

Internal Audit Report
Education & Children's Service
Financial Management of Schools
Kinross High School 17-02(b)
August 2017

Final Report

Legal & Governance
Corporate and Democratic Services
Perth & Kinross Council
Council Offices
2 High Street
Perth
PH1 5PH

Internal Audit Report

Internal Audit

“Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”. Public Sector Internal Auditing Standards (PSIAS)

The Council’s Audit Committee approved the PSIAS as the relevant standard for its Internal Audit activity.

Background and Introduction

This audit was carried out as part of the audit plan for 2017/18, which was presented to the Audit Committee on 18 April 2017.

Financial Policies and Procedures have been prepared by the Education & Children’s Services (ECS) Finance Support Team. They provide the framework for financial management in establishments within the Service.

Kinross High School is a six year comprehensive school located within Loch Leven Community Campus.

Scope and Limitations

In order to arrive at an opinion on the achievement of the control objectives, the audit included interviews with the staff in ECS’s Finance Support Team and visits to Kinross High School to review and test Financial Policies and Procedures. Visits to the school took place during April 2017 and May 2017.

Control Objectives and Opinions

This section describes the purpose of the audit and summarises the results. A ‘control objective’ is a management objective that requires the maintenance of adequate and effective internal controls to ensure that it is achieved. Each control objective has been given a rating describing, on the basis of the audit work done, the actual strength of the internal controls found to be in place. Areas of good or poor practice are described where appropriate.

Control Objective: To ensure that the school is managed in accordance with the Financial Procedures as laid down by Education and Children’s Service.

Internal Audit Comments: The Council’s Financial Regulations are supplemented by ECS’s Financial Policies and Procedures which support financial management of schools and are published on Eric.

Professional Electronic Commerce on Line System (PECOS) is used for all Council ordering of goods and supply of services. Testing confirmed that purchases are being carried out in accordance with the procedural requirements.

The financial management information was up to date. Monthly monitoring statements were being prepared, reflecting the current budget, committed and spend to date with the projected outturn highlighting any over/under spends. These statements are reviewed by the Campus Business Manager, and the school’s financial management system is updated to reflect current spend and out turn.

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The petty cash was found to be held securely, controlled and authorised adequately with proof of purchases available for transactions; in accordance with procedural requirements.

At the time of the internal audit review the school was unable to provide a copy of the specific written procedures for the daily office routines/duties to be followed, for use in the event of unplanned staff absences. In addition the key handover sheet which is required to be completed during periods of staff absence had not been prepared.

Testing confirmed that there would be benefit in strengthening the arrangements in respect of the school fund committee.

The School Funds records were found to be segregated from other Council monies; with a separate bank account in operation.

ECS policies and procedures state that a School Funds annual Income and Expenditure Account with Movement in Reserves, and a Bank Reconciliation at 31 July must be prepared by 30 September each year. These documents are to be certified by a Finance Officer. At the time of the internal audit monthly reconciliation of the School Fund cashbook to the bank statements had not been carried out since March 2017 and the independent examination of the school fund records for 2015/16 had not taken place. Finance Officers subsequently visited the school and were able to confirm that appropriate reconciliations had been carried out and were now up to date and that an independent examination of the school funds had been carried out for 2015/16.

The school currently does not use the recommended school fund package. It has been agreed with the Finance Officers that this package will be installed and operational for the beginning of the next academic year.

Strength of Internal Controls:	Moderate
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Management Action and Follow-Up

Responsibility for the maintenance of adequate and effective internal controls rests with management.

Where the audit has identified areas where a response by management is required, these are listed in Appendix 1, along with an indication of the importance of each 'action point'. Appendix 2 describes these action points in more detail, and records the action plan that has been developed by management in response to each point.

It is management's responsibility to ensure that the action plan presented in this report is achievable and appropriate to the circumstances. Where a decision is taken not to act in response to this report, it is the responsibility of management to assess and accept the risks arising from non-implementation.

Achievement of the action plan is monitored through Internal Audit's 'follow up' arrangements.

Management should ensure that the relevant risk profiles are reviewed and updated where necessary to take account of the contents of Internal Audit reports. The completeness of risk profiles will be examined as part of Internal Audit's normal planned work.

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Acknowledgements

Internal Audit acknowledges with thanks the co-operation of Education and Children's Services Finance Support Team and the staff at Kinross High School during this audit.

Feedback

Internal Audit welcomes feedback, in connection with this audit or with the Internal Audit service in general.

Distribution

This report has been distributed to:

B Malone, Chief Executive

J Fyffe, Senior Depute Chief Executive, ECS (Equality, Community Planning and Public Service Reform)

S Devlin, Executive Director, Education & Children's Services

R Hill, Head of Education (Secondary & Inclusion)

S Johnston Head of Education (Early Years & Primary)

K McNamara, Head of Strategic Commissioning and Organisational Development

L Simpson, Head of Legal and Governance Services

G Taylor, Head of Democratic Services

S Mackenzie, Head of Finance

S Brown, Head Teacher and Campus Leader, Kinross High School

G Boland, Senior Business and Resources Manager

J Cockburn, Finance and Governance Manager

L Oswald, Assistant Finance Manager

External Audit

Authorisation

The auditor for this assignment was J O'Connor. The supervising auditor was M Morrison.

This report is authorised for issue:

Jacqueline Clark
Chief Internal Auditor
Date: 23 August 2017

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Appendix 1: Summary of Action Points

No.	Action Point	Risk/Importance
1	Internal procedures	Low
2	Security and Receipting	Low
3	School Funds – Committee Arrangements	Medium
4	School Funds – Accounts package	Medium
5	School Funds Independent Examinations	Medium

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Appendix 2: Action Plan

Action Point 1 - Internal Procedures

It was noted that there was a lack of documented internal procedures. Whilst staff are aware of their day to day duties, in the event of absence of a member of staff, the daily routines may not be followed in their entirety and as such, control checks may not be carried out correctly.

There is a risk that without the required level of guidance daily routines will not be carried out in an efficient manner particularly if there is an unplanned staff absence.

Management Action Plan

Daily routines will be documented providing clear actions to be taken in the event of the absence of a member of clerical staff.

Importance:	Low
Responsible Officer:	L Prentice, Campus Business Manager
Lead Service:	Education & Children's Services
Date for Completion (Month / Year):	March 2018
Required Evidence of Completion:	Documented daily routines

Auditor's Comments

Satisfactory

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Action Point 2 – Security and Receipting

Policies and procedures state that the transfer of keys during periods of staff absence should be controlled by a formal documented handover record signed by both parties. The service confirmed that such a handover document had not been prepared.

Management Action Plan

A documented handover record to be prepared and completed on each occasion when there is a transfer of keys

Importance:	Low
Responsible Officer:	L Prentice, Campus Business Manager
Lead Service:	Education and Children's Services
Date for Completion (Month / Year):	August 2017
Required Evidence of Completion:	Handover record.

Auditor's Comments

Satisfactory

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Action Point 3 – School Funds - Committee Arrangements

- 1) Although the school have an elected School Fund Committee with an up to date constitution, meetings are not held on a regular basis and do not present financial information as required by ECS Financial Policies and Procedures.
- 2) Furthermore, procedures require all committee members to read and adhere to the Financial Policy and Procedure for School Funds. A signed and dated declaration stating this by each member had not been completed.

Management Action Plan

- 1) School Fund Committee to hold at least quarterly meetings with the minutes of the previous meeting and the date of the next meeting being agreed at each meeting. A financial report to be presented at each meeting.
- 2) A signed and dated declaration to be prepared which states that all committee members have read and will adhere to the Financial Policy & Procedures for School funds

Importance:	Medium
Responsible Officer:	L Prentice, Campus Business Manager
Lead Service:	Education and Children's Services
Date for Completion (Month / Year):	1) March 2018 2) September 2017
Required Evidence of Completion:	1) Evidence that meetings are being held regularly and financial information is being presented at each meeting 2) Copy of signed declaration

Auditor's Comments

Satisfactory

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Action Point 4 – School Funds – Accounts Package

The school does not currently use the schools fund package which is recommended by Education & Children's Services. Finance officers have agreed with the school that this package will be installed for the beginning of the next academic year.

Management Action Plan

Education & Children's Services' recommended School Fund package will be installed and operational for the beginning of the next academic year.

Importance:	Medium
Responsible Officer:	C Palmer, Assistant Finance Manager
Lead Service:	Education and Children's Services
Date for Completion (Month / Year):	September 2017
Required Evidence of Completion:	Confirmation that the school package has been installed and is operational.

Auditor's Comments

Satisfactory

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Action Point 5 – School Funds – Independent Examinations

ECS policies and procedures state that an annual Income and Expenditure Account with Movement in Reserves, and a Bank Reconciliation at 31 July must be prepared by 30 September each year. In addition these documents are to be certified by a Finance Officer. As reported this had not been carried out at the time of the internal audit visit.

Management Action Plan

- 1) ECS Finance Officers to undertake a risk assessment of the financial management of schools. An outcome of this assessment will be the determination of the frequency of the Examination of School Funds. It is anticipated that an independent examination of all schools will be carried out over a 3 year rolling period.
- 2) Financial Procedures and Policies to be updated to reflect the above change.

Importance:	Medium
Responsible Officer:	C Palmer, Assistant Finance Manager
Lead Service:	Education and Children's Services
Date for Completion (Month / Year):	1) November 2017 2) December 2017
Required Evidence of Completion:	1) Outcome of risk assessment 2) Updated Procedures reflecting the change to the frequency of the Examination of School Funds

Auditor's Comments

Satisfactory