Cambridgeshire County Council

My ref: Audit07/26

Your ref:

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Headteachers, Chairs of Governors of Cambridgeshire Maintained Schools

Dear colleagues

Following on from previous audits, Cambridgeshire County Council Internal Audit undertook a further programme of visits to 6 local schools in 2025-26, aiming to provide assurance over the operation and compliance with local financial management and governance controls in these settings. This year's audit focussed on schools in deficit, but many of the recommendations for improvement identified are likely to be relevant to a number of other schools.

As a reminder, key documents to support financial management of schools, which include updates to reflect previous audit findings can be accessed at: Cambridgeshire Corporate Requirements - Learn Together (cambslearntogether.co.uk).

Appendix 1 provides a summary of the main recommendations for maintained schools to allow them to consider potential areas of improvement, but key findings include:

- Compliance issues with purchasing controls.
- Expenditure not in line with policy.
- Lack of SMART (specific, measurable, achievable, relevant, and time-bound) targets within deficit recovery plans.

We would ask that schools should review the identified recommendations with their Finance committee or equivalent to ensure best practice is being followed wherever possible.

If you have any questions or queries on any of the areas raised in the audit findings, please speak to your Schools Financial Advisor in the first instance (where applicable) or email bank.account@cambridgeshire.gov.uk .

Yours sincerely

Martin Wade
Strategic Finance Manager
Children's, Education & Schools

Appendix 1 – Recommendations for Maintained Schools

Area	Recommendations
Payroll Reports	a) Schools should utilise the following payroll reports in their monthly payroll checking process: i) *Payroll costing report:* shows the breakdown of each staff members' basic pay, additions, deductions, and third-party payments. ii) *Previous pay comparison report*: highlights variances in pay compared to the previous month. iii) *Payroll audit report*: provides details of all amendments made in the payroll system that month. Schools should also ensure that they formulate a way to provide assurance that payroll held in a digital format has been reviewed and authorised as correct by the Finance Officer (or equivalent) and Headteacher. Additionally, there should be appropriate arrangements for reviewing and authorising the payroll during the holidays and this should be planned in advance.
Purchase Orders	b) For all purchases of goods or services, a purchase order should be raised and signed by the requisitioner and the approver, to evidence separation of duties in the expenditure approval process. Where spend is either variable or the exact value is not yet known, a purchase order should still be raised for the best estimate of the value; this can be amended subsequently if required. c) For purchases over £5k, at least three quotes must be obtained and held on file. Contract tender documents should also be retained on file. If the purchase is being managed by an external organisation (i.e. providing funding, arranging quotes/tenders, and appointing a contractor), the school should have an email/letter from the external organisation retained on file stating this. Otherwise, the school is responsible for obtaining and retaining the quotes. d) The school's purchase approval limits should always be followed, for larger value purchases, usually over £5k, FGB approval should be provided and evidenced. If approval of purchases by the Full Governing Body (FGB) is evidenced through inclusion of the purchase within the approval of the school's budget, then explicit evidence of this approval should be noted in the relevant minutes. e) Goods receipt notes or an equivalent record that goods or services were provided as ordered should be created for all goods and services received, before the payment is authorised. This ensures that payment is only made for goods or services which have been received in the same quantity and quality as ordered. f) As per Annex E of the Scheme for Financing Maintained Schools (SfFMS), schools must retain and file financial records for inspection by agencies, such as Internal Audit and HMRC. Schools should refer to Annex E for the period of retention outlined for different financial record types.

Area	**Recommendations**
Expense Claims	g) Schools should only reimburse personal employee expenses via payroll instead of BACS, as per section 14.6 of the SfFMS - 'all claims for reimbursement of expenditure by individuals must be processed through the school's payroll system and not via the school's imprest, petty cash or bank account.' Reimbursement of sundry expenses should only be in exceptional circumstances, as the schools should be using the purchase card where possible.
Approval Limits	h) Purchase approval limits should be explicitly clear in the school's financial procedures and the Scheme of Financial Delegation, so that appropriate authorisation is sought for higher-value purchases. Internal Audit recommend the FGB should approve purchases over £5k. Purchases over £60k require countersignature by the Schools Strategic Finance Manager.
Ineligible Purchases	i) School funds should not be used to purchase items that are not for the education of pupils, or the operation and management of the school. The Schools Standards and Framework Act 1998 outlines 'the Governing Body may spend any such amounts as they think fit for any purposes of the school' defined as being for the education of the school's pupils and the operation and management of the school. Examples of expenditure that is not appropriate includes: gifts, leavers parties, tea and coffee, etc.
Proceeds of Sale	j) Schools should not hold non-public funds within the school's main account, they should be recorded under Fund-90, or where a Governing Body bank account is established, the funds should be transferred to this account as soon as possible, as per section 8 of the SfFMS. Schools should consult the Schools Finance Team where such funds exist.
Deficit Recovery Plans	k) The deficit recovery plan should include SMART targets to ensure proposed actions are specific, measurable, attainable, relevant, and timely. l) The deficit recovery plan should recover the deficit within three years. m) School should run new budget forecasts to account for any changes in income or expenditure identified in their recovery plan to assess the impact this has one the financial position.