



Internal Audit Report
Education and Children's Services,
Education: Early Years & Primary
15-16 (b) City of Perth Early Childhood Centre
December 2015

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 2015/16, which was approved by the Audit Committee on 1 April 2015.

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

This report details the findings in relation to City of Perth Early Childhood Centre, which was visited during November and December 2015

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 Education & Children’s Service’s Finance team. Visits will be made to the City of Perth Early Childhood Centre to review and test Financial Procedures

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 early childhood centre is managed in accordance with the Financial Policies & Procedures as laid down by Education & Children’s Service.

Auditor’s Comments: The Council’s Financial Regulations are supplemented by Education and Children’s Services operational regulations with the ECS Financial Policies and Procedures detailing the procedural control for the financial management of schools. The Financial Policies & Procedures are in the process of being updated to reflect best practice.

Testing confirmed that the financial management information was up to date in that the school prepares monthly monitoring statements which reflect the current budget, spend to date and the projected outturn highlighting any over/under spends.

There are adequate controls in place for petty cash and school meals income.

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Pecos is used to order goods and services, however the school had not prepared an inventory, nor are there any site specific procedures.

School funds for the current year were independently examined. Service procedures state that the school fund committee should meet at least on a quarterly basis, however at the time of the audit the committee had only met once. The centre leader is aware of this oversight and will ensure that the procedures in respect of the school fund committee are adhered to.

Strength of Internal Controls:

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 '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 City of Perth Early Childhood Centre during this audit.

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, Senior Depute Chief Executive, ECS (Equality, Community Planning and Public Sector Reform)

S Devlin, Director of Education and Children's Services

J Clow, Acting Head of Education (Early Years and Primary)

J Symon, Head of Finance

G Laird, Centre Leader City of Perth Early Childhood Centre

G Boland, Senior Business and Resources Manager

J Cockburn, Finance and Governance Manager

G Taylor, Head of Democratic Services

P Dickson, Complaints & Governance Officer

External Audit

Authorisation

The auditors for this assignment were J O'Connor and M Morrison. The supervising auditor was J Clark.

This report is authorised for issue:

Jacqueline Clark

Chief Internal Auditor

Date: 23 December 2015

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Appendix 1: Summary of Action Points

No.	Action Point	Risk/Importance
1	Inventory	Low
2	Internal Procedures	Low
3	School Funds Committee	Low

Appendix 2: Action Plan

Action Point 1 - Inventory

Education and Children's Services Financial Policies and Procedures 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 had not been prepared at the time of the audit. There is therefore a risk that the council's assets records are not up to date, accurate or secure.

Management Action Plan

A complete Inventory List will be compiled in accordance with the Financial Policies and Procedures.

Importance:	Low
Responsible Officer:	G Laird, Centre Leader
Lead Service:	Education and Children's Service
Date for Completion (Month / Year):	March 2106
Required Evidence of Completion:	Inventory List

Auditor's Comments

Satisfactory

Action Point 2 - Internal Procedures

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

There is a risk that without the required level of procedures 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 so that it is clear what actions are to be taken in the event of the absence of the clerical member of staff.

Importance:	Low
Responsible Officer:	G Laird, Centre Leader
Lead Service:	Education and Children's Service
Date for Completion (Month / Year):	March 2016
Required Evidence of Completion:	Documented daily routines

Auditor's Comments

Satisfactory

Action Point 3 - School Funds Committee

Service guidance states that the school fund committee should meet at least on a quarterly basis, however at the time of the audit the committee had only met once which was in September 2015.

Management Action Plan

The Centre Leader was aware of this oversight and will ensure that the procedures in respect of the school fund committee are adhered to.

Importance:	Low
Responsible Officer:	G Laird, Centre Leader
Lead Service:	Education and Children's Service
Date for Completion (Month / Year):	March 2016
Required Evidence of Completion:	Minutes of the next school funds committee meeting

Auditor's Comments

Satisfactory