

Norfolk Audit Services Newsletter for Schools

Autumn Term 2002

Issue No: 12

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New Finance Procedures Manual

By the time you read this Newsletter you should have received a copy of a new Finance Procedures Manual from Education Financial and ICT Services.

This has been produced to advise and help you with recommended procedures, so please ensure that:

- It is considered by your Governing Body and adopted for use in your school;
- All staff involved in finance are made aware of the manual and it is easily accessible and readily available to them;
- Finance staff follow the procedures.

If by chance you have not received your copy then please contact your Finance Support Officer in Education Financial and ICT Services who should be able to help.

Current Audit Arrangements

We have mentioned in previous issues that we will not automatically visit your school before your next Ofsted inspection, as was the practice with the first round of Ofsted inspections.

The changes were due to:

- ❑ The shorter notice given by Ofsted for their inspections;
- ❑ The need for us to plan ahead and cover the annual audit plan with the audit resources that are available.

The normal process we currently use for selecting schools for audit is based on 'longest first' and this has been agreed with the Director of Education. This does not mean that we will not visit a school outside of this cycle if there is a specific reason to do so.

You therefore need to ensure that you keep a copy of your latest audit report, even if this was produced prior to your last Ofsted inspection. This will be needed if Ofsted request an audit report next time they visit.

If you would like this newsletter in large print, audio, Braille, alternative format or in a different language please contact Terry Jackson on 01603 222778 or on minicom 223833.

Audit Report Style

Sometimes we receive comments that our audit reports are rather negative because they focus on where we found weaknesses and do not say where we found there were no problems.

We accept that this is true. We also thought it might be useful to spend a moment to explain the rationale behind this.

Hopefully when we visit, and this is normally the case, we will find more that is all right than where we consider there needs to be some action taken. To report on all the 'good' things would make an exceptionally long report, increase costs and reduce the number of audits that we can carry out. Therefore to keep the report meaningful and to a reasonable size we:

- ❑ List the areas we have examined;
- ❑ List the areas we have not examined;
- ❑ Report where we consider there is a weakness and where improvements need to be made.

Therefore anything in the areas we have examined that we do not report as being a problem can be considered to be all right.

Update on Audit of Strategic Management Planning (SMP)

In a previous issue we explained that we needed to reassure the Director of Education that schools have adequate procedures in place for school management planning and budget setting.

In order to do this we explained that we were including in our reports the details of the actual system that was in operation for SMP, and not on an exception basis as we do for other areas (see previous topic on 'Audit Report Style').

Although we do sometimes find problems in the area of SMP these are no greater

than in any other area. We have therefore been able to reassure the Director of Education over his concerns about the systems in place.

As a result, although our work on SMP has not changed, we have agreed with the Director of Education that this area will now be reported on an exception basis like all others. Those of you that have received a recent audit will already be aware of this.

Value Added Tax (VAT) Rate Reminder

Sometimes our examination of records during school audits show that the amount of VAT reclaimed is not accurate because the correct VAT rate has not been applied. Please remember that where VAT is charged by suppliers it is not always at the standard rate of 17.5%. The main exception to this is fuel and power, which has a reduced rate of 5%.

Supplier's invoices should clearly show the VAT rate used. Therefore when processing invoices for payment please check the VAT rate on the invoice, and ensure the amount of VAT as shown is reclaimed.

If you are in doubt about this, or any other VAT matters, you can contact either:

- ◆ Bob Batterham (Norfolk County Council Tax Manager) - tel: 01603 222840 or e-mail: bob.batterham.dfi@norfolk.gov.uk

OR

- ◆ Douglas Slade (Chief Education Accountant and Education VAT Liaison Officer) on 01603 222551 or e-mail: douglas.slade.edu@norfolk.gov.uk

School Meals Income

You will be aware that Education Financial and ICT Services no longer require you to complete the school meal return (E20).

However, you still need to have controls in place to ensure there is adequate separation of duties and you can confirm that income received has actually been banked.

This can be achieved by the Headteacher, or another responsible officer who is not involved in dealing with the school meals income, checking and agreeing the dinner register totals (or other appropriate record where registers are not used) to the bank paying in book on a weekly basis. This needs to be after the bankings have been made.

It is then good practice for the person checking the details to sign or initial the paying in book to show that the check has been carried out.

Pupil Level Annual School Census (PLASC) Documentation

Now that the Form 7 Return has been replaced by the PLASC Return we sometimes find that details are not available in schools to confirm the numbers included on the returns on the count date in January.

As the funding of the school is based on the number of pupils on roll at the January count date it is important that these figures can be proved.

The information on the computer system is overwritten when pupil details are updated, so that it shows the current position at any given time. Therefore it is not easy to reproduce the earlier details. To be able to prove the figures, if required, you should follow the instructions issued by Education ICT

Solutions that a copy of the PLASC Return Summary Report should be:

- Printed;
- Checked;
- Signed by the Headteacher;
- Retained in the school.

Supporting Schedules for Bank Reconciliations

Although we mentioned this point in Issue No: 8, under an article on bank reconciliations, we are referring to it again as it is a subject that we often include in our audit reports as requiring action.

When a senior officer (for example the Headteacher) authorises the statement it is to confirm that the accounting records reconcile with the bank balance and the details are correct. Therefore, when the statement is produced and presented for authorisation it is important that:

- Schedules are also produced from the system to support all figures (such as unpresented cheques, unreconciled income, and cash in hand) shown on the reconciliation statement;
- All schedules and figures are checked for accuracy and reasonableness by the senior officer;
- Any cheques over six months old are noted and written back into the financial records against the subjective code used for the original expenditure;
- Explanations for any discrepancies are obtained from the person who has completed the reconciliation before the senior officer authorises the reconciliation statement.

Receipt and Transfer of Income

Finance staff, teachers, classroom assistants and other staff in schools can all from time to time receive income from pupils or parents.

In order to help to protect staff in the event of a dispute over amounts received, or transferred between staff, there are some basic controls we recommend that you put in place. These are:

- Discuss and agree with your Governors a sum above which receipts will be issued, and by whom. This sum will vary from school to school depending on the amounts and type of income received. It will normally be large enough so that receipts are not issued for every item of income but low enough to cover larger amounts;
- Record the above decision in the minutes of the Governors meeting and the details in any financial procedure documents;
- Whoever receives income should count income, if received loose, and record either on a receipt (if appropriate), on a class list, or in an income book. The record should show the amount, date received, who it was received from, and who received it;
- If the income is received in sealed envelopes pass the envelopes unopened to the finance office but still record them by name, if known, of the person who it is received from;
- When the income is handed over for banking (e.g. from a teacher to the School Secretary) both parties should sign the record to confirm that the amount, or number of envelopes, transferred is correct.

Pre-Signed Cheques

To avoid misappropriation of funds cheques should never, under normal circumstances, be signed before the payment details are completed.

In the very exceptional circumstances where this cannot be avoided there are some points of good practice that should be followed to ensure the cheque is not misused. These are:

- Ensure the cheque is marked 'Account Payee Only';
- Do not sign the cheque longer than absolutely necessary before it is to be used;
- Once signed keep the cheque securely;
- After the cheque has been issued the cheque signatory should ensure they are presented with the payment details (i.e. the relevant invoice / receipt) at the earliest opportunity;
- If not used for the purpose intended do not keep the cheque to use on another occasion but cancel the cheque immediately and keep it on file.

If you have any queries on the items included in this newsletter, have any specific topics that you would like to be covered in future issues, or would like copies of previous editions, then please contact:

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