

AUD ✓ T Leicestershire County Council MATTERS

* PLEASE CIRCULATE TO:-

HEADTEACHER

BURSAR

CHAIR OF GOVERNORS

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Introduction

Welcome to the 34th 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's web-site contain lots of helpful advice, as well as copies of previous bulletins:-

www.leics.gov.uk/audit_schools_colleges

FMSiS External Assessment Results (Secondary Schools)

The Local Authority is responsible for confirming to the DfE (Department of Education) by 30th June each year the position regarding all LA-maintained schools and their compliance against the requirements of the Financial Management Standard in Schools (FMSiS).

Where schools have undergone an external assessment, could those schools forward to us the result of the assessment, in order that these results can be collated into the annual return back to the DfE. Results should be forwarded by either post or e-mail to Dianne Harris, Internal Audit Section, Room 141, Resources Department, County Hall (dianne.harris@leics.gov.uk).

If your school has missed the 31st March 2010 assessment deadline, it will be necessary for you to inform us of the circumstances behind this, including at what date the school will be assessed.

If your school has failed its external assessment, it will be necessary for you to inform us what action is being taken to address the weaknesses identified, and what date the school is expecting to seek reassessment by.

FMSiS Re-Assessments 2010/11 – Cohort 2 Reassessments

Those primary and special schools that fall into the development groups shown below will be due for FMSiS reassessments before a deadline date of 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 2 schools at the end of the Summer Term to inform them whether or not they qualify for an Internal Audit Light-Touch Assessment (LTA) or whether the school will be required to seek formal external assessment. The qualifying criteria for being offered a LTA will be as in previous years. There is now a charge of £350 should you be offered and elect for the LTA option. This price is considerably below that being charged by external assessors.

Please note that the year of assessment is **not negotiable** and all schools within this development group area will be expected to be assessed in Cohort 2 (by 31st March 2011).

An FMSiS-specific Audit Bulletin containing further information will be issued shortly. Previous FMSiS Bulletins can be found on the audit pages of the website:

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

Financial Reporting to Governors

Schools report to governors in a variety of ways. The LA's preferred method of generating financial reports for governors is using the SIMS user-defined reporting (UDR) function. This enables financial reports to be generated efficiently and in a format commensurate with the wishes of the governors. It enables reports to be generated at the push of a button without the need to transfer information to subsidiary records, for example from SIMS to Excel, which can be time consuming and increases the risk of errors being made.

Where schools do use the SIMS UDR function, it is recommended that they run the SIMS exception reports regularly to identify any cost codes / ledger codes not mapped in the report's structure. Where unmapped codes are not used, they should be renamed "Do not use ... etc" to reduce the risk of

unmapped codes being used inadvertently, which in turn would make the financial reports inaccurate.

Furthermore, schools are advised to periodically reconcile the totals of UDRs to SIMS fund level totals to gain assurances that the UDRs are accurate, that all "live" codes have been mapped, none have been duplicated in the report's structure, and formulae used to generate sub-totals and totals are accurate.

Further information on the SIMS User-Defined reporting function can be sought from the LEAMIS team.

Efficiency Items

Petty Cash

Recent school visits have identified a number of schools who do not currently operate petty cash. Whilst it is a school's decision whether it wishes to operate petty cash, consideration should be given to the efficiency savings that can be made by operating petty cash. For example, instead of issuing large numbers of low valued cheques for reimbursement to staff, which can prove time consuming, these reimbursements could be made simpler via petty cash.

If a school decides to operate petty cash there should be adequate controls in place, particularly in relation to the values that can be reimbursed via petty cash. Petty cash should not be used as an alternative to normal ordering channels and as such a maximum value for reimbursement should be set, in our opinion in the region of £50.

Further information and ideas on efficiency savings you can refer to the Internal Audit – Efficiency Savings document contained on the audit pages of the website. This can be found at:-

http://www.leics.gov.uk/index/education/support_for_schools/finance/audit_schools_colleges/audit_efficiency_gains-3.htm

Ask the Auditor

FMSiS and Internal Audit Visits

Q. Why must we have a routine audit visit when we have passed the Financial Management Standard in Schools?

A. The Department for Education (formerly the DCSF) is clear in pointing out that the FMSiS is not intended to replace the internal audit function. Both have quite distinct remits. FMSiS is concerned with leadership and governance, strategic planning and use of resources. Internal Audits are concerned much more with operational issues, internal control, risk

management, reviewing systems and procedures (for example, reviewing the systems for the receipting and banking of income to give assurances that all income is wholly and accurately accounted for). A good internal audit report will feed positively into any FMSiS assessment.

Within Leicestershire, we are unique in that we offer many of our schools a "light-touch" alternative to formal external FMSiS assessment. Part of how we determine which schools qualify for a light-touch option is determined by the school's last routine audit opinion. Additionally, schools that perform exceptionally well at routine audit stage, as well as schools that pass FMSiS, will see their next audit date extended as a recognition of their "low risk" categorisation.

We have revised our routine audit programmes to focus less on those areas that *are* covered in FMSiS assessments (e.g. governor training and development), so as to avoid any unnecessary duplication, although we do look to give continued prominence during routine school audits to any areas that are known FMSiS-problem areas (e.g. school development planning / 3 year budgeting). This approach seeks to provide an "early warning" system to schools to forewarn of potential FMSiS-failure should areas highlighted not be actioned promptly.

Generating extra income from school trips.

Q - Can schools charge more than the actual cost of school trips to pupils in order to generate additional income?

A - No, it is not acceptable for schools to try to generate additional income in this way. DfE guidance regarding charges for school activities states:

“Any charge made in respect of individual pupils must not exceed the actual cost of providing the optional extra activity, divided equally by the number of pupils participating. It must not therefore include an element of subsidy for any other pupils wishing to participate in the activity whose parents are unwilling or unable to pay the full charge”.

Why the School Bursar should not be clerk to governors

Q – Why is DfE advice that the bursar should not ideally be the clerk to the governors / finance committee?

A – The clerk has an important part to play in making sure that the governing body's work is well organised. The clerk is there not only to convene meetings and take minutes but also to advise the governing body on matters involving the law and procedural matters, duties and powers.

In the publication ‘A Guide to the Law for School Governors’ and DfE guidance is quite specific as to who **can not** clerk full governors’ meetings – governors, associate members or headteachers, but there is no clear guidance as to who can.

Ideally the clerking arrangements should provide some independence in the advice given to members of the governing body. For example, in larger schools it would be expected that the school business manager / bursar / registrar would not also be clerk to the governors or to the finance committee. The school business manager / bursar / registrar would not, in our opinion, be able to play a full and active role in the meeting, present and discuss financial reports, as well as take concurrent minutes.

There is a further concern regarding a potential conflict of interests. For example, a finance committee meeting will typically discuss issues surrounding the work of the bursar. These discussions could feasibly both commend and criticise aspects of the school's finances and / or the bursar's work. It is inappropriate for an individual to record discussions in minutes of meetings where those discussions may have discussed sensitive aspects of that person's workload.

The governing body needs to ensure that the person appointed as clerk has sufficient knowledge and expertise to undertake the level of support the governors expect / require.

Audit Self –Assessment Questionnaire – Private Funds

A self-assessment questionnaire surrounding school private funds is now available to schools on the audit pages of the LCC website. Not only can this give assurances that good systems and procedures are in place surrounding the operation of the school's private fund, but the completed questionnaire can be used as further documentary evidence prior to the signing of the annual Statement of Internal Control. Should you wish to use this document it can be found at:

http://leics.gov.uk/saq_for_private_funds_march_2010.doc

Biometric Technology

Several schools are now using biometric technology, predominantly in the areas of catering and the library. It is currently not a requirement of the Data Protection Act for parental permission to be gained, although we have long advocated this as good practice. However, we note that one of the areas agreed upon by the new Conservative / Liberal Democrat coalition government is "outlawing the finger-printing of children at school without parental permission". This considered, it is our advice that schools using biometric technology begin to work towards having explicit parental permission in each and every case.

Becta has produced useful guidance to schools on the use of biometric technology:-

http://schools.becta.org.uk/upload-dir/downloads/becta_guidance_on_biometric_technologies_in_schools.doc

Encryption of portable software devices

Does your school have all its portable software devices encrypted, items such as laptops, memory sticks. Sensitive information relating to pupils and staff may be held on these devices and if they were to get stolen or misplaced the consequences could potentially be severe in relation to reputational damage to the school / LA and potential fines.

All such devices should be encrypted in order to minimise the risk of data being misused if it is either lost or stolen.

Schools should also be mindful when either selling or disposing of laptops. All data should be removed from the device and where the item is to be disposed of this should be done through a reputable professional service (e.g. LEAMIS).

The Information Security Team has a website which can be found on EIS containing information regarding Data Encryption, along with lots of other useful information

http://eis/index/websites/information_security.htm

Should you require further advice on any of these issues please contact the Information Security Team (for contact details see below).

Current Developments in Internal Audit

Schools Submitting Data Down The Line

As mentioned in previous bulletins we are now requesting that prior to audits schools submit their SIMS data electronically. Instructions explaining how to carry out this procedure are included with all school visit letters. Please note that the file that should be uploaded is the one which is prefixed with 'S' not 'W'. This process seems to be working very well and eliminates the risk of data being lost in the post. If you do experience problems downloading your SIMS data please contact Samantha Crane - Audit Administrative Assistant (Tel: 0116 305 7608) who will be able to help.

Quarterly Statistics

13 schools were visited routinely between January and March 2010. This relatively low number is due to us undertaking several FMSiS LTAs during this period. These 13 schools were categorised under the Section's MOT scoring methodology as follows:-

- 2 schools were scored as 'far exceeding the standard that we measure against' (15%)
- 3 schools were scored as being 'well above the standard that we measure against' (23%)
- 6 schools were scored as being 'above the standard that we measure against' (46%)
- 1 school was scored as 'reaching the standard that we measure against' (8%)
- 1 school was scored as 'generally meeting the standard that we measure against but with major improvements needed in some areas' (8%)
- 0 schools were scored as being 'below the standard that we measure against' (0%)

During the period January to March 2010 we reported **40** 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.

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

☎ 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
☎ 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

Internal Audit Savings Suggestions
✉ savingsuggestions@leics.gov.uk