



Procurement and Purchase Cards in Schools

RB34-2015

INTERNAL AUDIT REPORT

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1 EXECUTIVE SUMMARY

1.1 Introduction

- a) As part of the approved 2014-15 Audit Plan it has been agreed that Internal Audit would undertake a themed review of procurement processes and the use of purchase cards within schools.
- b) The overall objective of the audit was to provide assurance that risks in relation to procurement processes and the use of purchase cards are being managed adequately and effectively by schools in order to ensure the achievement of value for money and reduce the risk of fraud or error through compliance with relevant legislation and policy.

AUDIT OPINION	Adequate
See Appendix A for definitions	

1.2 Rationale

a) Purchase cards

We identified controls that were operating effectively, for example cards were kept securely and generally purchase card statements were being reconciled. In addition we found no instances of purchase cards being used to circumvent procurement processes. However we did identify transactions that did not have supporting receipts and some transactions where we were unable to determine whether spend was appropriate, for example gifts or food for staff at notable events. Headteachers had not defined what constitutes appropriate spend which may be causing an inconsistent use between schools. Additionally, VAT is not being claimed for 12% of all transactions sampled.

There were 3 incidences of potentially inappropriate use of purchase cards including one particular transaction of note which relates to an outgoing Chair of Governors who had spent £118 on alcohol during an overnight hotel stay which the Headteacher is in the process of reclaiming.

b) Procurement

We identified controls that were operating effectively, for example the majority of schools visited had a Finance Policy that was up-to-date, approved by the Governing Body and had thresholds which corresponded with KCCs procurement guidance, with one exception where the minimum threshold was higher than that outlined in the guidance.

A number of areas for improvement are required and are similar to those identified in the 2013-14 audit of procurement, including instances where three quotes had not been obtained, spend had not been appropriately approved and value for money requirements had not been considered for aggregated spend and procurements did not have supporting paperwork. This had also led to two instances where contracts were in breach of OJEU tender limits and process and a further five instances of contracts that are likely to breach OJEU limits during their life. We also identified five schools that were not aware that photocopying services could be sourced through KCS via existing framework contracts and had instead procured their own services. We cannot confirm whether these schools had entered into appropriate agreements

1.3 Key Issues Identified

The following key issues have been identified during the audit and discussed with the service. The service has evaluated these issues to determine whether they wish to implement actions to address any resulting risks or whether the risks fall within the risk appetite of the Directorate:

- ❖ We identified 9% of purchase card transactions that either didn't have supporting receipts or we were unable to confirm whether the spend was appropriate.
- ❖ In relation to procurement our findings are similar to those identified in the 2013-14 audit, including instances where:
 - three quotes had not been obtained,
 - spend had not been appropriately approved,
 - aggregated or cumulative spend was not considered resulting in implications such as breach of OJEU regulations,
 - absence of specifications for work over £8,000,
 - procurements that did not have supporting paperwork.

The management action plans in Section 3 detail the service's response to the issues identified.

Summary of management responses

	Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed
High Risk	2		
Medium Risk	2		
Low Risk	1		

2 FINDINGS

A. Background

- 1) There have been an increasing number of cases where schools have purchased or leased equipment, or undertaken building work through processes that do not comply with financial and procurement regulations and failed to demonstrate value for money. Schools are expected to comply with Kent County Council's procurement guidelines set out in "Spending the Council's money". Following the audit in 2013-14 of procurement in schools where 'Limited' assurance was given, Internal Audit undertook a follow up of recommendations made to provide assurance on compliance with "Spending the Council's money" and EU legislation.
- 2) Purchase cards are used in school as a more flexible method of purchasing goods and services where it is not possible to use a school cheque, e.g. mail order, telephone and internet purchases or for purchases where a school cheque without a guarantee card would not be accepted. Each card holder/ Headteacher has the responsibility to ensure that the use of purchase cards is conducted, monitored and controlled in accordance with the Schools Financial Services pages on KELSI.
- 3) We visited 25 schools across Kent that were selected taking into account spend, purchase card availability and pupil premium (the latter of which is being reported separately). We excluded those schools that were visited in the last audit of procurement, those schools that had either been reviewed by Schools Financial Services since January 2014 or they were planning to visit in 2014-15, Academies and schools that were due to convert to Academy status in this financial year.

B. Detailed Findings

Purchase Cards

- 4) All schools visited had a Finance Policy in place that had been approved by the school's Full Governing Body. The level of detail within each Policy varied, ranging from high level, i.e. that a card is in place, to more specific detail, identifying the individuals who possess a card and the spending limits in place. KELSI guidance requires that single transaction limits are specified within the Policy; however in 39% of schools this was absent. KELSI guidance also states that a purchase card may only be used for those items specified by the Headteacher, however only one school out of 25 visited had a local procedure stating what items this related to. **See issue 1.**
- 5) With one exception, all purchase cards were held securely, with the majority held by individual cardholders and the remainder held securely in safes with appropriate restricted access. The one exception (which related to a purchase card that was

held in the staff member's locker where it wasn't guaranteed to be kept locked at all times) was resolved at the time of the audit.

- 6) From our representative sample of purchase card transactions reviewed, we did not identify any instances where the purchase card had been used to circumvent procurement processes. All schools had a process in place for authorising purchase card transactions and we did not identify any transactions that had exceeded card limits.
- 7) We identified 14 transactions out of the 405 sampled that did not have a supporting receipt across nine out of the 25 schools visited. In addition to this, there was 18 transactions where we were unable to confirm whether the spend was appropriate across 10 schools. . Generally these transactions related to food or gifts for staff at notable events such as following Ofsted inspection or staff leaving. In determining whether spend was appropriate we considered whether the spend benefited the pupils. As budgets are delegated to Headteachers, there is no overarching guidance to advise what makes a transaction appropriate. **See issue 2.**
- 8) There are three transactions however that warrant particular mention: a purchase by an outgoing Chair of Governors who spent £118 on alcohol during an overnight stay, purchase of a DVD burner costing £368 that was held off-site and had not been added to the school's asset register, and £131 spent on snacks and alcohol for staff for an end of term gathering.
- 9) From the representative sample of purchase card transactions sampled, it was identified that for 88% of transactions schools had appropriately accounted for VAT. However, there were 35 transactions where VAT had been incorrectly accounted for, of which there were 22 transactions where VAT had been reclaimed but a valid VAT receipt was not held and 13 transactions where VAT could have been reclaimed but was not. Additionally we identified that for 13 transactions schools had not posted any VAT as they did not have an appropriate VAT receipt; however, no attempt had been made to obtain one to enable VAT to be reclaimed. These issues were identified across 15 schools visited. **See issue 3.**
- 10) The total gross spend of the individual purchase card transactions were correctly recorded on the school's finance system. With one exception, all schools completed a reconciliation of their purchase card statements. However, there were instances where the statements had not been signed as evidence of this reconciliation and approval, although individual entries were ticked as reconciled. One school did not complete manual reconciliations, however we evidenced that separation of duties was in place between purchase, commitment and authorisation on the school's finance system. **See issue 4.**

Procurement

- 11) Procurement in schools was previously reviewed in the 2013-14 Schools Themed Review audit, completed in early 2014, which gave an assurance level of Limited and raised one high and two medium priority recommendations. As part of this 2014-15 Schools Themed Review audit we revisited procurement to ascertain whether progress had been made.
- 12) In general, the schools visited were aware of where advice was available regarding procurement, for example from Schools Financial Services and School Forums. There was one instance where the school was unclear on where to seek advice and had used an external company to run their procurement and contract management and one school who were unaware of Spending the Council's Money, although their Finance Policy aligned.
- 13) In all schools reviewed, the Procurement guidelines were defined in the Finance Policy. In one instance, the school's Finance Policy stated that three quotes would be obtained for spend over £10,000 rather than £8,000, which contradicts Spending the Council's Money. In all other instances, the Policy either matched or set lower limits than those required by Spending the Council's Money. There was also one school where the Finance Policy containing their procurement guidelines had not been approved by the School's Governing Body.
- 14) In general, schools visited were aware of the Council arrangements in place for purchasing, for example through Kent County Supplies. However, we identified five schools who were not aware that photocopying services could be sourced through KCS via existing framework contracts and had instead procured their own services. We cannot confirm whether these schools had entered into appropriate agreements
- 15) Spending the Council's Money states that a written specification should be developed for all procurements over £8,000. However, 37 out of 145 procurements reviewed (26%) did not have written specifications for spend over £8,000 and of these, four related to spend over £50,000. It should be noted that a written specification may not be relevant for all spend between £8,000 and £50,000, for example where the spend relates to iPads purchased. Where written specifications were available, these clearly described the requirements for the procurement. Evidence was not available in all cases that the written specification had been provided to all suppliers before they provided quotations. However, this is not an issue where evidence of quotations provided has been retained and shows a clear breakdown of the work to be completed.
- 16) We identified 61 instances of spend between £8,000 and £50,000 where the evidence of obtaining three quotes could not be provided. Generally schools were

- aware they should be obtaining three quotes, but had not in these instances for varying reasons, including:
- Spend considered in isolation rather than aggregate spend (total spend with one supplier) over the financial year or the life of the contract
 - Quotes being obtained verbally rather than in writing
 - Having the opinion that a previously used supplier could provide best value
 - The cost being considered in terms of cost per pupil or individual item, rather than total cost.
- 17) For the procurements where evidence of three quotes was retained, a reason for the choice was provided where the cheapest option was not chosen. However, there was 29 instances (20%) where approval for the spend could not be evidenced. This conflicted with the school's own requirements as stated in their Finance Policy.
- 18) There was no evidence available in any procurement reviewed of supplier notification of the decision to award, whether successful or unsuccessful.
- 19) We found that in general it was difficult to identify whether a commitment of spend had been raised for every procurement. However, we can confirm that in 37 instances (26%) the expenditure had not been committed at the time of order.
- 20) We identified one issue around contract management on a large building project. A third party had been used for procurement and contract management, however issues had arisen with both the third party and the builders, resulting in a large overspend on the project. This was being managed by the school and action being taken in order to minimise the impact. No further issues with contract management were identified. One general issue relating to procurement in schools covering the issues identified above has been raised. **See issue 5.**
- 21) Any contract with a total value of more than £172,514 is subject to The Public Contracts Regulations 2006 and should be advertised in the Official Journal of the European Union (OJEU). We identified one instance where this threshold had been breached with spend on a catering contract in one year, where no evidence was available to demonstrate the correct OJEU tender process had been followed. There was a further instance where the OJEU limit had been breached by spend on a cleaning contract over two years, again with no evidence of the OJEU tender process having been followed. In addition to this, there were five instances across four schools where contracts were set up over a number of years and were likely to breach this threshold of spend over the life of the contract. **See issue 6.**
- 22) We reviewed progress made against the three recommendations raised in the previous audit, with actions to be taken including providing training for schools and additional information to be updated to KELSI. The dates for these recommendations to be implemented were between October and December 2014 and therefore may not have sufficient time for the outcomes to be reflected in school



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procedures. We were provided with evidence that recommendation 1 (Complying with KCC procurement procedures 'Spending the Council's Money' and best practice in procurement matters) and 2 (Spending the Council's Money version for schools) had been completed. Recommendation 3 is partially outstanding as an article for Governors will appear in the next issue of 'The Governor' due in January; however it should be noted that this recommendation was not due for implemented until December 2014.

3 ISSUES IDENTIFIED & MANAGEMENT ACTION PLAN

1. Purchase card guidance	
<p><u>Issue and Potential Root Cause</u> All schools visited had a Finance Policy in place that included a section on the use of purchase cards. However, not all schools had defined the cardholders or the single transaction limits for each card in use. KELSI guidance states the single transaction limit must not be greater than the limit set in the school's finance policy and Governing Bodies should review their finance policy to include specific mention of the card, cardholder and limits.</p> <p>In addition, KELSI guidance states that a corporate card may only be used for those items specified by the Headteacher. 24 out of 25 schools visited had not specified what constitutes appropriate spend.</p> <p>Risk Without appropriate guidance there is a risk that purchases will be made with schools funds which are inappropriate or fraudulent and not for the benefit of the pupils.</p> <p>Root Cause Schools have responsibility for determining themselves what is deemed as appropriate spend and the level of detail they wish to include in their Finance Policies.</p>	<p>Risk Rating</p> <div data-bbox="1715 600 1827 676" style="border: 1px solid black; background-color: yellow; padding: 2px; text-align: center;"> <p>Medium</p> </div>



1. Purchase card guidance	
<p><u>Management Action Plan</u></p> <p>We did not expect schools to document exactly what can be spent – only that they spend it within their remit eg Site Manager of Breakfast Club and the Headteacher can choose to block certain categories if they wish – we can change Section 7 of the Financial Controls if the interpretation is too specific – that was not the intention.</p> <p>The example Finance Policy on KELSI includes the approved user and monthly card limit. This is checked as part of our compliance visits and also included in all relevant training programmes including governor training.</p> <p>We will remind schools again at the March 2015 Finance Information Groups.</p> <p>The corporate card application form details what areas can be used. This form is signed by the card holder and Headteacher, so both will be aware of the allowed categories of spend. A copy of the application form will be held in the school.</p> <p>Responsible manager</p> <p>Yvonne King, Schools Financial Services Manager</p>	<p>Timescales</p> <p>31st March 2015</p>

2. Purchase card spend	
<p>Issue and Potential Root Cause We identified 14 transactions out of the 405 sampled that did not have a supporting receipt across nine out of the 25 schools visited. In addition to this, there was 18 transactions where we were unable to confirm whether the spend was appropriate across 10 schools. In determining whether spend was appropriate we considered whether the spend benefited the pupils. Generally these transactions related to food or gifts for staff at notable events such as following Ofsted inspection or staff leaving.</p> <p>There are three transactions however that warrant particular mention: a purchase by the outgoing Chair of Governors who spent £118 on alcohol during an overnight stay; purchase of a DVD burner costing £368 that was held off-site and had not been added to the school's asset register and £131 spent on snacks and alcohol for staff for an end of term gathering.</p> <p>Risk There is a risk of financial loss and reputational damage if schools purchase items that are not for the benefit of the pupils, which may lead to a negative impact on the education of those pupils.</p> <p>Root Cause As budgets are delegated to Headteachers, there is no overarching guidance provided by KCC to advise what makes a transaction appropriate. Additionally, schools have not documented themselves what constitutes appropriate spend.</p>	<p>Risk Rating</p> <div data-bbox="1713 502 1825 574" style="border: 1px solid black; background-color: red; color: white; padding: 5px; text-align: center;">High</div>



2. Purchase card spend	
<p><u>Management Action Plan</u></p> <p>The £118 spent on alcohol has been investigated and the Chair of Governors is repaying the money to the school.</p> <p>A sample of assets are checked during the compliance visit where we review the more costly transportable goods. We promote the importance of having an asset register during training and Finance Information Groups and offer a traded service to support schools to ensure this process is in place.</p> <p>The corporate card application form details the criteria for spend. Schools follow the same guidance as KCC and there is no detailed information about what is considered appropriate spend as budgets are delegated to schools to determine what is best for their school. In SFS we have a lot of enquiries from schools asking about appropriate spend. Our advice is that the budget, which is delegated to them, should be spent for the purposes of their school or for pupils on the roll of other maintained schools (as stated in the Scheme for Financing Schools). If they are unsure, the Headteacher should ask him/herself whether they would be comfortable justifying the spend and responding to a Freedom of Information request or the press. As the Scheme for Financing Schools follows KCC guidance SFS can only continue to promote this message in training, forums etc. Schools are informed that appropriate VAT receipts should be obtained and retained for all purchases.</p> <p>This is all included in our training including governor training. We will remind schools at the March 2015 Finance Information Groups.</p> <p>Responsible manager</p> <p>Yvonne King, Schools Financial Services Manager</p>	<p>Timescales</p> <p>31st March 2015</p>

3. Purchase card VAT	
<p><u>Issue and Potential Root Cause</u> From the representative sample of purchase card transactions sampled (405 transactions) we identified a 9% error rate with the way in which VAT was posted. This represents:</p> <ul style="list-style-type: none"> • 13 transactions where a valid VAT receipt supported the transaction but VAT had not been posted onto the school's finance system. • 22 transactions where VAT had been posted onto the school's finance system without a valid VAT receipt. <p>In addition to this, 1% of transactions reviewed there was no supporting receipt and therefore we could not check whether VAT had been recorded correctly.</p> <p>These issues were identified across 15 of the 25 schools visited.</p> <p>Risk Schools are breaching HMRC rules on VAT when reclaiming VAT without valid receipts. In addition, schools are losing out financially by not claiming VAT on all eligible purchases.</p> <p>Root Cause There may be a lack of understanding in some schools of what constitutes a valid VAT receipt and in what circumstances VAT can be reclaimed.</p>	<p>Risk Rating</p> <div data-bbox="1715 504 1827 576" style="border: 1px solid black; background-color: yellow; padding: 2px; display: inline-block;"> <p>Medium</p> </div>



3. Purchase card VAT	
<p><u>Management Action Plan</u></p> <p>Regular VAT courses are provided to schools by KCC's Senior Taxation Accountant through the SFS training programme.</p> <p>The VAT manual which includes examples of VAT invoices is included on our Schools Financial Services pages and referred to in all our relevant training.</p> <p>We will remind schools at the March 2015 Finance Information Groups.</p> <p>Responsible manager</p> <p>Yvonne King, Schools Financial Services Manager</p>	<p>Timescales</p> <p>31st March 2015</p>

4. Purchase card reconciliations	
<p><u>Issue and Potential Root Cause</u> We reviewed 3 purchase card reconciliations at each school and identified:</p> <ul style="list-style-type: none"> • For 5 schools statements were not signed as evidence of approval, however the individual entries were ticked as reconciled. • One school did not complete manual reconciliations, therefore we checked each transaction in our sample on the finance system and evidenced that separation of duties was in place between purchase, commitment & authorisation. <p>Risk There is a risk that inappropriate purchases are not identified.</p> <p>Root Cause Some schools do not understand the importance of ensuring purchase card statements are reconciled and approved to demonstrate separation of duties.</p>	<p>Risk Rating</p> <div style="border: 1px solid black; background-color: #92d050; padding: 5px; text-align: center; width: fit-content; margin: 0 auto;"> <p>Low</p> </div>
<p><u>Management Action Plan</u></p> <p>This is detailed in our Corporate Card guidance and is included in all relevant training.</p> <p>We will remind schools at the March 2015 Finance Information Groups.</p> <p>Responsible manager Yvonne King, Schools Financial Services Manager</p>	<p>Timescales 31st March 2015</p>

<p>5. Procurement</p>	
<p><u>Issue and Potential Root Cause</u></p> <p>Procurement in schools was previously reviewed in the 2013-14 Schools Themed Review audit, completed in early 2014, which gave an assurance level of Limited and raised one high and two medium priority recommendations. As part of this audit we revisited procurement to ascertain whether progress had been made and reviewed 145 procurements across 25 schools.</p> <p>Our findings are similar to those from the previous audit and included the following issues:</p> <ul style="list-style-type: none"> • 61 instances of spend between £8,000 and £50,000 where the evidence of obtaining three quotes could not be provided. Generally schools were aware they should be obtaining three quotes, but had not in these instances for varying reasons, including: <ul style="list-style-type: none"> • Spend considered in isolation rather than aggregate spend (total spend with one supplier) over the financial year or the life of the contract • Quotes being obtained over the phone rather than written quotes • Opinion that a previous used supplier could provide best value • The cost being considered in terms of cost per pupil or individual item, rather than total cost. • 29 instances where approval for the spend could not be evidenced. This conflicted with the school's own requirements as stated in their Finance Policy of approval of spend over specified amounts. • Five schools were not aware that photocopying services could be sourced through KCS via existing framework contracts and had instead procured their own services. We cannot confirm whether these schools had entered into appropriate agreements. • Spending the Council's Money states that a written specification should be developed for all procurements over £8,000. However, 45 procurements did not have written specifications for 	<p>Risk Rating</p> <div style="border: 1px solid red; background-color: red; color: white; padding: 5px; display: inline-block;">High</div>

5. Procurement	
<p>spend over £8,000, of which four had total spend over £50,000. It should be noted that a written specification may not be relevant for all spend between £8,000 and £50,000.</p> <ul style="list-style-type: none"> • We found no evidence in any procurement reviewed of supplier notification of the decision to award, whether successful or unsuccessful. • We found that in general it was difficult to identify whether a requisition and/or purchase order had been raised for every procurement in advance as evidence was not retained on file showing dates of requisition, notification to supplier, and so on. There were 37 instances where we found evidence that the requisition had not been raised in advance. • We identified one school with an issue around contract management on a large building project. A third party had been used for procurement and contract management of this particular project, however issues had arisen with both the third party and the builders, resulting in a possible large overspend on the project. This was currently being managed by the school in order to minimise the impact of this. No further issues with contract management were identified. • There was one instance where the school was unclear on where to seek advice and used an external company to run their procurement and contract management. • Procurement guidelines were defined in all Finance Policies. However, in one instance, the school's Finance Policy stated that three quotes would be obtained for spend over £10,000 rather than £8,000. There was also one school where the Finance Policy containing their procurement guidelines had not been approved by the School's Governing Body and one school that wasn't aware of the Spending the Council's Money guidance. <p>It should be noted that the recommendations from the last audit were being addressed during quarter three and quarter four 2014/15 and therefore there may be a transition period before improvements are realised.</p>	



<p>5. Procurement</p>	
<p>Risk Governing bodies may not be aware of all spend, consequently spend could be inappropriate. Schools are exposed to breaches of procurement legislation and financial loss if value for money is not being obtained.</p> <p>Root Cause Lack of understanding in schools on the procurement process, for example understanding of aggregate spend, as well as lack of dedicated Council support for school procurement.</p>	
<p><u>Management Action Plan</u></p> <p>As noted these Procurement audits have overlapped and documentation checked in this audit were likely to be before additional guidance, updated documents and reminders of good practice were received by schools.</p> <p>Following the 2013/14 audit SFS have:</p> <ul style="list-style-type: none"> • Devoted a new section to Procurement on KELS I • Worked with the Procurement team to produce a flowchart for Spending the Council's money. The Head of Procurement spoke at all five of the Finance Information Groups attended by more than 260 bursars during October 2014 • E Bulletins were sent out in December informing/reminding staff • Training courses, including for governors, were enhanced to include more information on procurement • An article on procurement is in the January 2015 publication of The Governor <p>It is appreciated that constant reminders of guidance will need to be given to schools. SFS are looking into e learning and this would provide additional training to schools staff and governors.</p>	<p>Timescales 31st March 2015</p>



5. Procurement	
<p>We will remind schools at the March 2015 Finance Information Groups.</p> <p>Responsible manager Yvonne King, Schools Financial Services Manager</p>	






6. Procurements over OJEU tender limit	
<p><u>Issue and Potential Root Cause</u></p> <p>Any contract with a total value of more than £172,514 is subject to The Public Contracts Regulations 2006 and should be advertised in the Official Journal of the European Union (OJEU). However, we identified one instance where this threshold had been breached with spend on a catering contract in one year, where no evidence was available to demonstrate the correct OJEU tender process had been followed. There was a further one instance where the OJEU limit had been breached by spend on a cleaning contract over two years, again with no evidence of the OJEU tender process having been following. In addition to this, there were five instances across four schools where contracts were set up over a number of years and were likely to breach this threshold of spend over the life of the contract.</p> <p>Risk Schools are exposed to breaches of procurement legislation and financial loss if value for money is not being obtained.</p>	<p>Risk Rating</p> <div style="border: 1px solid black; background-color: red; color: white; padding: 5px; display: inline-block;">High</div>



6. Procurements over OJEU tender limit	
Root Cause Lack of understanding in schools on the procurement process, for example understanding of aggregate spend, as well as lack of dedicated Council support for school procurement.	
<u>Management Action Plan</u> This issue was identified in the 2013-14 themed audit. Spending the Councils Money has been updated to a simple flowchart. This information has been provided at the Finance Information Groups in October 2014, included in District Governor Training from September 2014 and via e bulletin in December 2014. This is now included in all relevant training courses. We will remind schools at the March 2015 Finance Information Groups. Responsible manager Yvonne King, Schools Financial Services Manager	Timescales 31 st March 2015

Appendix A – Definition of Audit Opinions

In order to assist management in using our reports we categorise our **audit opinion** according to our assessment of the risks, the controls in place to manage those risks and the level of compliance with these controls. The definitions of assurance levels are as follows:

-  **High** There is a sound system of control operating effectively to achieve service/system objectives.
Any issues identified are minor in nature and should not prevent system/service objectives being achieved.
-  **Substantial** The system of control is adequate and controls are generally operating effectively.
A few weaknesses in internal control and/or evidence of a level of non compliance were noted during the audit that may put a system/service objective at risk.
-  **Adequate** The system of control is sufficiently sound to manage key risks.
However there were weaknesses in internal control and/or evidence of a level of non compliance with some controls that may put system/service objectives at risk.
-  **Limited** Adequate controls are not in place to meet all the system/service objectives and/or controls are not being consistently applied.
Certain weaknesses require immediate management attention as if unresolved they may result in system/service objectives not being achieved.
-  **No Assurance** The system of control is inadequate and controls in place are not operating effectively. The system/service is exposed to the risk of abuse, significant error or loss and/or misappropriation.
This means we are unable to form a view as to whether objectives will be achieved.

Appendix B – Definition of Risk Ratings

We categorise our issues according to **risk rating** as follows:



There is a gap in the control framework or a failure of existing internal controls that results in a significant risk that service or system objectives will not be achieved.



There are weaknesses in internal control arrangements which lead to a moderate risk of non-achievement of service or system objectives.



There is scope to improve the quality and/or efficiency of the control framework, although the risk to overall service or system objectives is low.

Appendix C – Engagement Plan

Objective

- 1) As part of the approved 2014-2015 Audit Plan it has been agreed that Internal Audit will undertake a themed review of procurement processes and the use of purchase cards within schools.
- 2) The overall objective of the audit is to provide assurance that risks in relation to procurement processes and the use of purchase cards are being managed adequately and effectively by schools in order to ensure the achievement of value for money and reduce the risk of fraud or error through compliance with relevant legislation and policy.

Scope

- 3) Our audit included a follow up of the recommendations made in the 2013/14 audit of procurement in schools and review of relevant documentation, interviews with key officers and sample testing of procurement processes and purchase card transactions within a sample of schools. We reviewed procurements undertaken/purchases made using a purchase card over the last 12 months.
- 4) In order to provide assurance we reviewed the adequacy and effectiveness of the following processes and their compliance with KCC policy and procedures, the schools' own financial regulations and EU legislation:

Procurement

- The school follows the guidance in 'Spending the Council's money' and KCC's Financial Regulations, together with advice available from Schools Financial Services and the Department for Education (such as 'Advice for effective buying for your school publication).
- Procurement guidelines are included in the schools' own financial regulations which have been approved by the Governing Body.
- The school seeks to ensure that value for money is obtained in its procurement processes and competitive quotations and tenders are obtained.
- The tender procedures are followed, from advertising to awarding the contract, in line with the EU legislation and KCC policy and procedures.
- There are effective systems in place for ordering and receiving goods and making payments. In particular, no individual should be able to order,

receive and pay for goods and services.

- Purchases are recorded and coded correctly on the school's financial accounting records.

Purchase cards

- There are written procedures/ guidance available to all staff, and these are regularly reviewed and updated.
- Cards are held securely with access restricted and only named card holders can use the cards to make purchases.
- All expenditure is appropriate and authorised.
- All expenditure is committed into the school accounts as payments are made and supported by a valid VAT receipt.
- Statements are checked to local records and receipts for accuracy by someone other than the card holder. Any discrepancies are highlighted and investigated.
- VAT is appropriately recorded.