



Internal Audit Report
Education and Children's Services,
Education: Secondary & Inclusion
13-11(a) Pitlochry School
August 2013

Final Report

Chief Executive's Service
Finance Division
Perth & Kinross Council
2 High Street
Perth PH1 5PH

Background and Introduction

This assignment forms part of the Internal Audit plan for 2013/2014, as approved by Audit Committee on 27th March 2013.

Education & Children's Services provides the financial framework and guidance for All-through schools. This framework and regulations are included within the services Financial Policies and Guidelines. They provide the framework for financial management in establishments within the Service. The auditor used questionnaires developed by the Finance Support Team for use in its programme of control visits to schools, to establish the prevailing level of control.

This report details the findings in relation to Pitlochry School. Visits to the school took place during July and August 2013.

Acknowledgements

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

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.

The scope of this audit did not include a review of the Education & Children's Services financial policies and guidance as these were covered in the previous audit of primary schools.

Control Objective: To ensure that All-through schools are managed in accordance with the Financial Procedures as laid down by Education and Children's Services (ECS).

Auditor's Comments: The Council's Financial Regulations are supplemented by ECS operational regulations with the ECS Financial Policies and Guidelines detailing the procedural control for the financial management of schools.

Testing confirmed that the financial management information was up to date. The school receives monthly monitoring statements which reflect the current budget, spend to date and 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.

There are adequate controls in place for petty cash, PECOS is used to order goods and services, and the school is in the process of preparing an inventory.

There is evidence to suggest that the ECS procedural guidelines in respect of school funds are being followed, however in respect of school trips, there were instances where the supporting documentation was not fully reconciled to the financial statements. In addition in respect of nursery snack funds, testing

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confirmed that there was a lack of clarity as to whether snack funds were always being used to fund snacks, as opposed to equipment and other items for the children.

The ECS meal return administration procedures state that there is no requirement to complete the school meals return form (SMR1), however testing confirmed that the school still completes these forms.

Strength of Internal Controls:

Moderate

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. Appendix 3 lists minor issues which do not form part of the Action Plan as they are considered to be very low risk or would result in duplication. They were drawn to the attention of management during the audit.

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.

Feedback

Internal Audit welcomes feedback from management, 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, Executive Director (Education & Children's Services)

B Atkinson, Depute Director (Education & Children's Services)

P McAvoy, Head of Education (Secondary & Inclusion)

J Symon, Head of Finance

T Pupillo, Pitlochry School Head Teacher

L Edwards, Pitlochry School Business Manager

G Boland, Senior Business & Resources Manager

J Cockburn, Finance and Governance Manager

G Taylor, Head of Democratic Services

P Dickson, Complaints & Governance Officer

External Audit

Authorisation

The auditor for this assignment is M Morrison. The supervising auditor is J Clark.

This report is authorised for issue:

Jacqueline Clark

Chief Internal Auditor

Date: 28 August 2013

Appendix 1: Summary of Action Points

No.	Action Point	Risk/Importance
1	Inventory	Low
2	School Funds - Bank Statements	Low
3	School Funds - Record Keeping	Medium
4	School Funds – Nursery Snacks	Medium
5	School Funds - Snack Fund	Low
6	Meal Return Administration Procedures	Low

Appendix 2: Action Plan

Action Point 1 - Inventory

Education and Children's Services Financial Policies and Guidelines state that the Budget Manager should ensure that an Inventory List is prepared for their area of responsibility. The Inventory should list each item of equipment held in the establishment with a purchase price of £100 or more.

A list was in the process of being compiled at the time of the auditor's visit.

In the absence of a complete list there is a risk that the council's assets records are not up to date, accurate or secure.

Management Action Plan

The Business Manager will complete an inventory list for the school. This will include maintaining a record of items which are removed and subsequently returned to the school.

Importance:	Low
Responsible Officer:	L Edwards, Business Manager, Pitlochry School
Lead Service:	Education and Children's Services
Date for Completion (Month / Year):	Completed
Required Evidence of Completion:	Inventory List

Auditor's Comments

Satisfactory

Action Point 2 - School Funds Bank Statements

Education and Children's Services Financial Policies and Guidelines state that a separate bank account must be operated for school funds. It was noted that one of the bank accounts did not state that it related to school funds.

There is a risk funds may be misinterpreted as Council funds if bank accounts are not set up clearly detailing their purpose as school funds.

Management Action Plan

The bank account which is not clearly designated for school funds has been closed and funds transferred into school fund's bank account.

Importance:	Low
Responsible Officer:	T Pupillo, Pitlochry School Head Teacher
Lead Service:	Education and Children's Services
Date for Completion (Month / Year):	Completed
Required Evidence of Completion:	Documentation confirming account has been closed

Auditor's Comments

Satisfactory

Action Point 3 - School Funds Record Keeping

Education and Children's Services Financial Policies and Guidelines state that when a specified sum is requested as a parental contribution towards for example a school trip, a financial statement should be prepared at the end of the trip. The auditor was able to confirm that financial statements were being prepared. However, in some instances the supporting documentation was not fully reconciled.

Management Action Plan

An officer will be appointed for each school trip in respect of finance and separate statements for each trip will be prepared and reconciled on a monthly basis.

Importance:	Medium
Responsible Officer:	L Edwards, Business Manager, Pitlochry School
Lead Service:	Education and Children's Services
Date for Completion (Month / Year):	October 2013
Required Evidence of Completion:	Sample of monthly reconciliations

Auditor's Comments

Satisfactory

Action Point 4 – School Funds – Nursery Snacks

Education and Children's Services Financial Policies and Guidelines state that if parents are asked to make contributions to the snack fund, monies raised should only be spent on food given to the children. The school operates two accounts, a nursery account and a nursery snack account. There was a lack of clarity as to what the contributions to these two accounts were being used for.

Management Action Plan

The school will provide information to parents advising them of how their contribution is being spent.

Importance:	Medium
Responsible Officer:	L Edwards, Business Manager, Pitlochry School
Lead Service:	Education and Children's Services
Date for Completion (Month / Year):	Completed
Required Evidence of Completion:	Inclusion in nursery handbook for 2013/14

Auditor's Comments

Satisfactory

Action Point 5 – School Funds – Snack Fund

Education and Children's Services Financial Policies and Guidelines state that ideally no surplus of income over expenditure should be allowed to build up on the snack fund, but if it does this should be reduced by giving a 'free' week or by reducing the charge until the surplus is spent. Testing confirmed that the balance had built up to £232.69 at end of June 2013

Management Action Plan

The Business Manager will ensure that the balance is reduced and subsequently maintained at an appropriate level.

Importance:	Low
Responsible Officer:	L Edwards, Business Manager, Pitlochry School
Lead Service:	Education and Children's Services
Date for Completion (Month / Year):	August 2013
Required Evidence of Completion:	Complete

Action Point 6 – Meal Return Administration Procedures

Education and Children's Services Financial Policies and Guidelines state that Daily Reconciliation Reports be prepared and e-mailed weekly to ECS catering support and Tayside Contracts. There is no requirement in the procedures to complete the return 'SMR1'. However testing confirmed that these forms were being completed on a weekly basis resulting in duplication of work.

Management Action Plan

The Catering Services Manager will advise Tayside Contracts that it is not necessary to complete SMR1s.

Importance:	Low
Responsible Officer:	S Farrer, Catering Services Manager
Lead Service:	Education and Children's Services
Date for Completion (Month / Year):	August 2013
Required Evidence of Completion:	Copy of correspondence to Tayside Contracts

Appendix 3: Minor Issues

3.1 School Fund Bank Balances

Consideration should be given to using interest bearing bank accounts to secure best value.

