

AUD ✓ T MATTERS

* PLEASE CIRCULATE TO:-

HEADTEACHER

BURSAR

CHAIR OF GOVERNORS

Issue No.32



Oct 2009

Introduction

Welcome to the 32nd 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

Identifying and Making Efficiency Gains document

Following a reference made to the above document in the Audit Commission's publication 'Valuable Lessons – Improving economy and efficiency in schools' (June 2009), the above document has now been updated. This document provides many useful ideas on how both efficiency and cost savings can be made by schools, most of which are easily implemented. To access the document use the link below.

http://website/index/education/support_for_schools/finance/audit_schools_colleges/audit_efficiency_gains-3.htm

We would also welcome any ideas you have with regards to efficiency savings which we could then incorporate within this document and share with other schools. Please email any ideas to SavingsSuggestions@leics.gov.uk.

Efficiency Items

School Charge Cards

A large number of schools are now using charge cards to enable them to take advantage of discounts available on orders placed over the internet. The Local Authority's preferred product is the Nat West One Card. Your school may if you wish use an alternative product. The product must however incorporate the controls stipulated in the Authority's Charge Card Guidance.

If you would like to use an alternative product, please copy the details to your Assistant Accountant CYPS Finance before agreeing to use it.

Advantages of using charge cards are:

- ❖ Charge card provides the ability to make payments via the internet without having to rely on members of staff having to pay with their own debit or credit cards.
- ❖ Greater clarity in contract law that the transaction is between the supplier and the school, and not a third-party (e.g. member of staff).
- ❖ Attracting on-line discounts / internet only deals.
- ❖ Transactional efficiencies.
- ❖ The ability to establish credit limits and transaction limits therefore controlling any potential loss through misuse or fraud.
- ❖ A requirement for schools to receive a monthly statement of activity and an automatic payment of the balance in full.
- ❖ The ability to block the use of the card for cash withdrawals.

Charge cards should not be seen as an alternative to traditional ordering methods (i.e. order – invoice – payment), but instead a method to make payments via the internet where circumstances require e.g. the availability of online discounts.

Should you require more information on obtaining the Nat West One card please contact your Assistant Accountant in the CYPS Finance Service.

Ask the Auditor

Schools Paying for Building Works Upfront

Q - What is Internal Audit's opinion regarding paying contractors in advance to enable them to purchase materials etc. before carrying out any work? We have recently been asked by a contractor due to start work in the school for an advance to purchase materials, we are not keen to do this and would appreciate some guidance.

- A - This question has been raised by a number of schools who have been asked for deposits or payments 'up front' by contractors in order to enable them to buy materials.

We would advise that schools do not make up front payments to contractors. The risk being that the contractor goes out of business or fails to start work at the school and the school will have effectively lost the money, and although it may be possible to recover monies through the legal process this is often a long drawn out process and the outcome is not always certain.

It is not normal commercial practice for contractors to request payment up front as in most cases contractors have credit accounts with suppliers to enable them to obtain materials. In exceptional circumstance, where the contractor does not have a credit account the school could offer to purchase materials on behalf of the contractor, say from ESPO, in a bid to drive down the contract price.

Counterfeit Bank Notes

- Q - We have recently been informed by our bank that the school paid in two £20 notes which were found to be counterfeit? Does Internal Audit have any advice for schools as to how best to check notes to identify whether or not they may be counterfeit?

- A - Unfortunately we do not have any specific guidance in relation to the detection of counterfeit notes. We do however recommend that where possible schools limit the amount of cash they actually receive at school by either requesting payment by cheque or better still where it is available use Parent Pay where payment can be made by debit or credit card directly into the school's bank account (<http://www.parentpay.com>).

Where schools generate a lot of cash income it may be worth investing in equipment specifically designed to detect counterfeit notes e.g. ultra-violet machines, detector pens. It is perhaps worth checking with ESPO as to what is available. The local police may also be able to provide proactive advice via the local Crime Prevention Officer.

The link below to the Bank of England's website gives further information on counterfeit currency.

<http://www.bankofengland.co.uk/banknotes/about/faqs.htm>

Particularly useful is the 'Know Your Bank Notes leaflet which can be found by following the security features page link (under the f.a.q for How do I check whether a note is genuine or not?)

We would also draw your attention to a document on the audit pages of the LCC web-site discussing 20 common frauds and scams. This

document also discusses the protocol for schools to follow where they feel they may have been subject to a fraud or scam:-

http://www.leics.gov.uk/audit_twenty_common_frauds_and_scams.htm

Hot Points

The points below are those that are being reported on a regular basis at schools. In some cases these points have affected the overall audit opinion attributed to that school. This can have an adverse knock-on effect (e.g. FMSiS Light-Touch Assessment qualification):

❖ Payments to Individuals – Employed or Self-Employed

We continue to raise points in audit reports with regard to payments to individuals on a regular basis, despite much advice having been provided, particularly on the subject of employment status (employed or self-employed). Guidance is available on the Human Resources website on EIS which gives more detail on how the criteria should be applied. Further information can also be obtained by contacting the Employee Service Centre on 0116 305 8815.

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

❖ Statement of Internal Control

During routine audits we are finding that many schools \ colleges do not have an annual Statement of Internal Control (SIC) which has been signed in the last twelve months. In some cases a SIC has not been completed since the school / college was last assessed as part of the Financial Management Standard in Schools (FMSiS).

A requirement of the FMSiS is that schools / colleges complete a SIC **each year**, failure to do so could result in the School not being awarded FMSiS accreditation.

For further guidance on the completion of the SIC please refer to the FMSiS website: www.fmsis.info/uploads/R15.doc

❖ Governors Minutes

The standard of governors' minutes can vary quite considerably from one school to the next. When examining minutes at audits we look to ensure that they are easily understood and include adequate details in terms of discussions that have taken place and decisions that have been made. It should also be clear from the minutes that the Governors have performed their duty of being a 'critical friend'.

FMSiS recommends as a standard agenda item that there should be an opportunity for any members at the meeting to declare any pecuniary interests they may have relating to any of the agenda items.

On occasions minutes are unclear as to what action needs to be taken as a result of discussions and who is responsible for the action. This can be addressed by adding an action column to the minutes which clearly shows who is responsible for that item.

Schools should retain with their copy minutes any supporting documentation relevant to the meeting e.g. reports tabled etc, and ensure that minutes are signed as correct by the Chair at the next governors' meeting.

The governing body must appoint a clerk to the governing body. Governors, associate members and the headteacher of the school cannot be appointed as clerk to the governing body.

Please note that from September 2009, OFSTED inspectors now evaluate 'how efficiently, effectively and economically the school uses and manages its available resources'. Inspectors should amongst other issues take account of how well specific funding is identified and deployed by the appropriate staff, especially specific funding for pupils with special educational needs and/or disabilities. Governors will need to show this clearly in the minutes of their meetings.

Collection of Biometric Data in Schools and Data Protection Issues

Does your school use Biometric technology? Are you aware of the Data Protection regulations that govern this method of data collection?

Schools should adhere to the eight principles of the Data Protection Act 1998 when implementing a biometric system and throughout the time it is employed by the school.

The Eight principles are:

1. Data must be fairly and lawfully processed.
2. Data must be processed for limited purposes
3. Data must be adequate, relevant and not excessive.
4. Data must be accurate.
5. Data must be kept no longer than necessary.
6. Process data in accordance with data subjects' rights.
7. Data must be secure.
8. Data must not be transferred to other countries without adequate protection of the data subjects rights.

More detailed information relating to the above can be found on EIS (link shown below).

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

Here are some of the types of issues identified at routine audits at schools that use biometric technology:

❖ Collection of Biometric Data

Schools collecting pupils' fingerprints at induction stage. There are concerns that schools may be in breach of the Data Protection Act by collecting data from all pupils (i.e. including those not likely to have school meals). The Data Protection Act requires data to not be collected superfluously.

❖ Parental (or Pupil) Permission

Although most schools inform parents they are collecting fingerprints, consent slips are not always obtained to confirm that permission has been given. Whilst the obtaining of parental consent is not a direct requirement of the Data Protection Act it is considered to be good practice. The Data Protection Commissioner considers that *"the processing of personal data using a biometric system would be prejudicial to the fundamental rights and freedoms of the students concerned in the absence of freely given consent."*

❖ Deletion of Data

There is often no process in place to ensure that data is destroyed securely as pupils leave the School.

Audit Questionnaires

In order for us to monitor and assess our service we routinely issue feedback questionnaires following audits to enable us to measure the quality of service provided. The level of completed questionnaires returned is, however, disappointing.

Whilst we appreciate that the completion of the questionnaire may not be a priority the comments we receive regarding the service we provide are extremely valuable to us. They allow us to appraise the service we provide and make improvements where necessary.

If your school has recently been audited and you have not received a questionnaire please let us know and we will forward a questionnaire to you.

If you do have a questionnaire that you have not yet completed or returned can you spare a few moments to complete it and return it to us, we would really appreciate it.

Current Developments in Internal Audit

Shared Services

Audit Matters Bulletin 29 mentioned that the Audit Service as a whole was considering entering into a shared service with Nottinghamshire County Council. Following the outcome of the recent local elections it has been decided that this development will now no longer take place in the immediate future.

Change of e-mail format for LCC staff

You may have noticed a change to the e-mail format for all LCC staff. The new format is Firstname.Surname@leics.gov.uk.

For example:-

dharris@leics.gov.uk will become

dianne.harris@leics.gov.uk

The new email will work alongside the old e-mail address until January 2010. Please ensure where you hold e-mail addresses for staff at LCC these are changed to the new format before January 2010.

Quarterly Statistics

Twenty three schools were visited routinely between April and June 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%)

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

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

6 schools were scored as 'reaching the standard that we measure against' (26%)

3 schools were scored as 'generally meeting the standard that we measure against but with major improvements needed in some areas' (13%)

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

And finally....

Schools due for FMSIS reassessment before March 2010 should have received their letters informing them whether or not they qualify for an Internal Audit Light Touch Assessment (LTA). Those schools that do qualify for a LTA should have returned the tear off slips confirming whether or not they wish to opt for a LTA by 30th September 2009.

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

Useful Contacts

General Finance & Budget Issues

Marjorie Allen-Carter / David Heyes, Finance Service, ☎ 0116 305 7646/7707

VAT Queries

Bev King, VAT Liaison Officer, ☎ 0116 305 7670

Receipt Books

Income Section, ☎ 0116 305 7699

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 7612

Devolved Formula Capital

Rachel Quincey / Julie Muddimer, Learning Environment Team, ☎ 0116 3056551/6407

Trading Standards Business Advice Line

Trading Standards, ☎ 0116 305 8000 tradingstandards@leics.gov.uk

Human Resources & Payroll Queries

Employee Service Centre ☎ 0116 305 8815

Information Security

Katie Robey, Systems Information Manager ☎ 0116 305 5783

Governor Development Service

☎ 0116 305 6518 governors@leics.gov.uk