



Internal Audit Report
Education & Children's Service
Financial Management of Schools
Perth Academy 17-02(a)
May 2017

Final Report

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

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)

On 27th March 2013, 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.

Perth Academy is one of the oldest schools in Scotland, situated at Viewlands serving secondary pupils within a small catchment area.

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 Perth Academy 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.
Audit Comments: The Council’s Financial Regulations are supplemented by Education & Children’s Services, Financial Policies and Procedures which support financial management of schools and are published on Eric. Audit review highlighted that some of the Financial Policies and Procedures would benefit from being reviewed and updated to reflect current good practices.
The school did not have specific written procedures for the daily office routines/duties to be followed, for use in the event of unplanned staff absences. However, the service advised that procedures were being progressed.
Professional Electronic Commerce on Line System (PECOS) is used for ordering goods and services. Audit confirmed that purchases were carried out in accordance with procedural requirements

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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 Business Manager, and the school's financial management system is updated to reflect current spend and out turn.

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.

The ECS finance support team carried out a School Fund compliance visit at Perth Academy in April 2017. The visit confirmed that financial policies and procedures were, overall being adhered to in respect of School Funds. ECS finance has confirmed that the actions arising from the compliance visit have since been completed.

Audit confirmed that overall the school is being managed well and in accordance to the available/published ECS Financial Policies and Procedures.

Strength of Internal Controls:	Moderately Strong
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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.

Acknowledgements

Internal Audit acknowledges with thanks the co-operation of Education and Children's Services Finance Support Team and the staff at St Johns RC Academy during this audit.

Feedback

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

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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, 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 Services

J Lothian, Rector, Perth Academy

G Boland, Senior Business and Resources Manager

J Cockburn, Finance and Governance Manager

G Taylor, Head of Democratic Services

J Symon, Head of Finance

M Mitchell, Corporate Procurement 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:

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Appendix 1: Summary of Action Points

No.	Action Point	Risk/Importance
1	Internal procedures	Low
2	Financial Policies & Procedures	Low

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:	C Leishman, Business Manager
Lead Service:	Education & Children's Services
Date for Completion (Month / Year):	August 2017
Required Evidence of Completion:	Documented daily routines

Auditor's Comments

Satisfactory

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Action Point 2 – Financial Policies & Procedures

Audit review highlighted that the Financial Policies and Procedures would benefit from being updated to reflect current financial regulations.

In addition, there is scope to review and revise procedures in respect of grants, inventory, insurance and purchases of supplies and services to reflect current good practises.

Management Action Plan

- a) The Financial Policies and Procedures will be reviewed and updated to reflect the current financial regulations and the updated procedures detailed below
- b) Procedures in respect of grants and inventory will be reviewed and updated
- c) Procedures in respect of insurance will be reviewed and updated
- d) Procedures in respect of purchases of supplies and services will be reviewed and updated.

Importance:	Low
Responsible Officer:	a) and b) L Oswald, Assistant Finance Manager c) B Wilson, Senior Corporate & Insurance Claims Officer d) L Prentice, Project Manager (Procurement)
Lead Service:	a) and b) Education and Children's Services c) and d) Corporate and Democratic Services
Date for Completion (Month / Year):	a) and b) July 2017 c) and d) June 2017
Required Evidence of Completion:	a),b) c) and d)Updated Financial Policies and Procedures

Auditor's Comments

Satisfactory