

REPORT TO: Audit and Governance Committee

MEETING DATE: 18 September 2012

BY: Executive Director (Support Services)

SUBJECT: Internal Audit Report – Prestonpans Infant School

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of the recently issued audit report on Prestonpans Infant School.

2 RECOMMENDATION

- 2.1 That the Audit and Governance Committee note the contents of the Executive Summary and Action Plan for Prestonpans Infant School.

3 BACKGROUND

- 3.1 A review of Prestonpans Infant School was undertaken as part of the audit plan for 2012/13.
- 3.2 The objective of the audit was to ensure that the internal controls in place at Prestonpans Infant School were operating effectively.
- 3.3 The main findings from our audit work are outlined in the attached report.

4 POLICY IMPLICATIONS

- 4.1 None

5 EQUALITIES IMPACT ASSESSMENT

- 5.1 This report is not applicable to the well being of equalities groups and Equality Impact Assessment is not required.

6 RESOURCE IMPLICATIONS

6.1 Financial - None

6.2 Personnel - None

6.3 Other - None

7 BACKGROUND PAPERS

7.1 None

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DATE	7 September 2012

**EAST LOTHIAN COUNCIL – INTERNAL AUDIT
PRESTONPANS INFANT SCHOOL**

1. EXECUTIVE SUMMARY

1.1 Introduction

A review of the internal controls operating at Prestonpans Infant School was carried out as part of the Audit Plan for 2012/13. A summary of our main findings is outlined below.

1.2 Areas where Expected Controls were Met

- Adequate arrangements are in place for the collection and banking of income received.
- All purchase card transactions are supported by adequate documentation.
- The systems in place for the checking and receipting of purchase invoices are considered satisfactory.
- Appropriate procedures are in place for ordering goods through the Pecos system.

1.3 Areas with Scope for Improvement

- There was a failure to ensure that the School Fund accounts were prepared and independently audited on an annual basis – key financial documentation for 2010/11 had not been retained including receipts, pay-in books and copy purchase orders. *Risk – errors and irregularities may occur and remain undetected.*
- The security arrangements in place require review – access to the safe keys was not restricted to authorised staff. *Risk – failure to ensure that cash is held securely.*
- There was a lack of checking procedures in place for purchase card transactions – in some cases cardholders were not reviewing their monthly transactions to confirm that purchases made were legitimate. *Risk – inappropriate purchases may be made.*
- The existing arrangements in place for the use of manual purchase orders require review. *Risk – inappropriate purchases may be made.*

1.4 Summary

Our review of Prestonpans Infant School has identified a number of areas with scope for improvement. Detailed recommendations and opportunities for improvement are contained in our main Audit Report.

**Mala Garden
Internal Audit Manager**

September 2012

ACTION PLAN

PARA REF	RECOMMENDATION	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.2.1	The School should contact the bank and request a copy of the closing bank statement to evidence that the petty cash account has been closed and that all funds have been properly transferred.	Head Teacher	Agreed		October 2012
3.3.1	Management should ensure that all decisions in respect of the School Fund are properly documented and retained by the School.	Head Teacher	Agreed		In Place
3.3.2	The School Fund accounts should be prepared and independently audited on an annual basis. Copies of the audited School Fund accounts should be forwarded to the Council's Financial Services Section.	Head Teacher	Agreed		October 2012
3.3.3	The School Fund bank account, which is no longer in use, should be closed and a copy of the closing bank statement forwarded to the Council's Financial Services Section.	Head Teacher	Agreed		October 2012

PARA REF	RECOMMENDATION	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.4.1	All transactions on the cashbook summary sheet should be cross referenced to the entries recorded on the individual School Fund analysis sheets.	Head Teacher	Agreed		October 2012
3.5.4	Management should ensure that receipts issued by the security company for the bank bags uplifted are checked and countersigned by a member of staff from the school. Access to the safe keys should be restricted to authorised staff only.	Head Teacher	Agreed		In Place
3.6.2	A clear audit trail should be maintained for purchase order forms – a copy of all purchase orders should be retained in the purchase order file including cancelled or spoilt orders.	Head Teacher	Agreed		In Place
3.6.3	The school commitment system should be updated to reflect all purchase orders raised.	Head Teacher	Agreed		In Place
3.8.2	All cardholders should view and update their own monthly transactions to confirm that purchases made are valid and legitimate.	Head Teacher	Agreed		October 2012