

## Internal Audit Final Report

Education & Learning Service

Secondary School

Description	Priority	No.
Major issues that managers need to address as a matter of urgency.	High	3
Important issues that managers should address and will benefit the Organisation if implemented.	Medium	0
Minor issues that are not critical but managers should address.	Low	0

### Distribution:

Head Teacher  
Area Education & Learning Manager  
ECO Education & Learning  
Head of Support Services, Education & Learning  
Audit Scotland

### Audit Opinion

The opinion is based upon, and limited to, the work performed in respect of the subject under review. Internal Audit cannot provide total assurance that control weaknesses or irregularities do not exist. It is the opinion that **Reasonable Assurance** can be given in that whilst the system is broadly reliable, areas of weakness have been identified which put some of the system objectives at risk, and/ or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

**Report Ref:** HEL03/002  
**Draft Date:** 26/07/23  
**Final Date:** 14/09/23

## 1. Introduction

- 1.1 An unannounced visit to the school was carried out on 03/05/23 following concerns that had been raised during a grievance investigation. As the school's Admin Assistant was absent on sick leave on the day of the initial visit a second visit took place on 16/05/23. The audit was based on discussions with the Head Teacher, Admin Assistant and the Area Facilities Management (FM) Supervisor. While some records were examined during the audit, in-depth testing was not carried out on individual transactions.
- 1.2 The objectives of the audit review were to ensure that: (i) There are appropriate arrangements in place for the control and monitoring of the school's budget; (ii) The established procedures have been complied with for the purchase and payment of goods and services; (iii) Appropriate controls are in place for the use and administration of imprests; (iv) Accurate and complete inventories are maintained; (v) Appropriate controls are in place for the administration of the School Fund.

## 2. Main Findings

### 2.1 Budget Monitoring

This objective was fully achieved. Budgets are monitored by the Head Teacher with support from the school's designated Principal Accounting Technician within the Resources & Finance Service. Regular reports are received to enable scrutiny of staffing and non-staffing budgets.

### 2.2 Ordering & Payment of Invoices

This objective was fully achieved. Processing of purchase orders and invoices complied with the Council's Financial Regulations and appropriate contract suppliers were used. The school has 1 purchase card which is predominately used for ingredients used in Home Economics and life skill cookery classes.

### 2.3 Imprest

This objective was substantially achieved. During the initial visit the Head Teacher stated that the school did not hold an imprest. However, at the second visit it was clarified that the school has an imprest of £200, which matches the records held by the Council's Resources & Finance Service. The school were under the impression that imprests could not be used during the Covid pandemic, and as a result the last claim for reimbursement was made on 15/10/19 – prior to both the Head Teacher and the Admin Assistant commencing their posts at the school. An examination of the imprest records verified that the imprest account balanced. It is intended that the imprest will be used again from the beginning of the 2023/24 school year.

### 2.4 Inventory

This objective was not achieved as the school did not have an inventory at the time of the audit as required by the Council's Financial Regulations. Work has begun by the FM staff to put together a full inventory (See Action Plan H1).

### 2.5 School Fund

This objective was partially achieved. Spreadsheets are used to record income and expenditure transactions and supporting documentation is held to verify transactions. However, the School Fund is administered by the Admin Assistant with the only scrutiny being done as part of the annual audit of the School Fund Accounts (See Action Plan H2).

The Admin Assistant is currently one of the authorised signatories for the bank account, and cheques only require 1 signature. This contravenes the Council's Financial Regulations, as the Instruction Note on School Funds states that accounts must require 2 signatories for every cheque and requires that the officer maintaining School Fund records is not an authorised signatory unless alternative arrangements are put in place to ensure adequate internal controls exist. However, during a wider audit of school financial processes it has been identified that for schools that use online banking only authorised signatories can be set up to access the online account. Therefore, if an Admin Assistant is to access online banking, they would need to be an authorised

signatory. As this is likely to be the case in most schools using online banking the Instruction Note on School Funds around this aspect of school funds will need to be revised, while ensuring that appropriate internal controls are in place. This will be included as a recommendation in a separate Internal Audit report on School Financial Procedures.

The audit visits also highlighted the key role played by the Admin Assistant across the school's financial procedures, and the need to have wider knowledge of their tasks to ensure that the school office is able to operate effectively during any periods of their absence (See Action Plan H3)

### **3. Conclusion**

- 3.1 The audit found that overall sound processes were in place surrounding the financial management of the school, with good support in place from the Principal Accounting Technician. However, the breaches of Financial Regulations in respect of the lack of an inventory record and the authorisation processes and minimal scrutiny of the School Fund are areas of concern, as is the reliance on the Admin Assistant in all aspects of the school's financial processes. These concerns are reflected in the 3 High Priority Recommendations within the report.

#### 4. Action Plan

Ref	Priority	Finding	Recommendation	Management Response	Implementation	
					Responsible Officer	Target Date
H1	High	The school did not have an inventory of furniture and equipment as required by the Council's Financial Regulations.	An inventory should be established which complies with the requirements of the <a href="#">Instruction Note on Inventory Maintenance</a> .	Work is currently in progress to compile the inventory.	Area Facilities Management Supervisor	06/10/23
H2	High	The School Fund is administered by the Admin Assistant with the only scrutiny being done as part of the annual audit of the School Fund Accounts	Regular scrutiny of School Fund transactions should take place. This is particularly important as the Admin Assistant is an authorised signatory for the bank account and is responsible for online banking transactions.	A monthly meeting is now in place between the Head Teacher and the Admin Assistant to review and discuss School Fund transactions and any issues regarding the Fund.	Head Teacher	Complete
		The inclusion of the Admin Assistant among the authorised signatories for the School Fund is a breach of the Council's Financial Regulations, which also require cheques to be authorised by 2 signatories as stated in the Instruction Note on School Funds.	The Admin Assistant should no longer be included as an authorised signatory for the School Fund, however if this causes issues in accessing online banking appropriate alternatives should be agreed with Internal Audit. The School Fund's bank should be contacted to investigate the possibility of requiring 2 authorising signatures for School Fund cheques, and to establish if a similar arrangement is possible for online banking transactions.	Intend to change bank account during October school holidays – the local branch has closed so transferring the account to a bank with a branch nearby was already planned. We have confirmed that the new bank will introduce 2 signatories for cheque authorisation, and the Admin Assistant will not be one of the signatories.	Head Teacher/ Admin Assistant	20/10/23
H3	High	There is a risk that the school office would be unable to process financial transactions effectively in the absence of the Admin Assistant.	The school should ensure that other office staff are trained in the key financial tasks undertaken by the Admin Assistant to ensure continuity of these tasks in the absence of the Admin Assistant.	Intend to get an agreement with a neighbouring school to provide cover and provide support in case of any long-term absence, with a reciprocal arrangement to cover them if they have long-term absence.	Admin Assistant	06/10/23