

**REPORT TO:** Audit and Governance Committee

**MEETING DATE:** 17 March 2015

**BY:** Depute Chief Executive – Resources & People Services

**SUBJECT:** Internal Audit Report – Knox Academy

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## **1 PURPOSE**

- 1.1 To inform the Audit and Governance Committee of the recently issued audit report on Knox Academy.

## **2 RECOMMENDATION**

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

## **3 BACKGROUND**

- 3.1 A review of Knox Academy was undertaken as part of the audit plan for 2014/15.
- 3.2 The main objective of the audit was to ensure that the financial arrangements in place at the 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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<b>DATE</b>	5 March 2015

## **EAST LOTHIAN COUNCIL – INTERNAL AUDIT KNOX ACADEMY**

### **1. EXECUTIVE SUMMARY**

#### **1.1 Introduction**

As part of the Audit Plan for 2014/15 a review was undertaken of the financial arrangements operating at Knox Academy. A summary of our main findings is outlined below.

#### **1.2 Areas where Expected Controls were Met**

- Detailed financial procedures are in place to provide guidance to staff responsible for administering the School's finances.
- Adequate arrangements are in place for the collection and recording of all income received.
- All School Fund income received and expenditure incurred is accurately recorded in the School Fund cash book.
- Regular reconciliations are undertaken of both the Petty Cash Imprest and the School Fund.
- A clear audit trail exists for all expenditure incurred by the School – expenditure is supported by purchase orders and suppliers' invoices.
- For goods ordered through the Pecos system, adequate procedures are in place for the ordering, authorising and receipting of purchases.
- Effective arrangements are in place for the use of purchase cards and the monitoring of cardholder transactions.
- The School DSM commitment spreadsheets for monitoring income and committed expenditure had been updated to accurately reflect the financial position of the School.
- The overall financial position of the School is regularly checked and reconciled to the Council's general ledger.

#### **1.3 Areas with Scope for Improvement**

- At present cash prepared for banking is not being checked and countersigned by a second member of staff. *Risk – errors and irregularities may occur and remain undetected.*

#### **1.4 Summary**

Our review of Knox Academy has identified that the financial arrangements in place are operating satisfactorily in most areas. Detailed findings and recommendations are contained in our main Audit Report.

**Mala Garden**  
**Internal Audit Manager**

**March 2015**

**ACTION PLAN**

<b>PARA REF</b>	<b>RECOMMENDATION</b>	<b>GRADE</b>	<b>RESPONSIBLE OFFICER</b>	<b>AGREED ACTION</b>	<b>RISK ACCEPTED/ MANAGED</b>	<b>AGREED DATE OF COMPLETION</b>
3.2.4	Management should ensure that petty cash reimbursement claims are submitted on a regular basis.	Low	School Business Manager	Agreed		March 2015
3.4.4	Management should review the existing banking procedures in place – a second member of staff should check all cash prepared for banking and countersign the bank giro pay-in slip.	High	School Business Manager	Agreed		March 2015
3.6.7	Management should ensure that a VAT invoice/receipt is obtained to enable VAT to be reclaimed on all vatable purchases.	Medium	School Business Manager	Agreed		March 2015

### **Grading of Recommendations**

In order to assist Management in using our reports, we categorise our recommendations according to their level of priority as follows:

Level	Definition
<b>High</b>	Recommendations which are fundamental to the system and upon which Management should take immediate action.
<b>Medium</b>	Recommendations which will improve the efficiency and effectiveness of the existing controls.
<b>Low</b>	Recommendations concerning minor issues that are not critical, but which may prevent attainment of best practice and/or operational efficiency.