

1.9 EXTERNAL AUDIT

Introduction

The local authority accounts are subject to annual external audit. Maintained schools accounts are part of the local authority's accounts and are thus subject to examination as part of this process.

Scheme Requirements

The requirements as set out in section 2.11 Audit: General of the Scheme for Financing Schools;

"The LA's external audit regime will be determined by the Audit Commission and schools are required to co-operate with any external auditors appointed".

Nature and Format of Audit

External audit do not generally visit schools but request information via the Schools Accountancy section, it is important therefore that schools respond promptly to requests for information so as not to hold up the audit.

External audit may examine any aspect of the accounts and other financial statements but the areas of examination in recent years have been the following:

- Access to school's bank accounts which are not in the Council's banking contract to verify balances
- Examination of all year end documentation including verification details of larger accruals
- Examination of bank statements for April/May to ensure un-presented items at year-end have been cleared
- Copies of capital invoices to validate that the expenditure is of a capital nature; details of all capital expenditure.

HMRC – VAT

School accounts and documentation may be subject to an inspection by HMRC as part of a local authority VAT inspection. If school procedures have resulted in reclaiming of VAT in error this can result in the local authority being fined! Where this relates to school maladministration the school will be required to bear the costs of the fine under paragraph 6.2.8 of the Scheme.

It is important therefore that the person dealing with the accounting process understands the requirements, is kept up to date with changes including attending any training courses available. It is essential accurate records and relevant documents are kept.

Full information is contained in section 8 of this Guidance.