



Internal Audit Report
Education & Children's Service
Financial Management of Through Schools
St Johns RC Academy Assignment No.16-06(b)
October 2016

Final Report

Finance Division
Corporate and Democratic Services
Perth & Kinross Council
Blackfriars Development Centre
North Port
Perth PH1 5LU

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 2016/17, which was approved by the Audit Committee on 30 March 2016.

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.

St John’s RC Academy – which came into existence in 2009 with the merger of St John’s Primary and St Columba’s High School – is a Catholic, all through school. The school is situated within North Inch Community Campus, and provides education for children and young people from Nursery through to Secondary, from ages 2 to 18.

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 St Johns RC Academy to review and test Financial Procedures. Visits to the school took place during August 2016

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: 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 confirmed that overall the school is well managed in accordance with financial procedures.

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 school does not have specific written procedures for the daily office routines/duties to be followed, for use in the event of unplanned staff absences. However they do operate an effective system involving job rotation; annually rotating roles and responsibilities for administrative tasks to ensure staff maintain an understanding of each of the job roles.

Professional Electronic Commerce on Line System (PECOS) is used for ordering goods and services.

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

Testing revealed that although there is an inventory list it is not kept up to date. Furthermore, items were not marked as property of Perth & Kinross Council as per procedural requirements.

Testing confirmed that financial policies and procedures were where possible being adhered to in respect of School Funds. From October the school participated in the piloting of a new financial package which was subsequently abandoned in January. As a consequence the school's fund cashbook was not reconciled to the bank statements as required. ECS finance support team have provided assistance during this period and bank reconciliations were carried out in June and September.

Although there is a booking system in place in respect of the school's 33 laptops there is scope to improve the security arrangements that are currently in place.

At the time of the audit, cancelled cheques were not being retained. The school advised that all cancelled cheques were now being retained in accordance with procedures.

Strength of Internal Controls:

Moderately Strong

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

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'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. Appendix 3 lists issues identified during the audit, which would benefit from attention, but are considered to be out-with the scope. This 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.

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 from management, 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)

J Walker, Depute Chief Executive, HCC (Corporate and Community Development Services) and Chief Operating Officer

S Devlin, Director, Education & Children's Services

R Hill, Head of Education (Secondary and Inclusion)

S Johnston Head of Education (Early Years & Primary)

K McNamara, Head of Strategic Commissioning and Organisational Development

J Symon, Head of Finance

L Simpson, Head of Legal Services

SP Hagney, Campus Leader/Headteacher,

G Boland, Senior Business and Resources Manager

J Cockburn, Finance and Governance Manager

G Taylor, Head of Democratic Services)

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P Dickson, Complaints & Governance Officer
KPMG

Authorisation

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

This report is authorised for issue:

M Morrison

Senior Internal Auditor

Date: 31 October 2016

Appendix 1: Summary of Action Points

No.	Action Point	Risk/Importance
1	Internal procedures	Low
2	Inventory	Low
3	Laptop security	Low
4	Cancelled cheques	Low

Appendix 2: Action Plan

Action Point 1 - Internal Procedures

It was noted that there was a lack of documented internal procedures relating to financial management. 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 relating to financial management to be documented so that it is clear what actions are to be taken in the event of the absence of a member of clerical staff.

Importance:	Low
Responsible Officer:	S McIntosh, Business Manager
Lead Service:	Education & Children's Services
Date for Completion (Month / Year):	March 2017
Required Evidence of Completion:	Documented daily routines

Auditor's Comments

Satisfactory

Appendix 2: Action Plan

Action Point 2 - Inventory

Education & Children's Services, Financial Policies and Procedures require all Council establishments to maintain an asset inventory listing; recording items of equipment held in the establishment with a purchase price of £100 or more. The list should act as a key control for assets purchased, transferred and disposed of.

Testing revealed that the inventory listing in place was not kept up to date, in that an updated entry is not made when a transaction occurs altering the Inventory e.g. the purchase of equipment, an item being transferred to or from another base and/or the disposal of an item.

Furthermore, items were not marked as property of Perth & Kinross Council as per procedural requirements.

Management Action Plan

- 1) An updated Inventory List will be compiled in accordance with the Financial Policies and Procedures.
- 2) All items to be checked to ensure that council property is appropriately identified

Importance:	Low
Responsible Officer:	S McIntosh, Business Manager
Lead Service:	Education & Children's Services
Date for Completion (Month / Year):	March 2017
Required Evidence of Completion:	1) Updated Inventory 2) Confirmation that items have all been checked

Auditor's Comments

Satisfactory

Action Point 3 – Laptop Security

Education & Children's Services, Financial Policies and Procedures require the Establishment Manager / Budget Manager to ensure that reasonable precautions are taken for the security and safekeeping of Inventory items.

North Inch Community Campus library stores 33 laptops for use throughout the school. Although there is a booking system in place, testing revealed that it was not normal practise to sign out the item and/or sign and date when it is returned. In addition no checks are carried out to ensure that laptops have been returned to the library.

Management Action Plan

The security arrangements in place will be reviewed, ensuring that laptops are signed in and out and returned to the library and reconciled on a regular basis.

Importance:	Low
Responsible Officer:	S McIntosh, Business Manager
Lead Service:	Education & Children's Services
Date for Completion (Month / Year):	March 2017
Required Evidence of Completion:	Review of security arrangements and copy of reconciliation

Auditor's Comments

Satisfactory

Action Point 4 – Cancelled Cheques

Testing highlighted four occasions whereby a cheque had been completed and then cancelled, without being retained. To minimise the risk of fraudulent use and/or the account being misused, cancelled cheques should be defaced and retained.

Management Action Plan

School has confirmed that all cancelled cheques are now retained.

Importance:	Low
Responsible Officer:	S McIntosh, Business Manager
Lead Service:	Education & Children's Services
Date for Completion (Month / Year):	Completed
Required Evidence of Completion:	Copies of cancelled cheques

Auditor's Comments

Satisfactory

Appendix 3: Action Plan

Action Point 5 - Disposal of non IT equipment

It was noted during the audit that the school was unaware of the appropriate procedures to follow when disposing of non IT equipment.

Management Action Plan

School to ensure that all staff are made aware of the appropriate procedures to follow when disposing of non IT equipment.

Importance:	Low
Responsible Officer:	S McIntosh, Campus Business Manager
Lead Service:	Education & Children's Services
Date for Completion (Month / Year):	November 2016
Required Evidence of Completion:	Confirmation that staff have been made aware of the appropriate procedures

Action Point 6 - Additional Finance Training

The head teacher indicated during the audit that he would like additional finance training to be provided to both himself and his senior leadership team.

Management Action Plan

The finance support team have been in contact with the school and will arrange for the requested training to be delivered after the October holidays

Importance:	Low
Responsible Officer:	P Anderson, Assistant Finance Manager
Lead Service:	Education & Children's Services
Date for Completion (Month / Year):	June 2017
Required Evidence of Completion:	Confirmation that training has been delivered