

# AUD T MATTERS

\* PLEASE CIRCULATE TO:-

HEADTEACHER

BURSAR

CHAIR OF GOVERNORS

Issue No.37



May 2011

## Introduction

Welcome to the 37<sup>th</sup> issue of Audit Matters. We hope you find this edition useful and informative. As always, comments for improvement, or indeed suggestions for articles, are welcomed (e-mail Dianne Harris – [dianne.harris@leics.gov.uk](mailto:dianne.harris@leics.gov.uk)). A reminder that the Leicestershire County Council Internal Audit Service (LCCIAS) pages of the County Council's website contain lots of helpful advice, as well as copies of previous bulletins:-

[www.leics.gov.uk/audit\\_schools\\_colleges](http://www.leics.gov.uk/audit_schools_colleges)

## Fraud Alert

We have recently been contacted by one of our schools that have been the subject of a cheque fraud whereby a fraudster has created a near perfect image of one of the school's cheques and drawn a significant amount of money from the school's bank account. As is generally the case, the school itself was not in any way at fault here, and no amount of additional vigilance would have prevented this from happening. The bank will reimburse the money and will refer the matter to the Police. All schools are reminded of the importance of undertaking bank reconciliations promptly, and for following up any discrepancies with the bank as a matter of urgency. Cheque fraud remains a very real risk in today's society, and we continue to encourage schools to consider the benefits of electronic banking as an alternative to making payments by cheque (e.g. Bankline or BACS).

## Academies

For any schools considering academy status it is vital that consideration is given to the importance of maintaining good systems of internal financial control. A recent Government Public Accounts Committee report into governance and accountability in academies contained significant criticisms of the level of internal control in many academy schools. The report considered that in some cases even the basic standards of good governance and financial management were not being met. LCCIAS is able to give you

professional assurance regarding the internal controls in place within your organisation, including recommendations where it is considered those controls can be improved yet further. LCCIAS work can feed directly into a school's internal processes for giving annual assurance on all aspects of good governance, financial and otherwise (e.g. the proposed replacement for FMSiS, i.e. the Schools' Financial Value Standard).

For further information on services LCCIAS can provide to Academies please contact: Scott Brownlow, Senior Auditor (Schools' Team), on 0116 305 7610 (direct line) or by email at [scott.brownlow@leics.gov.uk](mailto:scott.brownlow@leics.gov.uk)

The YPLA has also produced a Financial Handbook for Academies which we would advise you to look at:

[http://readingroom.ypla.gov.uk/ypla/ypla-Academies\\_financial\\_handbook-gn-Nov06.pdf](http://readingroom.ypla.gov.uk/ypla/ypla-Academies_financial_handbook-gn-Nov06.pdf)

### **Cash Collection**

Schools are reminded that a corporate contract exists with Kings' Armoured Security Services Ltd. for the collection and depositing of income. This contract permits schools to bank not only school meals income (under the School Food Support Service (SFSS) Catering Contract) but also any "school" income due to their own local bank account, and also any private fund income (providing the School banks with the NatWest). The cost of a collection is in the region of £9.00 (plus 40p for every £100 of cash consolidated) (although where schools are banking SFSS school meals income in addition to their own income, the SFSS will meet 50% of the cost, making the cost to schools cheaper still).

Routine Internal Audit visits continue to highlight a number of schools that elect to bank themselves. In our opinion this is inefficient (the cost of staff time involved in the banking operation is likely to far exceed the cost of a cash collection service). Additionally, there are security risks to staff involved in banking procedures. It remains our recommended advice that schools use a cash collection service for the collection and depositing of cash and cheque income.

Further information on the contract with Kings Ltd. can be sought from Louise Studd, School Food Support Service, CYPS on (0116) 305 5771 ([louise.studd@leics.gov.uk](mailto:louise.studd@leics.gov.uk))

### **Lettings**

All schools should have a published scale of charges, reviewed annually and approved by the Governing body. Where schools operate lettings it is **not** a requirement to use the LA recommended scale of charges. Schools can determine what rates they want to charge for lettings.

It is important that when setting rates for lettings that the following costs are taken in to account: Premises Officer's overtime, cleaning, heat & light, wear & tear, water and administration.

This will give a better indication of what the actual cost of the letting is to the school. You need to satisfy yourself that your lettings charges adequately cover costs, and lettings are not in effect being subsidised from the school budget.

### **School Charge Cards / Government Procurement Card (GPC)**

The majority of schools that have a charge card continue to give us good feedback on its use (efficiencies through cost savings, simplistic procurement method for smaller valued purchases).

The Government Procurement Card (GPC) operates in the same way as the Nat West OneCard, but without the annual cost of £45 which is associated with the OneCard. If you have not already done so it is perhaps worth considering closing your OneCard Account and moving to the GPC.

If you wish to apply for a Government Procurement Card, please email your request to [safina.khalifa@leics.gov.uk](mailto:safina.khalifa@leics.gov.uk) and you will be sent the appropriate forms. Once completed the forms should be returned to Steve Eames, Relationship Manager, Nat West Bank plc, Leicestershire Commercial Banking Centre, Gateway House, 4 Penham Way, Grove Park, Enderby, Leicestershire, LE19 1SY.

### **Cheque Payments**

You may or may not be aware that there are government-backed plans to phase out cheque payments by October 2018, although at present it is still uncertain as to whether or not this will actually happen and by this date. In view of the possibility that cheques will be phased out it is perhaps worth considering alternative ways to pay suppliers. Producing large volumes of cheques can be costly to process in terms of staff time, cheque stationery and postage.

It is now becoming more popular to make payments electronically via internet banking or BACS. For those schools who bank with Nat West further details on internet banking (Bankline) and BACS can be obtained from Steve Eames (see above for contact details). For those schools that do not bank with Nat West it is perhaps worth contacting your bank to find out what similar services they can provide.

## **School Web-Sites**

Most, if not all, schools now have web-sites, used to varying degrees. Some schools use them as an information base, some as an educational tool and others as an important marketing tool when attracting pupils. Some schools even use their web-sites to generate income for the school through site advertising. Throughout the years we have given advice to schools on common sense “safeguarding” and other controls that schools should consider surrounding their web-sites. Whilst it is encouraging that the audit work we do each year examining a sample of web-sites from this safeguarding angle generally has positive results, it is perhaps a good time to reiterate best practice in this area:-

- Pupils should not be readily identifiable from photographs on a web-site. As a simple rule of thumb, where there is a photograph, the child(ren) should not be named, and vice-versa.
- Where the web-site has a “message board” or “guest book” facility, are all messages posted moderated by a member of staff before being published?
- Where there is a message board or guest book, are you confident that pupils’ e-mail addresses or other contact details are not published on the web-site?
- If the web-site includes links to other web-sites, does the school regularly check those “third party” sites to ensure that any content is reasonable, bearing in mind that the school has no control over the content on third-party web-sites? As an example, a school web-site may link to a web-site for a village sports club. Is the school confident that the content on that site, of which the school has no direct control over, is suitable for a child to access?
- If the school uses its website as an advertising tool, (a) is advertising sought from “reasonable” companies / organisations only (e.g. a bookmaker would hardly be suitable) and (b) does the school clearly state on its site that it does not necessarily endorse the products being advertised.

## **FMSiS Update**

The DfE has recently issued details of the proposed replacement for FMSiS. The new standard is now expected to be known as the Schools’ Financial Value Standard (SFVS). This is currently out for consultation and is therefore still subject to change. Further information on the proposed new standard can be found at:-

[www.education.gov.uk/sfvsconsultation](http://www.education.gov.uk/sfvsconsultation)

## **Ask the Auditor**

### **FMSIS Assessments**

Q: Prior to FMSiS being scrapped our school had put a lot of work into keeping our evidence up to date in preparation for the next assessment. Is it possible that we could still be assessed in order that we have some recognition for the hard work and effort that we have put in to the process?

A: We fully appreciate that schools put a lot of time and effort into ensuring that they were FMSiS compliant, and indeed would be wise to continue to do so. Whilst there is no longer a requirement for the school to undertake an assessment, where schools would like some recognition for what has been done we are still able to carry out informal assessments at a cost of £350.00. However, with all the pressures there are on the school budget and there being no requirement to undertake an assessment, we would advise schools to consider carefully whether they can really justify this additional cost?

### **SIMS VAT Control Account**

Q: Can you confirm how often we should reconcile the SIMS VAT control account? Is once a year sufficient?

A: As with any reconciliation the more regularly it is done the easier it is to identify and resolve any discrepancies at an early stage. We would suggest that you reconcile the VAT control account each month, at the same time that you complete your BA2 return.

In order to carry out the reconciliations you need to firstly obtain a SIMS Balances and Reserves print. The difference between the output VAT and input VAT will be the VAT control account balance at that point in time. This balance should equate to the current period VAT amount plus any outstanding VAT refunds. If you have difficulties reconciling your VAT control account you should contact the Financial Analysis & Information Team on 0116 305 7646 / 7635 or [FAIT@leics.gov.uk](mailto:FAIT@leics.gov.uk) who will be able to help.

## **Quarterly Statistics**

Nine schools were visited routinely between January and March 2011. These schools 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%)
- 2 schools were scored as being 'well above the standard that we measure against' (22%)
- 4 schools were scored as being 'above the standard that we measure against' (45%)

- 3 schools were scored as 'reaching the standard that we measure against' (33%)
- 0 schools were scored as 'generally meeting the standard that we measure against but with major improvements needed in some areas' (0%)
- 0 schools were scored as being 'below the standard that we measure against' (0%)

During the period January to March 2011 we reported 39 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, cash collection procedures etc.

### Efficiency Items

#### Better Value for Money in Schools

The Audit Commission published a number of briefings in March 2011 designed to help schools make the best use of their workforce - whether teachers, teaching assistants, or administration and finance staff - at a time when they have to find savings. England's maintained schools spent £35 billion in 2009/10. School staff account for over three-quarters of this total and form one of the country's largest public sector workforces. These briefings, under the heading Better Value for Money in Schools, examine patterns in spending in maintained schools in England. They aim to help school heads, governing bodies and councils control costs without compromising educational attainment. They look at four areas where schools have scope to improve efficiency:

- approaches to covering for staff absence, including supply teachers;
- the deployment of classroom staff, including class sizes and allocation of teachers and teaching assistants;
- the breadth and focus of schools' curriculum offer;
- and the size, cost and composition of the wider (non-teaching) school workforce. In addition there is a summary paper, An overview of school workforce spending, which is targeted at chairs of governing bodies and lead members on children's services.

The briefings can be accessed at:-

<http://www.improvementnetwork.gov.uk/imp/core/page.do?pagelid=1080359>

Schools' attention is specifically drawn towards the one on managing staff absence and cover, an area of potential cost saving in many schools:-

<http://www.improvementnetwork.gov.uk/imp/aio/2381325>

### Electronic receipting software

We recently visited a school that has purchased electronic receipting software to administer payments for school trips, dinner monies, school uniforms etc. The software allows payments to be made to the school via the internet which saves pupils having to bring cash or cheques to school, and the school then having to bank these. The school confirmed efficiencies have been realised both in terms of the administration of receipting and banking income.

Whilst this software does come at a cost, this cost can often be counterbalanced in efficiency savings, generally through the release of staff time to be used elsewhere.

We are unable to advocate any specific provider over another, but electronic receipting may be something that schools could consider, for example by discussion at development group meetings or high school / upper school bursar forum meetings.

### Collaborative Procurement

For those of you who attended the last round of LA Bursar meetings there was a presentation by Oonagh Towse of ESPO. She explained that the reason that ESPO is able to provide items at reduced prices is due to joint-procurement between a number of authorities (bulk buying and high purchasing power). It is recommended practice that schools ordinarily look to benchmark costs against ESPO's in a bid to secure value-for-money. Where procurement is through ESPO, we would further recommend that schools need **not** obtain comparable quotes to demonstrate value-for-money, ESPO having technically done this work on its clients' behalf.

In a similar vein, where schools are procuring goods and services that cannot be serviced through ESPO or ESPO contracts, consideration should be given to whether costs can be driven down by procuring as a group of schools. One example is the discount offered by LEAMIS where families of schools subscribe to the SLA en masse.

### Efficiency database

With ever increasing pressure on school budgets it is worth, if you haven't already done so, taking time to view the LA's Efficiency Database which has been established by Internal Audit. This contains over 100 ideas for schools where schools could feasibly save time and money. The database can be found on the LCC web-site:

[http://www.leics.gov.uk/efficiency\\_savings\\_revised\\_sept\\_2009.doc](http://www.leics.gov.uk/efficiency_savings_revised_sept_2009.doc)

There is also a dynamic Power Point version of the document:

[http://www.leics.gov.uk/efficiency\\_savings\\_powerpoint\\_2009.ppt#5](http://www.leics.gov.uk/efficiency_savings_powerpoint_2009.ppt#5)

As ever, should you wish to contribute any efficiency savings ideas please email these to: [SavingsSuggestions@leics.gov.uk](mailto:SavingsSuggestions@leics.gov.uk) and we would be happy to share them with other schools.

### **And finally....**

Part of our school audit programme requires us to carry out checks on salaries documentation held at schools during routine audit visits. Our external auditors (PWC) have now requested that we obtain copies from the school of a small sample of starter and leaver forms and retain these as evidence. This is to form an evidence base for the annual external audit of the main LCC payroll system. Previously we were only required to carry out visual checks of this documentation. We understand that there may be concerns about providing this information but we can assure you that any documentation provided will be treated in confidence, retained securely and only for the required period of time.

Should you have any concerns regarding supplying this information please contact Scott Brownlow (0116 305 7610) or Lynn Woolhouse (0116 305 6814) to discuss.

### **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 Financial Analysis and Information Team

☎ 0116 305 7646 / 7635

✉ [FAIT@leics.gov.uk](mailto:FAIT@leics.gov.uk)

#### Child Protection / Safeguarding Children in Education

Child Protection Development Officer

☎ 0116 305 7750

#### Strategic Finance / Budget queries Marjorie Allen-Carter, Vanessa Tatler

☎ 0116 305 7646 / 6668

✉ [marjorie.allen-carter@leics.gov.uk](mailto:marjorie.allen-carter@leics.gov.uk)

✉ [vanessa.tatler@leics.gov.uk](mailto:vanessa.tatler@leics.gov.uk)

#### Software Licensing / SIMS Queries LEAMIS Helpdesk

☎ 0116 2311280

#### VAT Queries

Bev King, Taxation Co-ordinator

☎ 0116 305 7670

✉ [bev.king@leics.gov.uk](mailto:bev.king@leics.gov.uk)

#### Risk & Internal Control

Schools' Audit Team

☎ 0116 305 7603

✉ [dianne.harris@leics.gov.uk](mailto:dianne.harris@leics.gov.uk)

#### School Food Support Services Louise Studd – Business Manager

☎ 0116 305 5771

✉ [louise.studd@leics.gov.uk](mailto:louise.studd@leics.gov.uk)

#### Devolved Formula Capital

Rachel Quincey / Julie Muddimer,  
Learning Environment Team

☎ 0116 3056551/6407

✉ [rachel.quincey@leics.gov.uk](mailto:rachel.quincey@leics.gov.uk)

✉ [julie.muddimer@leics.gov.uk](mailto:julie.muddimer@leics.gov.uk)

Receipt Books

Finance Shared Services Helpdesk

☎ 0116 305 3772

📧 [fsc.helpdesk@leics.gov.uk](mailto:fsc.helpdesk@leics.gov.uk)

Human Resources & Payroll Queries

Employee Service Centre

☎ 0116 305 8815

📧 [ESChelpdesk@leics.gov.uk](mailto:ESChelpdesk@leics.gov.uk)

Trading Standards Business Advice  
Line

☎ 0116 305 8000

📧 [tradingstandards@leics.gov.uk](mailto:tradingstandards@leics.gov.uk)

Information Security

Katie Robey, Systems Information  
Manager

☎ 0116 305 5783

📧 [katie.robey@leics.gov.uk](mailto:katie.robey@leics.gov.uk)

Governor Development Service

☎ 0116 305 6518

📧 [governors@leics.gov.uk](mailto:governors@leics.gov.uk)

Internal Audit Savings Suggestions

📧 [savingssuggestions@leics.gov.uk](mailto:savingssuggestions@leics.gov.uk)