

Internal Audit Report



Internal Audit Report
Education & Children's Services
School Estate Strategy
18-11
November 2018

Final Report (Report No. 19/26)

Legal and Governance
Corporate and Democratic Services
Perth & Kinross Council
Council Offices
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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 2018/19, which was approved by the Audit Committee on 27 June 2018. Audit testing was carried out in September and October 2018.

Councils, as Education Authorities, have a statutory duty in terms of the Education (Scotland) Act 1980 to make adequate and efficient provision of school education across their entire area for the current school population and future pattern of demand.

The School Estate is a significant and valuable asset to the communities of Perth and Kinross. Between 2018 and 2028, the Council is planning to invest £175m in the school estate. This funding supports a wide range of projects. In addition, the new £32.5m Bertha Park High School will open in August 2019.

There are significant challenges for managing the School Estate over the coming years. These include changing demographics including population growth and movement, house building in certain locations, ongoing deterioration in building infrastructure, pressure on planned maintenance budgets, increasing revenue costs and the expansion of funded Early Learning and Childcare from 600 to 1140 hours.

Scope and Limitations

This audit considered the arrangements in place to ensure that the School Estate is planned for appropriately under the control objectives noted below.

The review consisted of analysis of documentation and interviews with relevant Officers within the Business & Resources team.

This audit did not seek to verify information relating to property maintenance and condition nor carry out in-depth analysis of the transformation programme or school contingency arrangements. These may be areas considered for future review.

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.

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Control Objective i: To ensure that there is a clear vision and strategy of how the School Estate is to be managed	
<p>Internal Audit Comments:</p> <p>A clear vision and strategy of how the School Estate is to be managed was set out within the draft School Estate Strategy (2012-2017) document, which was approved by the School Estate Sub-Committee in August 2012. This is referred to in all subsequent reports regarding School Estate planning.</p> <p>The School Estate Strategy document would now benefit from review as there have been a number of changes since it was written. These include updated governance and planning arrangements and emerging influential factors, such as the Tayside Regional Improvement Collaborative and the Scottish Government's vision for Early Learning and Childcare.</p> <p>Whilst there have been no changes to the overall vision for the School Estate, and changes to strategic delivery have been approved, review and update of the School Estate Strategy (2012-2017) document would provide clarity of current arrangements.</p>	
Strength of Internal Controls:	Moderately Strong

Control Objective ii: To ensure that consideration is given to appropriate matters, such as the condition, suitability and sufficiency of the school estate	
<p>Internal Audit Comments:</p> <p>The Service gathers information regarding suitability every 3 years, sufficiency bi-annually and maintains records for these, carrying out detailed analysis activity as required. Property Services gather and maintain records regarding property condition on a rolling programme.</p> <p>Information on all of these factors is collated and reported annually to the Scottish Government, through a Core Facts data return, in line with their requirements for reporting on the Scottish School Estate Strategy. New Core Facts data guidance has been issued in 2018 and the Service advises that there are plans in place to review this, alongside carrying out in-depth analysis regarding individual elements of an assets condition and suitability.</p> <p>Whilst Core Facts data is held and collated annually, the Service recognises that there may be benefit to documenting key information in one, easily accessible location such as SharePoint. This will aid transparency, specifically with regards to projects and prioritisation, and the Service advises they are working with Property colleagues to develop this. This is particularly pertinent in the absence of an up to date Service Asset Management Plan,(as referred to within Control Objective iii.)</p> <p>In 2016, Lifelong Learning Committee (LLC) approved commencement of a School Estate Transformation review to carry out an in depth review of assets which did</p>	

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not conform to a minimum set of principles. These were in relation to condition, suitability, sufficiency and those with life expired buildings¹. This review is ongoing and outcomes are being reported through LLC.

Changes were made to the Education & Childrens Services' composite capital budget in 2018, with a number of programmes being amalgamated into an overarching programme entitled 'Investment in the School Estate'. An updated business case requires to be developed to formalise these new arrangements. That withstanding, an initial review of high level plans would indicate that the Service is continuing to consider capital spend allocation based on the approved transformation review principles.

Strength of Internal Controls:	Moderately Strong
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Control Objective iii: To ensure that there are robust governance arrangements in place and operating effectively for school estate planning

Internal Audit Comments:

The current governance arrangements with regards to the entire school estate planning are under review. There is evidence that the Service is working to streamline and update governance arrangements and create a more cohesive approach to planning with Property Services.

However, there are still some areas where further consideration may be beneficial. These include: a review of governance and reporting arrangements arising from the amalgamation of the School Estate Sub-Committee and Property Sub-Committee; and updating the Service Asset Management Plan, incorporating the School Estate Management Plan to ensure that Lifelong Learning Committee receive information on the overall position of the School Estate on a frequent basis.

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. These will also be monitored via the follow up arrangements.

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.

¹ Life expired buildings are defined as buildings which are uneconomic to maintain.

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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.

Acknowledgements

Internal Audit acknowledges with thanks the co-operation of C Taylor, Service Manager and members of the ECS Resource Management Team 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:

K Reid, Chief Executive

J Valentine, Depute Chief Executive

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

G Boland, Senior Business & Resources Manager

C Taylor, Service Manager (Resource Management)

L Simpson, Head of Legal & Governance

S Mackenzie, Head of Finance

External Audit

Authorisation

The auditor for this assignment was L Ferguson. The supervising auditor was M Morrison.

This report is authorised for issue:

Jacqueline Clark

Chief Internal Auditor

Date: 11 December 2018

Appendix 1: Summary of Action Points

No.	Action Point	Risk/Importance
1	School Estate Strategy Update	Medium
2	Assets Register	Medium
3	Business Case Development	Medium
4	Governance Arrangements	High

Appendix 2: Action Plan

Action Point 1 - School Estate Strategy Update

A draft School Estate Strategy was approved in 2012 to cover arrangements from 2012-2017, with a requirement that a finalised version be submitted to Committee.

The Strategy review frequency was also noted as annual.

The draft strategy document has not been updated since 2012. In subsequent years there have been a number of changes to the governance arrangements, forward planning processes and influencing factors.

This document may therefore benefit from review to provide clarity and formalise the current arrangements and to establish an appropriate review frequency for the future.

Management Action Plan

The Service will review the School Estate Strategy (2012-2017) document to ensure that strategic developments, governance arrangements and relevant influential factors and challenges are documented and align with the vision for managing the School Estate. This will include liaison with appropriate Council Services regarding any legislative changes. A finalised document will be submitted for approval by the Lifelong Learning Committee.

Risk/Importance:	Medium
Responsible Officer:	C Taylor, Service Manager (Resource Management)
Lead Service:	Education and Children's Services
Date for Completion (Month / Year):	August 2019
Required Evidence of Completion:	Updated School Estate Strategy Minutes of Committee showing approval

Auditor's Comments

Satisfactory

Action Point 2 - Assets Register

There are documents held between Property Services and the Resource Management Team, which together form a clear picture of the asset base. These are collated and reported annually to the Scottish Government.

However, there is no master asset register which contains all this information centrally, thus providing a complete overview of the School Estate and all works planned and underway at any given time. Creation of such a register would assist in enhancing transparency, specifically with regards to prioritisation rationale.

The Service has advised that they are currently working with Property Services to develop such a register. This will link into the annual Service Asset and School Estate Management Plan (SEMP).

Management Action Plan

The Service initiated this project in September 2018. Plans are in place to develop the Property Management System, Concerto, to allow for information on suitability to be held alongside Property Information. Further to this, development will take place to allow auto-generation of information through the systems reporting features.

As it is appreciated that this project may take some time to develop, the Service will create a master assets register in the meantime, which will be updated annually (or sooner as required) to facilitate completion of the SEMF.

Risk/Importance:	Medium
Responsible Officer:	E Gilruth, Team Leader (Asset Management Team)
Lead Service:	Education and Children's Services
Date for Completion (Month / Year):	June 2019
Required Evidence of Completion:	Completed Register

Auditor's Comments

Satisfactory

Action Point 3 - Business Case Development

In 2018, a number of the school-related Education and Children's Services programmes being progressed through the composite capital budget were amalgamated into an overarching programme entitled 'Investment in the School Estate'.

This new programme will include prioritisation of capital works required to deliver options approved as part of the school estate transformation review.

A business case has yet to be developed to formally document the full scope of the programme priorities.

Management Action Plan

The Service will develop a business case outlining the Investment in the School Estate programme, aims and priorities. This will be submitted for approval to the appropriate Committee.

Risk/Importance:	Medium
Responsible Officer:	E Gilruth, Team Leader (Asset Management Team)
Lead Service:	Education and Children's Services
Date for Completion (Month / Year):	October 2019
Required Evidence of Completion:	Approved Investment in the School Estate Business Case

Auditor's Comments

Satisfactory

Action Point 4 - Governance Arrangements

Whilst it is recognised that the Service is reviewing the current governance arrangements for planning and managing the School Estate, Internal Audit noted some areas where further clarification of arrangements may be beneficial, namely:

There is scope for the Service to consider the implications of the governance and reporting arrangements to the relevant Council Committee following the merger of the School Estate Sub-Committee with the Property Sub-Committee in 2017. Furthermore, governance structures could be developed further to assist in demonstrating inter-linkages between Committees and Boards.

The annual Service Asset Management Plan (SAMP), incorporating the School Estate Management Plan (SEMP), is identified within the School Estate Strategy and subsequent documents as being a key component to planning for the school estate. The SAMP provides Lifelong Learning Committee (LLC) with information on the overall position of the property assets used by Education and Children's Services to deliver services, alongside setting out developments which have been achieved and outlining future plans. However, since the commencement of the transformation review in 2016, a SAMP has not been completed. LLC has only received specific reports pertaining to individual schools and has not been provided with a recurrent overview of all matters relevant to planning for the school estate.

On the basis of the above, the Service may wish to review the frequency and purpose of information being communicated to the Property Sub-Committee and the re-introduction of a cyclical Service Asset Management Plan (or similar) to ensure LLC receive suitable information with regards to the School Estate.

Management Action Plan

1. The Service is reviewing reporting and approval arrangements as part of review of Governance structures, which will address the matters raised above.
2. Service Asset Management Plan will be updated and reported to Lifelong Learning Committee.

Risk/Importance:	High
Responsible Officer:	C Taylor, Service Manager (Resource Management)
Lead Service:	Education and Children's Services
Date for Completion (Month / Year):	1. March 2019 2. November 2019
Required Evidence of Completion:	Governance review outcome, including reference to Committees Approved SAMP

Auditor's Comments

Satisfactory

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