.ayinde@hackney.gov.uk
Elaine Abuwa	Elaine.Abuwa@hackney.gov.uk
Florian Phillips	Florian.Phillips@hackney.gov.uk
Paula O’Keefe	Paula.O’Keefe@hackney.gov.uk
Rayyan Bawazir	Rayyan.bawazir@hackney.gov.uk
Jayde Maynard	Jayde.Maynard@hackney.gov.uk

Hackney

Anti-Fraud Service - Reporting Fraud

- Paragraph 6.16 - HE Schools Financial Procedures Manual
- Number of fraud referrals from Schools have generally reduced
- Schools moving to paying suppliers by BACS rather than using cheques
- Reductions in use of Petty Cash
- Periods of significant changes often result in higher incidences of fraud
- Be alert to risks that could arise from remote working and less direct oversight.
- Some examples of fraudulent activity
  - A member of staff lying on an application form
  - Setting up fraudulent supplier accounts
  - Payroll diversion scams
  - Contracts being awarded to friends or relatives
  - A member of staff claiming for expenses not incurred by them
  - A facilities manager not passing lettings income onto the school.
- Remember the Anti-Fraud team is available in the event of any problems

Fraud & Corruption

Fraud

- A dishonest act that causes a gain or a loss following a false representation, a failure to disclose information or abuse of position.

Corruption

- Seeking or accepting an inducement or reward that may influence the action of a member or officer of the school/council

Fraud vs Irregularity

Fraud & Corruption

- Cheque Fraud
- Theft
- Mandate Fraud
- Staff misuse of parking permits
- Staff fraudulently claiming benefits or subletting social housing illegally
- Fraudulent use of school payment card
- Award of a contract for personal gain
- Payroll (ghost employees, false mileage/overtime/expenses/sickness claims)
- Recruitment (false declarations about qualifications/experience, nepotism, no right to work in UK)

Irregularity

- Appointing friends and family without following the recruitment process
- Authorising expenditure when not qualified to do so
- Approved spend on questionable items
- Bending the contract rules without personal gain

Hackney

The consequences of fraud and irregularity

- Financial loss – 10%
- Reputational damage – individual/school/council
- Costs to investigate the concern
- Time and resources are taken away from important day to day activities
- Additional workplace controls (costs)
- Recruitment and training costs for replacement staff and possibly governors
- Assets and records are unavailable during the investigation

Key counter-fraud controls

- Declaration of interests
- Segregation of duties
- Recruitment process
- Contract procedure
- Authorisation process

Relevant policies

- Code of Conduct
- Anti-Fraud and Corruption Policy
- Bribery Policy
- Money Laundering Policy
- Whistleblowing Policy

The role of the Business Manager In Fraud Detection

- Be alert for signs of poor financial practise
- Know where guidance is kept and advise others as needed
- Flag up poor practice with school staff at the earliest opportunity
- Follow the requirement to report any concerns about possible fraud or corruption at the earliest opportunity – to a senior officer or AAF as appropriate
- Follow the advice in the Fraud Response Plan about what you should do if you are ever in a position where you receive information about wrong-doing directly;
- Do NOT investigate potentially criminal matters yourself;
- Keep AAF informed of significant developments – e.g. suspension, resignation.

How can Audit & Anti-Fraud assist you?

- Acting as a repository for all fraud referrals to identify emerging threats that can be notified to other schools;
- By conducting an independent investigation that is compliant with internal procedures and criminal law;
- AAF have a right of access to staff and documentation and are able to access information that would be unavailable to schools directly;
- Supporting a consistent approach to disciplinary issues across all Hackney schools;
- Providing a timely written report on matters that we investigate as a basis for further action or inaction;
- Supporting the disciplinary process as an expert (and to a degree independent) witness.

Audit Investigation Team

Matthew Jones	Tel: Ext 2587	Matthew.Jones.@hackney.gov.uk
John Potticary	Tel: Ext 2019	John.Potticary@hackney.gov.uk
Claire Atack	Tel: Ext 3951	Claire.Atack@hackney.gov.uk
Brenda James	Tel: Ext 2512	Brenda.James@hackney.gov.uk
Rachel Torpey	Tel: Ext 1712	Rachel.Torpey@hackney.gov.uk

Any Questions?

Key Contacts

– Michael Sheffield - Corporate Head of Audit, Anti-Fraud & Risk Management
Tel: 0208 356 2505
E-mail: Michael.Sheffield@hackney.gov.uk

– Ade Ayinde - Internal Audit Manager
Tel: 0208 356 6241
E-mail: Ademola.Ayinde@hackney.gov.uk

– Vinny Walsh – Audit Investigation Manager
Tel: 0208 356 2536
E-mail: Vinny.Walsh@hackney.gov.uk

– Matthew Powell – Corporate Risk Manager
Tel: 0208 356 2624
Email: Matthew.Powell@hackney.gov.uk

Hackney