

**REPORT TO:           AUDIT AND RISK MANAGEMENT SUB-COMMITTEE 16/05/05**  
**REPORT ON:           INTERNAL AUDIT REPORTS**  
**REPORT BY:           CHIEF INTERNAL AUDITOR**  
**REPORT NO:           335-2005**

**1.    PURPOSE OF REPORT**

To submit to Members of the Audit and Risk Management Sub-Committee a summary of the Internal Audit Reports finalised since the last Sub-Committee.

**2.    RECOMMENDATIONS**

Members of the Sub-Committee are asked to note the information contained within this report.

**3.    FINANCIAL IMPLICATIONS**

None

**4.    LOCAL AGENDA 21 IMPLICATIONS**

None

**5.    EQUAL OPPORTUNITIES**

None

**6.    BACKGROUND**

**6.1.** The day-to-day activity of the Internal Audit Service is primarily driven by the reviews included within the Internal Audit Plan. Broadly, on the completion of a specific review, a report which details the audit findings and recommendations is prepared and issued to Management for a formal response and submission of Management's proposed action plan to take the recommendations forward. Any follow-up work subsequently undertaken will examine the implementation of the action plan submitted by Management.

**6.2.** Executive Summaries for the reviews which have been finalised in terms of paragraph 6.1 above are provided at Appendix A. Within each Executive Summary the prime aim is to provide both Members and Management with key information which includes the reason for undertaking the review, summary financial data and statistics, the areas encompassed within the review and specific areas which were excluded, the principal audit objectives, an audit opinion on the adequacy of the systems and control framework of the area reviewed, the key conclusions based on the audit findings and recommendations and a summary of Management's response to the audit report. The full reports are available to Members on request.

**DAVID K DORWARD**  
**DEPUTE CHIEF EXECUTIVE (FINANCE)**

**05 May 2005**

**BACKGROUND PAPERS**

None

## i) INTERNAL AUDIT REPORT 2004/35

<b>Department</b>	<b>Education</b>
<b>Subject</b>	<b>Devolved School Management</b>

**Introduction**

As part of the planned audit work, a review of the arrangements for Devolved School Management (DSM) within a small sample of primary schools was carried out. The Devolved School Management scheme was first implemented by Tayside Regional Council in 1994 and adopted by Dundee City Council at re-organisation. The Scheme was revised in Spring 2004 following a review of DSM undertaken by a short-life working group set up by the Scottish Executive Education Department. Its overall aim, as outlined in the Guidance documentation prepared by the Department and issued to all schools, is "providing appropriate delegated powers to schools to enable them to take decisions on certain matters quickly and on their own responsibility while remaining accountable to the Authority. It also provides a framework for giving schools a greater degree of control over the application of their budgets to improving the teaching and learning process." The procedures operated in each school should comply with the provisions contained in this guidance.

Support and advice to the schools is provided by the Education Department's Headquarters function. The first point of contact is the finance teams, headed by an Assistant Finance Officer. There are three finance teams, covering the schools in the East, West and Central areas and there is regular communication between the teams and the schools. The Assistant Finance Officers visit schools to discuss DSM issues approximately three times per school year.

**Scope and Objectives**

The objective of the audit was to examine the operation of the devolved school management scheme in a sample of primary schools. Audit fieldwork included an assessment of the procedures for notification of DSM information to the schools, the information flows between the schools and the Headquarters function, the DSM records maintained within the schools and reconciliation of the information contained in these records to that held in the Council ledger system and end of year procedures. The audit sample included a school from the East, West and Central areas. The work undertaken did not include verification of the accuracy of the calculation of the devolved school management budget.

**Conclusion**

*The principal conclusion drawn from this review is that whilst there is basically a sound system of control there are some areas where it is viewed improvements can be made.*

The main areas commented upon in the report are as follows:

- To facilitate budget monitoring and verification of the accuracy of the information contained in the Council's ledger system, school staff should be reminded of the necessity of maintaining their DSM records on the spreadsheet supplied by the Department.
- To ensure integrity and security of data, school staff should be reminded that they should adhere to Council guidelines in the operation and back-up of computing facilities.
- To widen expertise in DSM management and facilitate training of new staff, Head Teachers should be advised of potential problems of assigning responsibility for maintenance and monitoring of DSM records to too few members of staff.
- To help to ensure that all expenditure is allocated to the correct budget heading and to provide an accurate audit trail of expenditure, school staff should be reminded to allocate an appropriate code for all DSM expenditure and to supply adequate supporting documentation.

**i) INTERNAL AUDIT REPORT 2004/35 (cont'd)**

<b>Management Responses to the Audit Report</b>
The audit findings and recommendations were formally reported to the Director of Education and appropriate action agreed to address the specific issues raised.

## ii) INTERNAL AUDIT REPORT 2004/37

<b>Department</b>	<b>Education</b>
<b>Subject</b>	<b>School Funds</b>

### **Introduction**

As part of the planned audit work, a review of the arrangements for managing School Funds within a sample of secondary schools was undertaken.

There are a number of sources of income for School Funds, including income collected for school trips, monies raised for charity and income from donations and fundraising activities. Funds are administered and disbursed by the school for the benefit of the school at the discretion of the Head Teacher and staff, with the exception of funds raised for a specific purpose. In all schools in the audit sample, the administration of the funds was undertaken by the staff with no parental involvement, although parents can be members of the School Fund Committee. Therefore, the administration of the School Funds relies on the goodwill of staff.

Audit fieldwork highlighted that the amount of money held in the funds can be significant. The value of the funds administered by one of the schools during financial year 2003/04 was in the region of £27,000.

### **Scope and Objectives**

The purpose of the review was to give an opinion on the adequacy of the procedures and controls over income, expenditure, and banking of School Funds and the processes for recording and accounting for transactions.

Audit fieldwork focussed on a small sample of secondary schools across the city.

### **Conclusion**

*The principal conclusion drawn from this review is that there are weaknesses in the system which should be addressed.*

The main areas highlighted in the report are as follows:

- To facilitate adherence to best practice in the management of School Funds, the Guidelines contained in the Education Department Admin Manual should be reviewed and updated where necessary. Staff involved in the administration of School Funds should be reminded of the existence of the Guidelines and the importance of adhering to them. The department should also re-introduce the questionnaires for self-assessment of the financial systems within the schools.
- To increase accountability, members of the School Fund Committees should be reminded of the need to hold regular meetings, which should be minuted. In addition, annual, audited accounts should be produced and made accessible to all staff at the school.
- To safeguard staff involved in the administration of the school funds, the requirement for adequate records of income and expenditure and supporting documentation should be reiterated. Separation of duties should be operated where practicable.
- To ensure that reclaim of VAT is maximised and to guard against inappropriate reclaims, consideration should be given to training/guidance requirements relating to VAT issues

### **Management Responses to the Audit Report**

The audit findings and recommendations were formally reported to the Director of Education and appropriate action agreed to address the specific issues raised.