



ABERDEEN

CITY COUNCIL

Internal Audit Report

Education and Children's Services

Primary Schools

Issued to:

Gayle Gorman, Director of Education and Children's Services
Richard Ellis, Interim Depute Chief Executive (Director of Corporate Governance)
Euan Couperwhite, Head of Policy, Performance and Resources
Steven Whyte, Head of Finance
External Audit

EXECUTIVE SUMMARY

The Council has 47 primary schools, 42 of which have early years provision. An audit of four primary schools was undertaken.

The objective of the audit was to consider whether income and expenditure, payroll records, inventories, and computer security are adequately controlled and completed.

There were areas of non-compliance and poor administrative practices identified at each of the schools visited and these are detailed in the report. Areas identified for improvement included cash collection, cash security, procurement practices, use of school funds, nursery milk grant claims, and banking of Council income.

1. INTRODUCTION

- 1.1 The Council has 47 primary schools, 42 of which have early years provision.
- 1.2 Accountancy staff within the Finance Service undertake regular school visits to provide support with devolved budget monitoring, including staffing, petty cash and purchase card expenditure. Internal Audit has placed reliance on this ongoing review process and therefore the focus of this audit review has been on areas out with the Accountancy remit.
- 1.3 The objective of the audit was to consider whether income and expenditure, payroll records, inventories, and computer security are adequately controlled and completed.
- 1.4 An audit of four primary schools was undertaken.
- 1.5 At the end of each visit, a meeting was held with the Head Teacher to discuss the findings for the individual school, along with any recommendations for improvement. These meetings were then followed up with memos detailing the recommendations and requesting details of planned actions and implementation dates where appropriate.
- 1.6 The factual accuracy of this report and action to be taken with regard to the recommendations made has been agreed with Euan Couperwhite, Head of Policy, Performance and Resources.

2. FINDINGS AND RECOMMENDATIONS

2.1 Financial Procedures / Training

2.1.1 As a result of recommendations made in Internal Audit report AC1605 Secondary Schools, the Service scheduled a series of training events covering financial and procurement policies and procedures. Finance and Procurement officers delivered this training to all Head Teachers and senior administrative staff from each secondary and primary school.

2.1.2 To address the majority of other recommendations within the same audit, the Service has issued a number of circulars to all Education establishments. One recommendation affecting primary schools, relating to the preparation of a detailed finance/administrative procedures manual is due for completion in January 2017. Administrative staff at the schools visited indicated that this would provide a consistent standardised approach for all schools and provide useful training material for new staff.

2.2 Compliance

2.2.1 During the audit visits to the sample schools, transactions within the financial year 2016-17 were reviewed. Where circulars have been issued to cover areas for improvement, this audit report has not duplicated any recommendations made, but work was done to confirm that the schools have now implemented those improvements.

2.2.2 The following areas covered in Internal Audit report AC1605 Secondary Schools were identified during the course of this audit as having not been fully addressed:

- Issuing of receipts for monies received on behalf of the Council (subject to a de minimus of £5).
- Receipting of income passed between staff.
- Two responsible adults counting monies where there is no supporting documentation on receipt e.g. charity collections.
- Income returns being submitted with money passed to the school office to be banked.
- Retaining income overnight in the school safe rather than class rooms.
- Purchase orders not being raised as required.
- Following Procurement guidance note 4A where non-contract spend is incurred.
- Completion of a full and current inventory.
- Each school having a school fund constitution.
- Avoiding overpayment of VAT by processing invoices through the Per-Capita budget where required rather than the school fund.
- Maintaining a complete and up to date school fund cash book.
- Avoiding staff social funds being managed through the school fund.
- Depositing Council income e.g. nursery snack, direct to the Council's bank account, rather than via the school fund.

2.2.3 Whilst it is acknowledged that the circulars and financial training have only been completed recently, confirmation that the actions required have been implemented is not received from schools. Therefore, there is no assurance that recommendations for improvement have been considered and implemented. To provide this assurance and allow schools to provide feedback regarding their ability to comply in specific areas, the Service should consider the use of an annual assurance / compliance check list.

Recommendation

The Service should consider introducing an annual checklist for issue to, and completion by, all Education establishments covering finance / administration requirements.

Service Response / Action

Agreed. An annual checklist will be issued to all schools for completion and return for analysis by appropriate staff.

Implementation Date

August 2017

Responsible Officer

Co-ordinator: Devolved
School Management

Grading

Significant within audited
area

2.3 Nursery Milk

- 2.3.1 All nurseries provide free milk to pupils attending. In the financial year 2015/16 this cost the Council approximately £71,000. The Department of Health, through the Nursery Milk Reimbursement Unit (NMRU) reimburse registered childcare providers for the cost of providing this milk. Claims are made through a web based online claim form monthly. However, the Council has not made any claim since 2007.

Recommendation

The Service should reregister with the NMRU and claim grant monies available.

Service Response / Action

Agreed. Education and Children's Services will liaise with colleagues from the Catering Service of Facilities Management to ensure that the Council is re-registered with NMRU and appropriate claims for re-imburement are made.

Implementation Date

March 2017

Responsible Officer

Head of Policy,
Performance & Resources

Grading

Significant within audited
area

2.4 Nursery Snack Income

- 2.4.1 Financial Regulation 5.20 requires that "Money due to the Council shall not be paid into any voluntary fund, either permanently or temporarily." This includes funds paid into the school fund which are due to the Council.
- 2.4.2 For the financial year 2015/16, 7 Nurseries within Primary Schools showed a deficit on snack transactions where snack income was initially transferred to the school fund and expenditure was incurred in the Council's Per Capita budget. Of these, 5 would have lost part of their carry forward balance totalling approximately £8,400, if the income had been paid into the Per Capita budget, as they would have exceeded their allowed carry forward balance.
- 2.4.3 Two of the nurseries had exceeded their devolved budget for the financial year and this was written off by the Head of Service. This write off would have been reduced by £1,721 if the snack money had been paid into the Per Capita budget.

Recommendation

Schools should be reminded of Financial Regulations relating to banking of Council income.

Service Response / Action

Agreed. The Service will issue a Circular to all schools which reminds them of the need to comply with all elements of the Financial Regulations, including the banking of Council income.

Implementation Date

March 2017

Responsible Officer

Co-ordinator: Devolved
School Management

Grading

Significant within audited
area

AUDITORS: D Hughes
A Johnston
G Flood

Appendix 1 – Grading of Recommendations

| GRADE | DEFINITION |
|--|--|
| Major at a Corporate Level | The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss, or loss of reputation, to the Council. |
| Major at a Service Level | <p>The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss to the Service/area audited.</p> <p>Financial Regulations have been consistently breached.</p> |
| Significant within audited area | <p>Addressing this issue will enhance internal controls.</p> <p>An element of control is missing or only partial in nature.</p> <p>The existence of the weakness identified has an impact on a system’s adequacy and effectiveness.</p> <p>Financial Regulations have been breached.</p> |
| Important within audited area | Although the element of internal control is satisfactory, a control weakness was identified, the existence of the weakness, taken independently or with other findings does not impair the overall system of internal control. |