

AUD ✓ T Leicestershire County Council MATTERS

* PLEASE CIRCULATE TO:-

HEADTEACHER

BURSAR

CHAIR OF GOVERNORS

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Introduction

Welcome to the 33rd issue of Audit Matters. We hope you find this edition useful. As always, comments for improvement, or indeed suggestions for articles, are welcomed (e-mail Dianne Harris – Dianne.Harris@leics.gov.uk).

A reminder that the Internal Audit pages of the County Council web-site contain lots of helpful advice, as well as copies of previous bulletins.

www.leics.gov.uk/audit_schools_colleges

VAT Rate Change

Schools are reminded that, with effect from 1st January 2010, they should have reverted back to the old VAT rate of 17.5%. Further information can be sought from the LEAMIS bulletin posted to EIS on 4th December 2009, or from the Authority's VAT Liaison Officer, Bev King on (0116) 305 7670.

The VAT fraction will therefore revert back to 7/47

i.e. Total Amount x 7 / 47 = amount of VAT.

VAT Inspections

Last term the Authority received a visit from the HMRC VAT Inspector. He was satisfied with the attention paid to VAT in routine audit visits, and was encouraged that we typically find very few issues of concern in this area. As a result, there is no intention in the short term for HMRC to undertake site visits to schools and colleges. Instead, they will place assurance on the work of Internal Audit in this area. We would remind schools therefore of the need to promptly address VAT-specific issues arising in Internal Audit reports. This may include the need to liaise with the VAT Liaison Officer where adjustments to VAT are advised (e.g. retrospective correction of VAT errors).

The "other arm" of HMRC is the Revenue side. We have to date received no indication of HMRC's intentions in this area. We would however reiterate our

continuing concerns at many schools regarding payments to individuals through local bank accounts in instances where the schools can provide no evidence that they have assessed individuals' employment statuses upon engagement (i.e. employed or self-employed). This area remains a significant financial risk to schools (misdeclaration penalties).

We would reiterate that a person registered as self-employed should not automatically be treated as self-employed for any job undertaken. This is a common misconception. It is the terms and conditions of engagement which will determine how an individual should be paid (i.e. through the school's payroll or by cheque from the local cheque account). In all cases of making payments to individuals for work undertaken, schools should be able to demonstrate that they have assessed the employees' employment statuses. This is best done using the HMRC on-line employment status indicator tool:-

www.hmrc.gov.uk/calcs/esi.htm

Further guidance, if needed, can be sought from the Employee Service Centre Helpdesk (0116) 3058815 / eschelpdesk@leics.gov.uk

How well are the School's Assets controlled?

Without a doubt, the issue raised most frequently during routine school audit visits is the failure of many schools to undertake an annual physical asset (inventory) check. Failure to control assets effectively heightens the risk of items being misappropriated.

Good financial practice advises schools to undertake an annual inventory check to confirm the existence of the main "attractive, portable and expensive" items. Furthermore, there is a requirement for the results of this check to be formally reported to the governors. This procedure should be minuted.

Within your school, are you satisfied that there is effective control over the school's assets? Do you have adequate assurance that:-

- An inventory / asset register is held at the school and is maintained up-to-date;
- Procedures are in place to identify newly acquired items for inclusion on the inventory;
- Items are security marked as a deterrent against theft;
- Valuable items are kept securely, wherever possible;
- An annual physical asset check is undertaken by the school;
- The results of this check are reported to the governors, along with details of any surplus or missing items identified as a result of the check;
- The receiving of the results of the annual inventory check is timetabled into governing body agendas (typically but not necessarily the Finance Committee)
- There is a record of items held off site (e.g. teachers' laptops);

- Proper authorisation procedures exist for the removal from the inventory / writing off of missing / obsolete items.

Guidance on maintaining inventories can be found on the audit pages of the website:

www.leics.gov.uk/education/support_for_schools/finance/audit_schools_colleges/audit_guidance_notes/maintaining_inventories.htm

Self Assessment Questionnaires

The school and college self assessment questionnaire (SAQ) available on the audit web pages has recently been updated. The SAQ enables schools to self-appraise their own systems and procedures in an efficient way to gain assurances that good internal control is being preserved, or alternatively to highlight areas of potential weakness. It can be used to give assurances at a point in time mid-way between routine Internal Audit visits, or it can be used as evidence in support of the annual signing of the Statement of Internal Control for FMSiS purposes. The revised SAQ can be found at:

www.leics.gov.uk/audit_schools_colleges.htm

Efficiency Items

Cashing 'Petty Cash' Cheques into School Income / Dinner Money

In September 2005 and with the approval of the Audit Manager and CYP Finance the controls around banking income received intact were relaxed to give schools the opportunity to cash 'petty cash' cheques into school income or dinner monies. The intention of this was to prevent schools having to travel unnecessarily to the bank to draw cheques for petty cash. This concession is offered to schools subject to certain conditions, many of which are common practice anyway:-

- Headteacher approval to be sought by each school to permit this
- Only BA2 cheques for petty cash may be cashed (i.e. not private fund cheques and under no circumstances personal cheques)
- Cheques to be made payable to "LCC School Name" (if cashed in school monies) / "Leicestershire CC" (if cashed in dinner monies) and signed by authorised signatories
- BA2 cheque remittance advice to be certified by the Headteacher (or an authorisation slip appended to the remittance advice)
- Income generated **to still be banked in its entirety** (only the mix of cash / cheques will change)
- Receipts issued to clearly identify cash income from cheque income
- Schools to have full regard to their insurance limit for cash retained on the premises (i.e. they do not draw superfluous amounts of cash)
- Petty cash will still be used only for minor, consumables-type expenditure

- Bank account balances must be able to “support” the cheque amount and not result in an overdrawn balance
- The frequency of bankings should not be reduced as a result
- Schools’ Finance Policies to be updated in respect of these changes

There is no obligation for schools to use this facility – it is a school decision whether to permit this or not.

Ask the Auditor

PTA Accounts

Q - Our School has a PTA which provides valuable income which allows us to buy the little ‘extras’ that can make all the difference, what controls on this account should we as a school be conducting?

A - The School should note that a PTA account does not typically fall under the direct controls of the School, unlike the Private Fund account, unless by chance the PTA account is administered by an LCC employee by virtue of he / she being an LCC employee.

However, although the account does not fall under the remit of the LCC our advice would be to consider the following areas and controls as a matter of good practice:

- The fund should be underpinned by a constitution which should clearly identify responsibilities, accounting and auditing roles.
- The PTA committee should nominate a Chairperson, Secretary and Treasurer, who would be responsible for maintaining income and expenditure records, along with bank account details and ensure all cash receipts are banked on a timely basis.
- Bank account cheques should be dual-signed.
- Donations to the school should be supported by official blue LCC receipts.
- Annual accounts should be drawn up.
- Accounts should be examined by a suitably qualified person (ordinarily a financially-astute volunteer would be fine unless the turnover and complexity of the fund suggests that a more professional audit should take place).
- The auditor should be independent to the daily operation of the account.
- Audited accounts should be presented to the PTA committee on a timely basis.

Advice is very similar to that given on unofficial funds which is available on the web-site:-

http://website/index/education/support_for_schools/finance/audit_schools_colleges/audit_guidance_notes/school_private_funds.htm

Additionally, advice is available on the PTA web-site:-

http://www.ncpta.org.uk/informationlist/100088/100156/100598/managing_your_pta/

This information should be made available to the PTA Chairperson, Secretary and Treasurer.

Selling Advertising Space in the School Bulletin / Newsletter

Q – As a way of generating more income we would like to offer advertising space in our monthly school bulletin / newsletter sent to parents. Can you confirm whether this would be acceptable and if so is there anything we would need to be aware of when doing this?

A – This sounds an interesting idea, generating extra income for the school with minimal effort being required. Things that you should take into consideration are that invoices raised for charges for advertising space are subject to VAT (except where it is another LCC body who is advertising) and as we are sure you are aware that items advertised should be reputable and appropriate for this type of publication. A disclaimer is suggested stating that the School does not necessarily endorse any product or service offered.

Schools seeking advertising revenue is actually rather uncommon, but that's not to say it isn't a good idea, nor that it could become a lucrative source of additional income to the School. It is further suggested that the School's web-site could be used similarly (i.e. with logos and hyperlinks to external sites) but clearly the School would then have a wider responsibility to indirectly moderate (i.e. to ensure that any content on an external site that it endorses, but has little or no control over the content of, is reasonable).

Current Developments in Internal Audit

Schools Submitting Data Down The Line

In Bulletin 31 we mentioned that LEAMIS has been investigating the possibility of enabling schools to upload their SIMS data directly to Internal Audit prior to school visits. This process will provide more efficient and secure alternative to sending data via the post. We are now at the stage where this can be piloted at schools and we are in the process of contacting a handful of schools to test this.

Should this prove to be successful we will be requesting schools' data "down the line" from next term.

School Audit Visit with Nottinghamshire County Council

In November, a member of the Leicestershire Schools Audit Team accompanied Audit staff at Notts CC on one of their routine school audits. The idea was to compare how Notts CC audit schools and to identify areas of good practice which we could then build into our own audits programmes.

The visit was extremely useful and whilst identifying a number of areas of good practice, there were differences in how schools audits are carried out at the different authorities. A reciprocal visit is due to be arranged in the near future.

CRB requirements

Whilst all Internal Audit staff have Enhanced CRB disclosures it is understood that this is not actually a requirement for auditors carrying out school visits. Each school's safeguarding procedures for visitors should suffice to cover such visits and as visitors, audit staff, should not be left unsupervised. The Headteacher should make appropriate arrangements in order that Auditors are located such that they do not have unsupervised access to children.

Quarterly Statistics

31 schools were visited routinely between July and December 2009. These were categorised under the Section's MOT scoring methodology as follows:-

0 schools were scored as 'far exceeding the standard that we measure against' (0%)

15 schools were scored as being 'well above the standard that we measure against' (48%)

13 schools were scored as being 'above the standard that we measure against' (42%)

2 schools were scored as 'reaching the standard that we measure against' (7%)

1 school was scored as 'generally meeting the standard that we measure against but with major improvements needed in some areas' (3%)

0 schools were scored as being 'below the standard that we measure against' (0%)

During the period July to December 2009 we reported **77** specific **efficiency recommendations** to schools. These covered potential efficiency gains such as an elimination of duplicated procedures, expanded use of school charge cards, migration to BACS as a method of paying suppliers, automation of budgetary reporting to governors etc.

FMSiS Re-Assessments

FMSiS reassessments for Secondary Schools are now well under way. For those schools that opted for the Internal Audit Light-Touch assessment these seem to be going well. However, we are still finding issues with the following:

- School Development Plan covering only one year.
- No clear financial links between the School Development Plan and the 3 / 5 year budget forecast.

As usual we would like to emphasise the importance of schools keeping their evidence portfolios up to date rather than leaving things until the last minute. You should also ensure that where issues had been identified at your previous FMSiS assessment that these have been addressed prior to reassessment.

FMSiS Re-Assessments 2010/11 – Cohort 5

Those primary and special schools who fall into the development groups shown below will be due for FMSiS reassessments before 31st March 2011:

Anstey, Birstall, Glenfield
Charnwood
Coalville
Groby
Hinckley / Burbage / Earl Shilton
Ibstock
Loughborough
Market Harborough / Kibworth
Melton
Oadby

We will be writing to those Cohort 5 Schools at the end of the Summer Term to inform them whether or not they qualify for an Internal Audit Light-Touch Assessment (LTA). There is now a small charge should you chose the LTA option. More information on what the cost of this will be will be published in later bulletins.

Please note that the date of assessment is not negotiable and all schools within these development group areas will be expected to be assessed in Cohort 5.

Useful Contacts

Below is a list of useful contacts to enable you to get professional advice from the most appropriate source.

General Finance & Budget Issues

Marjorie Allen-Carter / Jo Christian, Assistant Accountants, Finance Service - CYP

☎ 0116 305 7646 / 7635

✉ marjorie.allen-carter@leics.gov.uk

✉ jo.christian@leics.gov.uk

VAT Queries

Bev King, VAT Liaison Officer

☎ 0116 305 7670

✉ bev.king@leics.gov.uk

Receipt Books

Finance Shared Services

☎ 0116 305 7699 / 7846

Child Protection / Safeguarding Children in Education

Child Protection Development Officer

☎ 0116 305 7750

Software Licensing / SIMS Queries

LEAMIS Helpdesk

☎ 0116 2311280

Risk & Internal Control

Schools' Audit Team

☎ 0116 305 7603

✉ dianne.harris@leics.gov.uk

Devolved Formula Capital

Rachel Quincey / Julie Muddimer, Learning Environment Team

☎ 0116 3056551/6407

✉ rachel.quincey@leics.gov.uk

✉ julie.muddimer@leics.gov.uk

Trading Standards Business Advice Line

Trading Standards, ☎ 0116 305 8000

✉ tradingstandards@leics.gov.uk

Human Resources & Payroll Queries

Employee Service Centre

☎ 0116 305 8815

✉ ESChelpdesk@leics.gov.uk

Information Security

Katie Robey, Systems Information Manager

☎ 0116 305 5783

✉ katie.robey@leics.gov.uk

Governor Development Service

☎ 0116 305 6518

✉ governors@leics.gov.uk