

**REPORT TO:** Audit and Governance Committee

**MEETING DATE:** 24 January 2017

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

**SUBJECT:** Internal Audit Report – Preston Lodge High School

---

**1 PURPOSE**

- 1.1 To inform the Audit and Governance Committee of the recently issued audit report on Preston Lodge High School.

**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 Preston Lodge High School was undertaken as part of the audit plan for 2016/17.
- 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 INTEGRATED IMPACT ASSESSMENT**

- 5.1 The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy.

## **6 RESOURCE IMPLICATIONS**

6.1 Financial - None

6.2 Personnel - None

6.3 Other - None

## **7 BACKGROUND PAPERS**

7.1 None

<b>AUTHOR'S NAME</b>	Mala Garden
<b>DESIGNATION</b>	Internal Audit Manager
<b>CONTACT INFO</b>	01620 827326
<b>DATE</b>	12 January 2017

**EAST LOTHIAN COUNCIL – INTERNAL AUDIT  
PRESTON LODGE HIGH SCHOOL**

**1. EXECUTIVE SUMMARY**

**1.1 Introduction**

A review of the financial arrangements operating at Preston Lodge High School was undertaken as part of the Audit Plan for 2016/17. A summary of our main findings is outlined below.

**1.2 Areas where Expected Controls were Met**

- Detailed financial procedures are in place for staff with responsibility for administering the School's finances.
- Adequate arrangements are in place for operating the Petty Cash Imprest bank account.
- A clear audit trail exists for all petty cash expenditure incurred.
- Appropriate arrangements are in place for the administration of the School Fund.
- Regular reconciliations are undertaken of both the Petty Cash Imprest and the School Fund.
- For goods ordered through the Pecos system, adequate procedures are in place for the ordering, authorising and receipting of purchases.
- Appropriate arrangements are in place for budget monitoring.

**1.3 Areas with Scope for Improvement**

- At present, cash prepared for banking is not being verified by a second member of staff. *Risk – errors and irregularities may occur and remain undetected.*
- There had been a failure to ensure that School Fund income was banked intact – in one case identified, income received had been used to replenish the Petty Cash Imprest. *Risk – non compliance with financial procedures.*
- The existing procedures in place for the recording and monitoring of school trip income and expenditure require review. *Risk – failure to adopt a consistent approach.*
- In some cases, there had been a failure to properly account for VAT. *Risk – non compliance with HMRC requirements.*

**1.4 Summary**

Our review of the financial arrangements operating at Preston Lodge High School has identified some areas with scope for improvement. Detailed findings and recommendations are contained in our main Audit Report.

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

**January 2017**

**EAST LOTHIAN COUNCIL – INTERNAL AUDIT  
PRESTON LODGE HIGH SCHOOL**

**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 the petty cash spreadsheet clearly identifies both the cash held and the bank balance.	Low	Head Teacher / School Business Manager	Agreed		January 2017
3.3.5	Management should ensure that all supporting documentation is submitted to the Council with the School Fund Annual Return.	Medium	Head Teacher / School Business Manager	Agreed – all documentation now in place.		January 2017
3.4.2	Management should review the existing procedures in place for the recording and monitoring of school trip income and expenditure.	Medium	Head Teacher / School Business Manager	Agreed		May 2017
3.4.3	Management should ensure that all income received is passed to the school office on a daily basis.  Management should ensure that all income received is banked intact.	Medium	Head Teacher / School Business Manager	Agreed		January 2017

<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>
3.4.5	Management should ensure that all cash prepared for banking is verified by a second member of staff – evidence of this check should be held on file.	Medium	Head Teacher / School Business Manager	Agreed		January 2017
3.5.1	Management should review the current arrangements for key security.	Medium	Head Teacher / School Business Manager	Agreed		January 2017
3.6.4	Management should ensure that all purchase card transactions are reviewed by the Cardplus Supervisor on the Cardplus system.	Medium	Head Teacher / School Business Manager	Agreed		January 2017
3.6.5	Management should ensure that for purchase card transactions, a clear description of the items purchased is detailed in the DSM and School Fund records.	Medium	Head Teacher / School Business Manager	Agreed		January 2017
3.8.1	Management should ensure compliance with the VAT procedures contained in both the DSM Financial Procedures for Schools and the purchase card guidance.	Medium	Head Teacher / School Business Manager	Agreed		January 2017

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.10.1	Management should ensure that the two separate bank accounts held for fund raising activities are operated under the auspices of the Parent Council.	Medium	Head Teacher / School Business Manager	Agreed		June 2017

### **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.